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KINGBOARD COPPER FOIL HOLDINGS LIMITED



Annual Report 2004

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BOARD OF DIRECTORS

Cheung Kwok Wing (*Chairman*)
Chan Wing Kwan (*Managing Director*)
Cheung Kwok Ping
Ho Yin Sang
Lai Chung Wing, Robert
Ong Tiong Wee

COMPANY SECRETARIES

Ira Stuart Outerbridge III
FCIS
Chow Yew Kee
CPA

AUDIT COMMITTEE

Lai Chung Wing, Robert (*Chairman*)
Ong Tiong Wee
Cheung Kwok Ping

NOMINATING COMMITTEE

Lai Chung Wing, Robert (*Chairman*)
Ong Tiong Wee
Cheung Kwok Ping

REMUNERATION COMMITTEE

Lai Chung Wing, Robert (*Chairman*)
Ong Tiong Wee
Cheung Kwok Ping

AUDITORS

Deloitte & Touche
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

Audit partner in charge: William Lim Choon Hock
Appointed on May 26, 2003

SOLICITORS

Bermuda
Conyers Dill & Pearman
3408 Two Exchange Square
8 Connaught Place
Central, Hong Kong

Singapore

Shook Lin & Bok
1 Robinson Road #18-00
AIA Tower
Singapore 048542

PRINCIPAL BANKERS

Citibank N.A.
47th Floor Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Standard Chartered Bank
10th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road, Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM II
Bermuda
Tel no: (441) 295 1422
Fax no: (441) 292 4720
Email: info@cdp.bm

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5th Floor, Block J
Valiant Industrial Centre
2-12 Au Pui Wan Street
Fo Tan, Shatin
Hong Kong

BERMUDA REGISTRAR AND SHARE TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Compact Administrative Services Pte Ltd
6 Shenton Way #28-09
DBS Building Tower Two
Singapore 068809

Five Year Financial Summary

KINGBOARD COPPER FOIL HOLDINGS LIMITED

OPERATING RESULTS OF THE GROUP

(HK\$'000)	Year Ended March 31		1.4.2002 to	Year Ended December 31	
	2001	2002	31.12.2002	2003	2004
Turnover	547,491	484,264	379,467	698,005	1,032,924
Profit before taxation	194,747	100,101	43,146	83,499	108,072
Taxation	(11,965)	(6,524)	(207)	(9,507)	(2,977)
Profit attributable to Proforma Group	182,782	93,577	42,939	73,992	105,095
Earnings per Share (cents) ⁽¹⁾	27.28	13.97	5.96	10.24	14.55

FINANCIAL POSITION OF THE GROUP

(HK\$'000)	At March 31		At December 31		
	2001	2002	2002	2003	2004
Property, plant and equipment	500,234	570,734	554,248	562,596	860,340
Other investments	6,782	6,782	6,782	6,782	15,782
Current assets	882,105	798,287	846,652	841,136	843,635
Current liabilities ⁽²⁾	(149,502)	(197,602)	(133,934)	(79,073)	(308,709)
Net current assets ⁽²⁾	732,603	600,685	712,718	762,063	534,926
Non-current liabilities	(121,495)	0	0	0	0
	1,118,124	1,178,201	1,273,748	1,331,441	1,411,048
Shareholders' equity ⁽²⁾	1,118,124	1,178,201	1,273,748	1,331,441	1,411,048
Net tangible assets per Share (cents) ^{(1) (2)}	166.88	175.85	176.30	184.28	195.30

Notes:-

- (1) For FY2001 and FY2002, the number of shares used in the calculation of Earnings per Share and Net tangible assets per Share was 670,000,000 Shares. For the 9 months period ended December 31, 2002, the number of shares used in the calculation of Earnings per Share and Net tangible assets per Share was 720,453,000 Shares (being the weighted average number of shares in issue throughout the financial period) and 722,500,000 Shares (being the number of shares in issue at the end of the financial period) respectively. For FY2003 and FY2004, the number of shares used in the calculation of Earnings per Share and Net tangible assets per Share was 722,500,000 Shares.
- (2) For comparative purposes, the current liabilities, net current assets, shareholders' equity and net tangible assets per Share of the Group for FY2001 have been adjusted for the reclassification of dividend proposed from current liabilities to shareholders' equity in accordance with Singapore Statement of Accounting Standard 10.

RESULTS

On behalf of the Board, I am very pleased to report to our shareholders that the Group achieved good financial results for the year ended December 31, 2004 ("FY2004") on the back of broad based recovery in the electronics industry in 2004. The Group continued to be in a healthy financial position.

- Turnover amounted to HK\$1,033 million, up approximately 48%
- Profit attributable to shareholders was HK\$105 million, representing an increase of 42% when compared with last financial year
- Earnings per share were HK14.55 cents, up 42%
- Final dividend per share is proposed at HK2.5 cents, an increase of 25% over last year's HK2.0 cents

BUSINESS REVIEW

During the year under review, the Group's operating environment was more favourable when compared with last year. After going through a three-year downturn period, the electronics industry has been able to sustain its recovery momentum throughout year 2004. The Group has speeded up its business expansion plan in view of the improved market condition. The stage five of Phase Three of the Fogang copper foil plant started trial production in June 2004 while the first and second stage of Phase One of the Lianzhou copper foil plant commenced trial operation in September and December 2004 respectively, thereby adding a further capacity of 780 tonnes to the Group's monthly capacity. As a result, our volume sales recorded a healthy growth of 17% over last year.

Despite the increasing recognition of our products quality in the market by multi-layer printed circuit board ("PCB") manufacturers, demand from the parent company outstripped our capacity and hence this had constrained our sales to external customers other than the parent company which accounted for approximately 13% of the total sales (FY2003: 14%). However, in terms of dollar amount, sales to external customers achieved a record high for the Group and amounted to approximately HK\$131 million.

Demand from multi-layer PCB manufacturers on our 18 microns thickness copper foil which had a relatively higher profit margin than the 35 microns thickness copper foil remained to be strong in current financial year and accounted for approximately 27% of the total sales (FY2003: 25%) while 35 microns and above thickness copper foil, accounted for 73% (FY2003: 75%). However, this benefit was partially offset by the sharp upsurge in the prices of raw materials, mainly copper. In addition, the Group incurred start up losses in the new copper foil plant in Lianzhou, PRC. As a result, pre-tax profit margins stood at 10.5%, slightly lower than FY2003. Although the revenue generated from 12 microns thickness copper foil was insignificant in FY2004, we believe this product will have strong growth potential in the future.

FINANCIAL POSITION

The Group has spent a substantial amount of HK\$372 million on the capacity expansion in current financial year. Stage five of Phase Three of the Fogang copper foil plant and the first and second stage of Phase One of the Lianzhou copper foil plant had been completed in current year. In addition, the Group made investment in the production of polyvinyl butyral ("PVB") resin, a chemical used in the production of coated copper foil, with monthly capacity of 50 tonnes. The PVB resin produced currently will be consumed internally by our copper foil plants.

