

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(stock code: 148)

ANNOUNCEMENT RELATED TO FULL YEAR RESULTS OF A SUBSIDIARY

KBCF, a 61.87% owned subsidiary of Kingboard Chemical Holdings Limited, announced its unaudited consolidated results for the financial year ended December 31, 2005 on the Singapore Exchange Securities Trading Limited on February 23, 2006.

Pursuant to Rule 705 and Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Kingboard Copper Foil Holdings Limited (“KBCF” or “the Company”), a public company listed on the Singapore Exchange Securities Trading Limited and a 61.87% owned subsidiary of Kingboard Chemical Holdings Limited, announced its unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the financial year ended December 31, 2005 on the website of www.sgx.com of Singapore Exchange Securities Trading Limited on February 23, 2006. The results are prepared in accordance with Singapore Financial Reporting Standards and Interpretations of Financial Reporting Standards.

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is being released for information purpose only. The following is a reproduction of the results announcement of KBCF.

“KINGBOARD COPPER FOIL HOLDINGS LIMITED

FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31/12/2005

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		%
	Year ended December 31, 2005 HK\$'000	Year ended December 31, 2004 HK\$'000	Change
Revenue	1,484,713	1,032,924	43.74%
Cost of sales	(1,269,509)	(875,002)	45.09%
Gross profit	215,204	157,922	36.27%
Other operating income	19,872	15,304	29.85%
Distribution costs	(18,155)	(11,536)	57.38%
Administrative expenses	(45,431)	(47,506)	-4.37%
Other operating expenses	(3,664)	(2,839)	29.06%
Finance cost – interest expenses to non-related companies	(6,070)	(3,273)	85.46%
Profit before tax	161,756	108,072	49.67%
Income tax expense (Note)	(14,738)	(2,977)	395.06%
Profit for the year	147,018	105,095	39.89%

Profit before tax has been arrived at after (crediting)/charging:

	Group		%
	Year ended December 31, 2005 HK\$'000	Year ended December 31, 2004 HK\$'000 (Restated)	Change
Other operating income including interest income	(19,872)	(15,304)	29.85%
Interest on