The Group continued to adopt a prudent financial management policy. As at December 31, 2004, net current assets and current ratio were approximately HK\$535 million and 2.73 respectively. The current assets included cash of HK\$119 million, trade receivables of HK\$472 million, other receivables and prepayments of HK\$99 million and inventories of HK\$154 million. The Group's change from net cash to net bank borrowings of HK\$95 million was mainly due to the capital expenditure of HK\$372 million in FY2004. As at December 31, 2004, no significant assets have been pledged.

Due to increased volume shipments and more smaller quantity orders from customers, distribution costs surged by 37% to HK\$12 million in FY2004. Finance costs were HK\$3 million mainly resulting from a Chinese bank loan raised in March 2004 and subsequently repaid in November 2004.

There is no material foreign exchange fluctuations exposure to the Group. The Group's revenue, being mostly dominated in Hong Kong dollars, Renminbi and US dollars, was fairly matched with the currency requirements of operating expenses.

PROSPECT

Looking forward, the coming financial year will be a challenging year for the Group. The global business environment is expected to be affected by the volatility of most commodity prices such as crude oil and the possible further hikes of US interest rates. The Group will continue to face volatile market conditions and keen competition. Despite the tough market conditions, the Group is cautiously optimistic about the outlook for its copper foil business.

With an expanded capacity and proven product quality established over the past years, we have been able to serve our customers more effectively and efficiently. In order to further enhance our product's competitiveness and strengthen our position in the copper foil market, the Group will continue to make investments in capacity expansion and research and development. The third stage of Phase One of the Lianzhou copper foil plant commenced trial operation in February 2005 with a monthly capacity of 270 tonnes. Furthermore, to cope with the increasing internal and external demand, the management is contemplating investment in the fourth and fifth stage of Phase One of the Lianzhou copper foil plant, each with a monthly capacity of 270 tonnes. As at December 31, 2004, approximately HK\$230 million has been spent on the Lianzhou copper foil plant including the purchase of land, plant and machinery.

As mentioned earlier, we have started the production of PVB resin. PVB resin is also the basic raw material for the production of PVB film. In order to achieve better economy of scale as well as diversify our products offering, the Group decided to invest in the production of PVB film with an annual capacity of 4,000 tonnes. PVB film has the properties of transparency, hot-resistance, cold-resistance, moist-resistance and high mechanical strength and is applied in many fields as laminated material.

Barring any unforeseen circumstances, the Directors expect the Group to continue to stay profitable in the current year.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to our shareholders, customers, bankers, the management and employees for their continued support in last financial year.

Cheung Kwok Wing

Chairman

Hong Kong, February 23, 2005

Directors and Senior Management Profile

KINGBOARD COPPER FOIL HOLDINGS LIMITED

DIRECTORS

Mr. CHEUNG Kwok Wing, aged 49, is an Executive Director and Chairman of the Company and its subsidiaries (“KBCF Group”). He is also the group chairman and co-founder of the “Kingboard Group” – Kingboard Chemical Holdings Limited (“KCHL”), being the ultimate holding company of the Company incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited. Mr Cheung has had over 25 years’ experience in the production and sales of laminates for use by manufacturers of PCBs and electronic products and is responsible for the overall strategic planning of the KBCF Group and sets the general direction and goals for the KBCF Group. He was awarded the Young Industrialist Award of Hong Kong 1993 by the Federation of Hong Kong Industries.

Mr. CHAN Wing Kwan, aged 59, is an Executive Managing Director of the KBCF Group, the managing director and co-founder of the Kingboard Group. He acquired a degree of Doctor of Business Science from Pacific Western University in L.A.. Mr. Chan has had over 27 years’ experience in the sale and distribution of electronic components, as well as upstream products such as PCBs, laminates and copper foil. Mr. Chan is responsible for the overall implementation of the strategic plans and goals of the KBCF Group and supervises the management in the day-to-day operations of the KBCF Group.

Mr. CHEUNG Kwok Ping, aged 44, is an Executive Director of the Company. He has had over 21 years’ experience in the field of marketing. He is also a director of the Kingboard Group and is mainly responsible for the Group’s marketing operations.

Mr. HO Yin Sang, aged 50, an Executive Director of the Company and Factory Manager of Fogang Kingboard Industry Ltd, a subsidiary of the Company. He joined the Kingboard Group in 1989. He has had over 15 years’ experience in copper foil production. Mr. Ho is in charge of overall operations and enterprise management in the KBCF Group.

Mr. LAI Chung Wing, Robert, aged 57, was appointed to the Board of the Company on November 29, 1999 as an Independent Non-Executive Director. He holds a Bachelor-of-Laws (Honours) degree from the University of London and is currently involved in business consultancy work in the Asia-Pacific region. He has had extensive experience in trading and investment. He was previously the managing director of Seaunion Holdings Ltd (now known as Sen Hong Resources Ltd), an oil and gas company listed on The Stock Exchange of Hong Kong Limited.

Mr. ONG Tiong Wee, aged 64, was appointed to the Board of the Company on November 16, 2001 as an Independent Non-executive Director. He graduated with a Bachelor of Commerce from the University of New South Wales, Australia, and is a member of the Institute of Chartered Accountants in Australia. Mr. Ong has run his own public accounting firm for over 20 years in Singapore. Prior to that, he had 12 years’ experience with 2 of the top 4 international auditing firms and 5 years’ accounting and finance experience with a multinational company in Australia.

SENIOR MANAGEMENT

Mr. LO Ka Leong, aged 31, the Financial Controller, joined the Kingboard Group in May 1999. Prior to that, he was an accountant at an international accounting firm. He holds a Bachelor in Professional Accountancy from The Chinese University of Hong Kong. He is in charge of the financial management of the KBCF Group.

The Directors present their report together with the audited financial statements of the Company and consolidated financial statements of the Group for the financial year ended December 31, 2004.

1. DIRECTORS

The Directors of the Company in office at the date of this report are:

Mr Cheung Kwok Wing
 Mr Chan Wing Kwan
 Mr Cheung Kwok Ping
 Mr Ho Yin Sang
 Mr Lai Chung Wing, Robert
 Mr Ong Tiong Wee

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options and warrants mentioned below.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Particulars of interest of Directors in shares and debentures of the Company and related corporations are as follows:

	Shareholdings registered in the names of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company Ordinary shares of US\$0.10 each				
Mr Cheung Kwok Wing	–	–	440,658,000	441,072,000
Mr Lai Chung Wing, Robert	72,000	72,000	–	–
The ultimate holding company – Kingboard Chemical Holdings Limited Ordinary shares of HK\$0.10 each				
Mr Cheung Kwok Wing	2,567,060	1,805,060	234,635,800	234,635,800
Mr Chan Wing Kwan	1,931,400	1,608,400	–	–
Mr Cheung Kwok Ping	1,538,260	1,815,260	–	–
Mr Ho Yin Sang	203,200	203,200	–	–

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Cont'd)

	Shareholdings registered in the names of Directors		Shareholdings in which Directors are deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Options to acquire ordinary shares of HK\$0.10 each				
Mr Cheung Kwok Wing	4,009,000	3,055,000	–	–
Mr Chan Wing Kwan	4,458,000	3,981,000	–	–
Mr Cheung Kwok Ping	4,795,000	4,318,000	–	–
Mr Ho Yin Sang	5,020,000	4,543,000	–	–
Warrants to acquire ordinary shares of HK\$0.10 each				
Mr Cheung Kwok Wing	–	371,506	–	23,463,580
Mr Chan Wing Kwan	–	210,840	–	–
Mr Cheung Kwok Ping	–	201,526	–	–
Mr Ho Yin Sang	–	68,020	–	–

The Directors' interests as at January 21, 2005 were the same as those at the end of the financial year except as follows:

	Shareholding registered in the names of the Directors	Shareholdings in which the Directors are deemed to have an interest
	At January 21, 2005	
The ultimate holding company – Kingboard Chemical Holdings Limited Ordinary shares of HK\$0.10 each		
Mr Cheung Kwok Ping	1,715,260	–

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except as disclosed in the financial statements and except that certain Directors have received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

5. OPTION TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6. OPTION EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8. AUDIT COMMITTEE

The Audit Committee comprises Messrs Lai Chung Wing, Robert, Ong Tiong Wee and Cheung Kwok Ping. The Audit Committee is chaired by Mr Lai Chung Wing, Robert. Mr Cheung Kwok Ping is an Executive Director of the Company and Messrs Lai Chung Wing, Robert and Ong Tiong Wee are independent non-executive Directors of the Company.

The Audit Committee meets periodically to discuss and review the following:

- a) the audit plan, the system of internal accounting controls and the audit report in conjunction with the external auditors;
- b) the assistance given by the Company's officers to the external auditors;
- c) the financial statements of the Company and the consolidated financial statements of the Group; and
- d) all interested party transactions entered into by the Group.

The Audit Committee recommended to the Board of Directors the re-appointment of Deloitte & Touche as external auditors at the forthcoming annual general meeting of the Company.

9. AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

Cheung Kwok Wing

Chairman

Chan Wing Kwan

Managing Director

February 23, 2005

The Board of Directors ("the Board") of Kingboard Copper Foil Holdings Limited fully supports the Code of Corporate Governance as recommended by Singapore Corporate Governance Committee. For effective corporate governance, the Company has in place various self-regulatory and monitoring mechanisms.

BOARD MATTERS

Board Composition and Balance

The Board comprises six members, two of whom are independent non-executive directors.

The Board is of the view that the current Board size of six directors is appropriate for effective decision-making, taking into account the nature and scope of the operations of the Company.

The Board comprises of directors who collectively provide core competencies, sales and marketing experience in copper foil, technical knowledge in manufacturing of copper foil, administration and management experience in PRC factories, as well as in-house advice to comply with international laws and regulations.

Chairman and Chief Executive Officer

The Board of the Company is headed by a Chairman whose role differs from that of the Managing Director of the Company.

The duties of Chairman include (but not limited to) the following:–

- schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- prepare meeting agenda in consultation with the Managing Director;
- exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- assist in ensuring compliance with the Company's guidelines on corporate governance.

The Managing Director is mainly responsible for the overall strategic planning, and day-to-day management of the Group.

BOARD MATTERS (Cont'd)

Board's Conduct of its Affairs

The Board is entrusted with the responsibility to supervise the management of the business and the affairs of the Group. The Group has adopted internal guidelines in setting forth matters that require board approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. These functions are carried out by the Board directly or through committees of the Board which have been set up to support its work.

The Board meets regularly and as warranted by particular circumstances. The Bye-Laws of the Company has provisions for telephone and video-conference meetings. The executive directors normally meet on an informal basis every two weeks, while the non-executive independent directors will participate in meetings where the interim and final results are reviewed and approved.

Directors' attendance at Board and Board Committee meetings during the financial year are as follows:-

Name of Director	Board Meeting No. of Meetings Attended	Audit Committee No. of Meetings Attended	Nominating Committee No. of Meetings Attended	Remuneration Committee No. of Meetings Attended
Cheung Kwok Wing (Chairman)	4	-	-	-
Chan Wing Kwan (Managing Director)	4	-	-	-
Cheung Kwok Ping (Executive)	4	4	1	1
Ho Yin Sang (Executive)	4	-	-	-
Zhang Guanghui (Executive) (Note)	4	-	-	-
Lai Chung Wing, Robert (Non-executive Independent)	4	4	1	1
Ong Tiong Wee (Non-executive Independent)	4	4	1	1

Note: Mr Zhang Guanghui resigned on January 3, 2005.

BOARD MATTERS (Cont'd)

Access to Information

The Management of the Company has an obligation to furnish the Board with complete and adequate information in a timely manner. The Board is also given separate and independent access to the Company's senior management. Notice of board meetings and the relevant meeting papers are sent to individual directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board.

All the Directors are given separate and independent access to the company secretary, whose role includes ensuring that board procedures are observed and followed through and that applicable rules and regulations are complied with. The company secretary or his representative attends all the meetings of the Company.

The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

Effective formal and informal communication channels are in place between the Board and the Management which enable newly appointed directors to familiarize themselves with the operation, business and corporate governance practices of the Company without the need for formal training programme. Nevertheless the newly-appointed directors, with their profound commercial experience and relevant academic qualifications, are able to keep abreast with the relevant new laws, regulations and changing commercial risks.

NOMINATING COMMITTEE ("NC")

The Nominating Committee of the Company comprises of three members, two of whom, inclusive of the Chairman, are independent non-executive directors. The major terms of reference of the NC include:-

- regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- annually review whether or not a director is independent, in accordance with paragraph 2.1 of the Code of Corporate Governance and other salient factors;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- keep up to date with strategic issues and commercial changes affecting the Company and the market in which it operates;
- assess the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board; and
- be responsible for re-nomination having regard to the director's contribution and performance, including, if applicable, as an independent director.

NOMINATING COMMITTEE ("NC") (Cont'd)

Board Membership

All the directors, except the Chairman and Managing Director, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. At the Company's annual general meeting, a director appointed during the year and at least one-third of the remaining directors shall retire from office.

Board Performance

The NC is of the opinion that the multiple Board representations held by the Directors do not hinder them in carrying out their duties to the Company. When a director has multiple board representations, he will ensure that sufficient time and attention is given to the affairs of each company. The NC will decide whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company.

REMUNERATION COMMITTEE ("RC")

Level and mix of remuneration

The Remuneration Committee of the Company comprises three members, of whom two, inclusive of the Chairman, are independent non-executive directors. The major terms of reference of the RC include:–

- determine and agree with the Board the framework or board policy for the remuneration of the Company's Board and key executives, and to determine specific remuneration packages for each executive director and the Chief Executive Officer and such other members of the executive management as it is designated to consider;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- determine targets for any performance relating to pay schemes operated by the Company, taking into account; pay and employment conditions within the industry and in comparable companies;
- within the terms of the agreed policy, determine the total individual remuneration package of each executive director and executive manager including, where appropriate, allowances, bonuses, benefits in kind, incentive payments, and share options, if any;
- determine the policy for and scope of service agreements for the executive management team, termination payments and compensation commitments, including fixing appointment period for the directors; and
- determine the remuneration of non-executive directors, taking into account factors such as effort, time spent and responsibilities.

The Code of Corporate Governance requires the remuneration of at least top 5 key executives who are not also directors to be disclosed within bands of S\$250,000. The Company is of the opinion that, given the highly competitive industry conditions, disclosure of the remuneration of these executives is not advantageous to its business interests.

REMUNERATION COMMITTEE ("RC") (Cont'd)

Disclosure of Remuneration

Director's Remuneration (For the financial year ended December 31, 2004)

Remuneration Band & Name of Director	Directors' Fees	Basic Salary	Bonuses	Total compensation
	%	%	%	%
S\$500,000 and above	–	–	–	–
S\$250,000 to S\$499,999				
Ho Yin Sang	–	86	14	100
Below S\$250,000				
Lai Chung Wing, Robert	100	–	–	100
Ong Tiong Wee	100	–	–	100

Apart from the above mentioned executive director who is paid remuneration, the rest of the executive directors are not paid any remuneration by the Company. However, the Company pays a management fee to its parent company, inter alias, for the services rendered by the other executive directors who are also directors of the parent company.

All non-executive directors are paid a fixed director's fee only, taking into account their efforts and time rendered, as well as contribution to the growth of the Company.

AUDIT COMMITTEE ("AC")

Accountability

The Board of Directors is accountable to the Shareholders while the Management of the Company is accountable to the Board. From year 2003 onwards, the Company announces its results on a quarterly basis, providing the shareholders with a balanced and understandable assessment of the Company's performance, position and prospect.

Audit Committee

The major terms of reference of the AC include the following:–

- review with the external auditors, the audit plan;
- review with the external auditors, their evaluation of the system of internal accounting controls;
- review the scope and results of the internal audit procedures;
- review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit & loss account and submit them to the Board;
- nominate persons as auditors;

AUDIT COMMITTEE ("AC") (Cont'd)

Audit Committee (Cont'd)

- review with the internal and external auditors their findings on their evaluation of the Company's system of internal controls for the purpose of assisting the Board in developing policies that would enhance the controls and operating systems of the Company; and
- review of interested person transactions as part of the standard procedures while examining the adequacy of internal controls of the Group.

The Board will ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members have accounting and related financial management expertise or experience.

The duties of the AC include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the Committee will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.

The AC can have access to the internal auditors and external auditors at any time, as and when they think necessary, needless to first refer to the Company's Management.

The AC will review the independence of the external auditors, the resources and adequacy of the internal audit function, at least once a year.

The AC had undertaken a review of all the **non-audited services** provided by the auditors and concluded that in their opinion, such services did not affect the independence of the auditors.

In addition, the AC is authorized:-

- to investigate any matter within its terms of reference;
- to have full access to and co-operation by the Management;
- to have full discretion to invite any director or executive officer to attend its meetings; and
- to have reasonable resources to enable it to discharge its functions properly.

There were four AC meetings held in the financial year ended December 31, 2004. The Directors' attendance at those meetings is as follows:-

Director	No. of Meetings Attended
Lai Chung Wing, Robert (Non-executive Independent)	4
Ong Tiong Wee (Non-executive Independent)	4
Cheung Kwok Ping (Executive)	4

AUDIT COMMITTEE ("AC") (Cont'd)

Internal Controls

The Group has in place a system of internal controls, the key elements of which are as follows:–

- formal policies and procedures are in place, including the documentation of key processes, procedures and rules relating to the delegation of authorities. These allow the monitoring of controls and restrict the unauthorized use of the Group assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- monthly business and financial reports are prepared, providing relevant, timely, reliable and up-to-date financial and other information; budget variances are investigated as appropriate; and
- an internal audit function, which reports directly to the AC, is in place to determine whether the above procedures are properly carried out.

The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assistance of the AC, the present internal controls and risk management processes are satisfactory for the nature and size of the Group's operations and business.

COMMUNICATION WITH SHAREHOLDERS

The Company's Annual General Meeting (AGM) and Special General Meeting (SGM) provide good opportunities for shareholders to air their views and ask Directors and Management questions regarding the Company. All shareholders of the Company receive the annual report, circular and notice of AGM and SGM. The notice is also advertised in the newspapers. Separate resolutions are required at general meetings on each distinct issue. Shareholder is permitted to appoint one or two proxies to attend and vote in his stead. The chairpersons of the audit, nomination and remuneration committees will be required to be present and available to address questions at general meetings. The external auditors are also required to be present to assist the Directors in addressing any relevant queries by shareholders.

SECURITIES TRANSACTIONS

The Company has adopted a Code on Dealings in Securities to provide guidance to its directors and employees with regard to dealings in the Company's securities in compliance with the Best Practices Guide issued by SGX-ST. The code prohibits securities dealings by directors and employees while in possession of price-sensitive information, and during the period commencing one month before the announcement of the full year results and two weeks before release of the quarterly (Q1, Q2 & Q3) results.

MATERIAL CONTRACTS

There was no material contracts of the Company and any related companies involving the interests of the chief executive officers, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy with respect to any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. The aggregate value of all interested person transactions entered into during the financial year ended December 31, 2004 pursuant to Rule 920(1)(a)(ii) of the SGX-ST Listing Manual is as follows:–

Name of Interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	HK\$	HK\$
Kingboard Laminates Limited	11,377,000	663,152,000
Jamplan Marketing Limited	–	394,000
Shanghai Jamplan Chemical Industry & Insulated Material Development Company Limited	–	9,916,000
Kunshan Yattao Chemical Company Limited	–	89,190,000
Kingboard Laminates (Kunshan) Company Limited	–	79,532,000
Kingboard Laminates (Jiangmen) Company Limited	–	66,575,000
Techwise Circuits Company Limited	–	10,075,000
King Board (Panyu) Chemical Company Limited	–	4,069,000
Total	11,377,000	922,903,000

Note: All the above named companies are subsidiaries of Kingboard Chemical Holdings Limited, a substantial shareholder of the Company listed on The Stock Exchange of Hong Kong Limited.

AUDITORS' REPORT TO THE MEMBERS OF KINGBOARD COPPER FOIL HOLDINGS LIMITED

We have audited the accompanying financial statements of Kingboard Copper Foil Holdings Limited set out on pages 22 to 41 for the year ended December 31, 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards ("FRS") and present fairly in all material respects, the state of affairs of the Group and of the Company as at December 31, 2004 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Deloitte & Touche

Certified Public Accountants

William Lim Choon Hock

Partner

Singapore

February 23, 2005

Balance Sheets

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

	Notes	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
ASSETS					
Current assets:					
Cash and bank balances		118,631	234,943	–	–
Trade receivables	5	471,605	480,554	–	–
Other receivables and prepayments	6	99,447	40,372	22,563	15,550
Inventories	7	153,952	85,267	–	–
Total current assets		843,635	841,136	22,563	15,550
Non-current assets:					
Subsidiaries	8	–	–	394,165	394,165
Loan to a subsidiary	8	–	–	455,488	467,886
Property, plant and equipment	9	860,340	562,596	–	–
Other investments	10	15,782	6,782	9,000	–
Total non-current assets		876,122	569,378	858,653	862,051
Total assets		1,719,757	1,410,514	881,216	877,601
LIABILITIES AND EQUITY					
Current liabilities:					
Bank borrowings	11	213,959	1,259	–	–
Trade payables	12	80,434	36,726	–	–
Income tax payable		14,316	41,088	–	–
Total current liabilities		308,709	79,073	–	–
Capital and reserves:					
Issued capital	13	560,200	560,200	560,200	560,200
Reserves		850,848	771,241	321,016	317,401
Total equity		1,411,048	1,331,441	881,216	877,601
Total liabilities and equity		1,719,757	1,410,514	881,216	877,601

See accompanying notes to financial statements.

Consolidated Profit and Loss Statement

Financial year ended December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

		Group	
	Notes	2004 HK\$'000	2003 <i>HK\$'000</i>
Revenue	14	1,032,924	698,005
Cost of sales		(875,002)	(577,928)
Gross profit		157,922	120,077
Other operating income	15	15,304	7,683
Distribution costs		(11,536)	(8,403)
Administrative expenses		(47,506)	(33,434)
Other operating expenses		(2,839)	(1,597)
Profit from operations	16	111,345	84,326
Finance cost – interest expense to non-related companies		(3,273)	(827)
Profit before income tax		108,072	83,499
Income tax	17	(2,977)	(9,507)
Net profit for the financial year		105,095	73,992
Basic and fully diluted earnings per share (cents)	18	14.55	10.24

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

		Issued	Share	Capital	Proposed	Currency	Accumulated	Total
	Notes	capital	premium	reserves	dividend	translation	profits	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	reserves	HK\$'000	HK\$'000
						HK\$'000		
Group								
Balance at January 1, 2003		560,200	296,573	6,275	7,225	5,449	398,026	1,273,748
Net profit for the financial year		-	-	-	-	-	73,992	73,992
Dividend paid	19	-	-	-	(7,225)	-	-	(7,225)
Interim dividend paid	19	-	-	-	-	-	(7,225)	(7,225)
Proposed final dividend	19	-	-	-	14,450	-	(14,450)	-
Exchange translation		-	-	-	-	(1,849)	-	(1,849)
Balance at December 31, 2003		560,200	296,573	6,275	14,450	3,600	450,343	1,331,441
Net profit for the financial year		-	-	-	-	-	105,095	105,095
Dividend paid	19	-	-	-	(14,450)	-	-	(14,450)
Interim dividend paid	19	-	-	-	-	-	(10,838)	(10,838)
Proposed final dividend	19	-	-	-	18,063	-	(18,063)	-
Exchange translation		-	-	-	-	(200)	-	(200)
Balance at December 31, 2004		560,200	296,573	6,275	18,063	3,400	526,537	1,411,048

Statements of Changes in Equity

Financial year ended December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

	Notes	Issued capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Proposed dividend HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Company							
Balance at January 1, 2003		560,200	296,573	6,275	7,225	96	870,369
Net profit for the financial year		-	-	-	-	21,682	21,682
Dividend paid	19	-	-	-	(7,225)	-	(7,225)
Interim dividend paid	19	-	-	-	-	(7,225)	(7,225)
Proposed final dividend	19	-	-	-	14,450	(14,450)	-
Balance at December 31, 2003		560,200	296,573	6,275	14,450	103	877,601
Net profit for the financial year		-	-	-	-	28,903	28,903
Dividend paid	19	-	-	-	(14,450)	-	(14,450)
Interim dividend paid	19	-	-	-	-	(10,838)	(10,838)
Proposed final dividend	19	-	-	-	18,063	(18,063)	-
Balance at December 31, 2004		560,200	296,573	6,275	18,063	105	881,216

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

Financial year ended December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

	2004 HK\$'000	2003 HK\$'000
Cash flows from operations:		
Profit before income tax	108,072	83,499
Adjustments for:		
Depreciation expense	75,271	67,530
Interest expense and finance charges	3,273	827
Interest income	(10,967)	(7,446)
Dividend income	(230)	(173)
Loss on disposal of property, plant and equipment	24	127
Operating profit before working capital changes	175,443	144,364
Trade receivables	8,949	(82,894)
Other receivables and prepayments	(72,481)	(15,858)
Inventories	(68,685)	26,732
Trade payables	16,727	7,355
Cash generated from operations	59,953	79,699
Dividend received	230	173
Income tax paid	(29,749)	(3,996)
Dividends paid (Note 19a)	(25,288)	(21,675)
Interest paid	(3,273)	(827)
Interest received	10,967	7,446
Net cash from operating activities	12,840	60,820
Cash flows used in investing activities:		
Proceeds from disposal of property, plant and equipment	-	2
Purchase of property, plant and equipment	(331,856)	(78,426)
Investment in unquoted equity shares	(9,000)	-
Net cash used in investing activities	(340,856)	(78,424)
Cash flows from financing activities:		
Increase/(Decrease) in bank borrowings	212,700	(60,502)
Net cash from/(used in) financing activities	212,700	(60,502)
Effects of consolidating foreign subsidiaries	(996)	570
Decrease in cash and bank balances	(116,312)	(77,536)
Cash and bank balances at beginning of financial year	234,943	312,479
Cash and bank balances at end of financial year	118,631	234,943

See accompanying notes to financial statements.

1. GENERAL

The Company (Reg. No. 26998) is incorporated in Bermuda with its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business at 5th Floor, Block J, Valiant Industrial Centre, 2-12 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Hong Kong dollars, which is the measurement currency of the Company as a majority of the Company's transactions are denominated in Hong Kong dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are stated in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements of the Company and the consolidated financial statements of the Group for the financial year ended December 31, 2004 were authorised for issue by the Board of Directors on February 23, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with Singapore Financial Reporting Standards ("FRS").

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

GOODWILL – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition. Negative goodwill represents the excess of fair value of the Group's share of the identifiable assets and liabilities over the cost of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Prior to April 1, 2001, goodwill or capital reserve on consolidation arising from acquisition of subsidiaries were directly adjusted against shareholders' equity. With effect from April 1, 2001, the Group has adopted FRS 22 – Business Combinations and now amortises goodwill over a period not exceeding 20 years. Negative goodwill arising prior to April 1, 2001 has been credited in full to the shareholders' equity. The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

FINANCIAL ASSETS – Financial assets include cash and bank balances, trade and other receivables and other investments. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The accounting treatment of other investments is described below.

FINANCIAL LIABILITIES AND EQUITY – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade payables and bank borrowings. Trade payables are stated at their nominal value. Bank borrowings are recorded at the proceeds received, net of transaction costs. Finance costs are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs. Dividends on ordinary shares are recognised in shareholders' equity in the period in which they are declared.

INVENTORIES – Inventories are measured at the lower of cost (weighted average method) or net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

The cost of leasehold properties and improvements in the People's Republic of China ("PRC") is amortised on a straight line basis over the period for which the relevant land use rights has been granted to the Group.

Assets under construction are stated at cost. No depreciation is provided until the construction is completed and the assets are put into use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Depreciation is charged so as to write off the cost of other assets, less residual value, if appropriate, over their estimated useful lives, using the straight line method at the following rates per annum:

Plant and equipment	–	10 to 20%
All other assets	–	20%

Fully depreciated assets still in use are retained in the financial statements.

CAPITALISATION OF BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, namely assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of borrowing costs ceases when the assets are substantially ready for their use or sale. Any investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

OTHER INVESTMENTS – Investments held on a long-term basis are stated at cost less any impairment in net recoverable value.

IMPAIRMENT OF ASSETS – At each balance sheet date, the Company and Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – Transactions in foreign currencies are recorded using the rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

On consolidation, the assets and liabilities of the Group's foreign subsidiaries are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period and the opening net investment in their entities are translated at the historical rates. The resulting currency translation differences are taken to the currency translation reserve. On disposal of the entity, the accumulated currency translation differences are recognised in the profit and loss statement as part of the profit or loss on disposal.

PROVISIONS – Provisions are recognised when the Company and Group have a present obligation as a result of a past event where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

REVENUE RECOGNITION – Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and costs of the transaction (including future costs) can be measured reliably.

Interest income is accrued on a time proportionate basis by reference to the principal outstanding and at the applicable interest rate, on an effective yield basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

INCOME TAX – Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except that a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of realisation in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense as they are incurred.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

CASH – Cash for the consolidated cash flow statement includes cash and cash equivalents.

3. FINANCIAL RISKS AND MANAGEMENT

The Group's overall risk management policy is to minimise the potential adverse effects on the financial performance of the Group.

i) Credit risk

The Group's credit risk is primarily attributable to receivables from related companies which management considers the risk as low. The Group has adopted guidelines on extending credit terms to external customers, including monitoring the process and using related industry's practices as reference. This includes assessing and evaluating the customer's credit reliability and periodic review of their financial status to determine credit limits to be granted.

Cash and cash equivalents are placed with creditworthy financial institutions.

The Group has no significant concentration of credit risk.

ii) Foreign exchange risk

The Group's foreign currency exposures arises mainly from the exchange rate movements of the United States dollar ("USD"), the Renminbi ("RMB") and Hong Kong dollar ("HKD"). These exposures are managed primarily by using natural hedges by matching foreign currency cashflows. Where necessary, foreign exchange forward contracts will be entered into by the Group to minimise the impact of foreign exchange rate movements.

iii) Interest rate risk

The Group's primary interest rate risk relates to its borrowings from banks. The interest rate and term of repayment of the bank borrowings are disclosed in Note 11 to the financial statements.

iv) Liquidity risk

The Group has sufficient working capital to fund its operations.

v) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities recorded in the financial statements, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements, approximate their respective fair values except for the quoted investments whose fair values are disclosed in Note 10 and that it is not practicable within the constraint of cost to reliably determine the fair value of unquoted equity securities. These instruments are shown at cost subject to impairment in value.

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

4. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Jamplan (BVI) Limited, incorporated in the British Virgin Islands. The Company's ultimate holding company is Kingboard Chemical Holdings Limited, incorporated in the Cayman Islands. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Many of the Company's transactions and arrangements are between members of the Group and the effect of these on the bases determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and with no fixed repayment terms unless stated otherwise.

Significant intercompany transactions with related companies:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Revenue	(901,555)	(599,588)
Interest income	(10,019)	(6,578)
Rental income	(1,358)	–
Management fee expense	10,057	10,874
Purchase of goods	11,291	3,709
Rental expense	–	117

5. TRADE RECEIVABLES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Related companies (Note 4)	403,616	385,978
Outside parties	67,989	94,576
	471,605	480,554

Trade receivables from related companies of HK\$220,771,000 (2003: HK\$174,689,000) bear interests at rates ranging from 1.73% to 4.94% (2003: 1.73% to 4.78%) per annum.

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

6. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Subsidiaries (Note 8)	-	-	18,063	15,550
Related companies (Note 4)	24,075	14,558	-	-
Prepayments	59,346	1,921	-	-
Deposits	10,109	23,520	-	-
Outside party	4,500	-	4,500	-
Others	1,417	373	-	-
	99,447	40,372	22,563	15,550

7. INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
At cost		
Raw materials	62,186	27,662
Work in progress	76,085	40,057
Finished goods	15,681	17,548
	153,952	85,267

8. SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unquoted equity shares, at cost	394,165	394,165

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

8. SUBSIDIARIES (Cont'd)

The details of the significant subsidiaries are as follows:

Name of subsidiary and country of incorporation/operation	Principal activities	Equity interest held by the Group	
		2004 %	2003 %
Hong Kong Copper Foil Limited (British Virgin Islands)	Investment holding	100	100
Capital Project Group Ltd (British Virgin Islands)	Trading in copper foil	100	100
Fogang Kingboard Industry Ltd (Note a) (People's Republic of China)	Manufacture of copper foil	100	100
Kingboard Chemical Investment Limited (Note a) (British Virgin Islands)	Investment holding	100	100
Kingboard (Fogang) Specialty Resins Limited (Note b) (People's Republic of China)	Manufacture of specialty resins and related products	100	100
Kingboard (Lianzhou) Copper Foil Ltd (Note a) (People's Republic of China)	Manufacture of copper foil	100	–

The above subsidiaries are audited by member firms of Deloitte Touche Tohmatsu.

Notes:

- (a) Shares held by Hong Kong Copper Foil Limited.
- (b) Shares held by Kingboard Chemical Investment Limited.

The loan to a subsidiary is unsecured, non-interest bearing with no fixed repayment terms and not expected to be repaid within one year.

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements	Plant and equipment	Motor vehicles	Construction in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group					
Cost:					
At beginning of financial year	141,146	649,811	7,388	34,667	833,012
Additions	2,498	145,003	1,362	223,380	372,243
Disposals	–	(5)	(154)	–	(159)
Transfer	41,607	3,278	–	(44,885)	–
Currency realignment	228	1,054	13	(86)	1,209
At end of financial year	185,479	799,141	8,609	213,076	1,206,305
Accumulated depreciation:					
At beginning of financial year	20,926	244,801	4,689	–	270,416
Depreciation during the year	6,500	67,869	902	–	75,271
Disposals	–	(5)	(130)	–	(135)
Currency realignment	34	371	8	–	413
At end of financial year	27,460	313,036	5,469	–	345,965
Depreciation for last financial year	5,836	60,912	782	–	67,530
Carrying amount:					
At beginning of financial year	120,220	405,010	2,699	34,667	562,596
At end of financial year	158,019	486,105	3,140	213,076	860,340

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Details of the leasehold properties held by the Group as at December 31, 2004 are set out below:

Location	Description	Tenure of land use rights
Shijiao Town, Fogang, PRC	Staff quarters (Area: 8,981 sq m)	70 years from 1994
Shijiao Town, Fogang, PRC	Factory building (Area: 18,413 sq m)	50 years from 1994
Shijiao Town, Fogang, PRC	Factory building (Area: 27,332 sq m)	50 years from 1993
Shijiao Town, Fogang, PRC	Factory building (Area: 71,846 sq m)	50 years from 2001
Shijiao Town, Fogang, PRC	Factory building (Area: 168,033 sq m)	50 years from 2003
Tangtang Town, Huanghuahu Development Area, Fogang, PRC	Staff quarters (Area: 666 sq m)	70 years from 1997

10. OTHER INVESTMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unquoted equity shares, at cost	9,000	–	9,000	–
Quoted equity shares, at cost	6,782	6,782	–	–
	15,782	6,782	9,000	–
Market value of quoted equity shares	10,944	8,755	–	–

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

11. BANK BORROWINGS

	Group	
	2004 HK\$'000	2003 HK\$'000
Bills payable	71,209	1,008
Trust receipt loans	142,750	251
	213,959	1,259

These unsecured bank borrowings bear interest ranging from 0.95% to 1.125% above HIBOR and is repayable in the next 12 months.

12. TRADE PAYABLES

	Group	
	2004 HK\$'000	2003 HK\$'000
Outside parties	15,209	17,121
Accrued operating expenses	65,225	19,605
	80,434	36,726

13. ISSUED CAPITAL

	Group and Company			
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
	Number of ordinary shares of US\$0.10 each			
Authorised	2,000,000	2,000,000	1,550,000	1,550,000
Issued and fully paid:				
At beginning and end of financial year	722,500	722,500	560,200	560,200

14. REVENUE

Revenue for the Group represents amount received and receivable from sale of manufactured goods.

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

15. OTHER OPERATING INCOME

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest income from non-related companies	948	868
Interest income from related companies	10,019	6,578
Rental income from a related company	1,358	–
Subcontracting fee income	409	–
Dividend income from quoted other investments	230	173
Foreign exchange gain	2,248	60
Other income	92	4
	15,304	7,683

16. PROFIT FROM OPERATIONS

	Group	
	2004	2003
Number of employees (including directors) at end of financial year	1,137	884

	Group	
	2004	2003
	HK\$'000	HK\$'000
Auditors' remuneration:		
Auditors of the Company	180	180
Auditors of subsidiaries	320	320
Non-audit fees paid to auditors:		
Auditors of the Company	200	–
Auditors of subsidiaries	–	–
Directors' remuneration:		
Directors of the Company		
– Fees	110	104
– Other emoluments	1,638	1,580
Staff costs (including directors' remuneration)	19,942	18,912
Costs of defined contribution plans included in staff costs	936	835
Loss on disposal of property, plant and equipment	24	127
Minimum lease payments under operating leases for rental of factory premises	25	136

17. INCOME TAX

Income tax comprises taxation payable on the Group's operations in the PRC. Fogang Kingboard Industry Ltd ("FKI"), the manufacturing arm of the Group, is a foreign investment enterprise established in the PRC. FKI has successfully applied to the relevant tax authorities in the PRC for a two-year tax holiday and a three-year tax reduction period to be granted to each of its three distinct phases of production. Consequently, in respect of the first completed phase of production, FKI was exempted from state income tax in respect of the profits earned in 1996 and 1997 and enjoyed a 50% reduction in state income tax liability for the 3 years up to December 31, 2000. In respect of the profits derived from the second phase of production, FKI was exempted from state income tax for the years 1999 and 2000 and enjoyed a 50% reduction in state income tax liability for the 3 years up to December 31, 2003. In respect of the profits derived from the third phase of production, FKI was exempted from state income tax for the years 2001 and 2002 and enjoyed a 50% reduction in state income tax liability for the 3 years up to December 31, 2005.

The Company does not have a place of business in Singapore and is not a tax resident for Singapore tax purpose. Accordingly, there is no income tax payable in Singapore.

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current	10,172	9,507
Overprovision in prior years	(7,195)	–
Net income tax expense	2,977	9,507

During the year, the ultimate holding company of the Group and the Hong Kong Inland Revenue Department reached a compromised settlement in relation to the Hong Kong tax affairs of certain subsidiaries including a subsidiary of the Group for the Years of Assessment from 1997/1998 to 2003/2004. The tax liabilities of the Group for the said Years of Assessment amounted to approximately HK\$23,292,000 which have been fully provided for in prior years and which were settled at the balance sheet date.

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

17. INCOME TAX (Cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the PRC income tax rate of 33% (2003: 33%) to profit before income tax as a result of the following differences:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Income tax expense at statutory rate	35,664	27,555
Non-allowable items	14,041	5,360
Deferred tax benefits not recognised	–	63
Income taxed at concessionary rate	(17,535)	(16,887)
Tax effect of profit not subject to income tax	(21,998)	(6,584)
Overprovision in prior years	(7,195)	–
	<hr/>	<hr/>
Net income tax expense	2,977	9,507

18. EARNINGS PER SHARE

The basic and fully diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders of HK\$105,095,000 (2003: HK\$73,992,000) by 722,500,000 (2003: 722,500,000) being the number of shares in issue during the financial year.

19. DIVIDENDS

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
a) Dividends paid		
December 31, 2002 interim dividend of HK\$0.01 per share	–	7,225
December 31, 2002 final dividend of HK\$0.01 per share	–	7,225
December 31, 2003 interim dividend of HK\$0.01 per share	–	7,225
December 31, 2003 final dividend of HK\$0.02 per share	14,450	–
December 31, 2004 interim dividend of HK\$0.015 per share	10,838	–
	<hr/>	<hr/>
	25,288	21,675
b) Proposed dividend		
Final dividend of HK\$0.025 (2003: HK\$0.02) per share	18,063	14,450

Notes to Financial Statements

At December 31, 2004

KINGBOARD COPPER FOIL HOLDINGS LIMITED

20. SEGMENT INFORMATION

The Group's revenue and profit before income tax are substantially derived from sales in Hong Kong/the PRC, of which 87% (2003: 86%) are to related companies within the ultimate holding company's group of companies. The Group is principally engaged in the manufacturing and sale of copper foil and most of the assets, liabilities and capital expenditure of the Group are employed in the PRC.

Hence, the geographical and business segment information are as presented in these financial statements.

21. CONTINGENT LIABILITIES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees (unsecured)	–	–	340,600	215,000

The maximum estimated amount the Group and the Company could become liable is as shown above.

22. COMMITMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure				
Capital expenditure contracted but not provided for in the financial statements	8,048	29,679	–	–
Authorised but not yet contracted for	4,308	–	–	–

In the opinion of the Directors of the Company, the accompanying financial statements of the Company and consolidated financial statements of the Group set out on pages 22 to 41 are drawn up so as to present fairly the state of affairs of the Group and of the Company as at December 31, 2004, of the results of the Group, equity changes of the Company and of the Group and cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD

Cheung Kwok Wing

Chairman

Chan Wing Kwan

Managing Director

February 23, 2005

SHAREHOLDERS AS AT MARCH 15, 2005

Authorised share capital	:	US\$200,000,000
Issued share capital	:	US\$72,250,000
Number of shares	:	722,500,000
Class of shares	:	ordinary shares of US\$0.10
Voting rights	:	one vote per share

SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 999	–	–	–	–
1,000 – 10,000	10,736	86.77%	40,843,307	5.65%
10,001 – 1,000,000	1,624	13.12%	62,302,000	8.62%
1,000,001 and above	13	0.11%	619,354,693	85.73%
	12,373	100%	722,500,000	100%

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

	Name of Shareholders	No. of Shares	
		Direct Interest	Deemed Interest
1	Jamplan (BVI) Limited	409,000,000	
2	Hallgain Management Limited		441,072,000
3	Kingboard Chemical Holdings Limited		441,072,000
4	Cheung Kwok Wing		441,072,000

Of the 441,072,000 shares mentioned above, 265,750,000 shares were held by Jamplan (BVI) Limited ("Jamplan"), 143,250,000 and 32,072,000 shares were held by the nominees on behalf of Jamplan and Kingboard Chemical Holdings Limited ("KCHL") respectively.

Jamplan is a wholly owned subsidiary of KCHL. While Hallgain Management Ltd ("HML") has approximately 33% shareholding interest in KCHL, and in turn Mr Cheung Kwok Wing has approximately 22% shareholding interest in HML.

By virtue of the aforesaid, KCHL, HML and Mr Cheung Kwok Wing are deemed to have an interest in the 409,000,000 shares held by Jamplan and the 32,072,000 shares held by the nominees on behalf of KCHL.

TOP TWENTY SHAREHOLDERS AS AT MARCH 15, 2005

S/No.	Name	No. of Shares	Percentage
1	JAMPLAN (BVI) LIMITED	265,750,000	36.78%
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	145,899,714	20.19%
3	DBS NOMINEES PTE LTD	118,081,000	16.34%
4	HSBC (SINGAPORE) NOMINEES PTE LTD	29,254,000	4.05%
5	RAFFLES NOMINEES PTE LTD	24,948,000	3.45%
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	12,066,000	1.67%
7	DB NOMINEES (S) PTE LTD	6,879,000	0.95%
8	CLSA SINGAPORE PTE LTD	4,844,000	0.67%
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,557,000	0.49%
10	PHILLIP SECURITIES PTE LTD	1,911,979	0.27%
11	UOB KAY HIAN PTE LTD	1,770,000	0.25%
12	CITIBANK NOMINEES SINGAPORE PTE LTD	1,650,000	0.23%
13	KIM ENG SECURITIES PTE. LTD.	1,457,000	0.20%
14	OCBC SECURITIES PRIVATE LTD	1,287,000	0.18%
15	SUPREME DEPARTMENTAL STORE PTE LTD	1,000,000	0.14%
16	MERRILL LYNCH (SINGAPORE) PTE. LTD.	784,000	0.11%
17	CITIBANK CONSUMER NOMINEES PTE LTD	724,000	0.10%
18	LEE MING SAN	700,000	0.10%
19	NG KIN IN	675,000	0.09%
20	G K GOH STOCKBROKERS PTE LTD	664,000	0.09%
		623,901,693	86.35%

SHAREHOLDING HELD BY THE PUBLIC

Based on information available to the Company as at March 15, 2005, approximately 38.95% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

KINGBOARD COPPER FOIL HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **KINGBOARD COPPER FOIL HOLDINGS LIMITED** will be held at 5th Floor, Block J, Valiant Industrial Centre, 2-12 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Thursday, April 28, 2005 at 9.30 a.m. to transact the following business:-

As Ordinary Business

1. To consider and adopt the Directors' Report and Financial Statements for the year ended December 31, 2004 together with the Auditors' Report thereon. **Resolution 1**
2. To declare a Final Gross Dividend of HK2.5 cents per share in cash for the year ended December 31, 2004. **Resolution 2**
3. To approve the payment of Directors' Fees of HK\$110,000/- for the year ended December 31, 2004. (2003: HK\$104,000/-) **Resolution 3**
4. To re-elect Mr Ho Yin Sang, the Director retiring pursuant to Bye-law 86(1) of the Company's Bye-laws. **Resolution 4**
5. To re-appoint Messrs Deloitte & Touche as Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following Resolution Nos. 6 and 7 as Ordinary Resolutions with or without modifications:-

6. THAT authority be and is hereby given to the Directors to issue shares in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed fifty per cent (50%) of the issued share capital of the Company at the time of passing of this resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per cent (20%) of the issued share capital of the Company; and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. **Resolution 6**

[see statement under the heading Resolution 6]

Notice of Annual General Meeting

KINGBOARD COPPER FOIL HOLDINGS LIMITED

7. THAT approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST for the renewal of the mandate for the Company, its subsidiaries and its associated companies that are entities at risk, or any of them, to enter into transactions falling within the types of Interested Person Transactions, set out in the Annexure accompanying this Notice of Annual General Meeting dated April 5, 2005 (the "Annexure"), with any party who is of the class of Interested Persons described in the Annexure, provided that such transactions are made at arm's length, on normal commercial terms and are not prejudicial to the interests of the Company and/or its minority shareholders and in accordance with the guidelines and review procedures for such Interested Person Transactions as set out in the Annexure. (the "Mandate").

Resolution 7

[see statement under the heading Resolution 7]

8. To transact any other business.

BY ORDER OF THE BOARD

CHOW YEW KEE

Company Secretary

Singapore, April 12, 2005

Notes:

1. With the exception of The Central Depository (Pte) Limited who may appoint more than two proxies, a member who holds two or more shares and entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. The instrument appointing a proxy must be deposited at the office of the Share Transfer Agent of the Company in Singapore, at **6 Shenton Way #28-09 DBS Building Tower Two, Singapore 068809**, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. A proxy need not also be a member.
2. **Persons holding shares in the capital of the Company through The Central Depository (Pte) Limited are reminded that the Proxy Forms appointing themselves as proxies must similarly be deposited not less than 48 hours before the time of the meeting in order for such persons to be able to attend and/or vote at such meeting.**

STATEMENTS PURSUANT TO BYE-LAW 58(2) OF THE COMPANY'S BYE-LAWS

Resolution 6

The proposed ordinary Resolution no. 6, if passed, will empower the Directors of the Company to issue new shares in the capital of the Company, subject to the limits and in the manner as described therein. This authority shall, unless revoked or varied at a general meeting, expire at the conclusion of the next general meeting of the Company or the date by which the next annual general meeting of the Company is required by law or by the Bye-laws of the Company to be held, whichever is earlier.

The percentage of issued share capital is based on the Company's issued capital at the time of passing of the resolution approving the mandate after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, and (c) any subsequent consolidation or subdivision of shares.

Resolution 7

The proposed ordinary Resolution no. 7, if passed, will empower the Directors of the Company from the date of the above annual general meeting until the next annual general meeting to enter into Interested Person Transactions as approved by the shareholders at the last Annual General Meeting held on April 22, 2004, particulars of which are set out in the Annexure. As such commercial transactions are time-sensitive in nature, the Directors seek shareholders' approval for the renewal of the mandate. The rationale for and benefits of the Mandate are as described in the Annexure. This authority will, unless previously revoked or varied at a general meeting, expire at the date of the next general meeting of the Company.

KB KINGBOARD COPPER FOIL HOLDINGS LIMITED

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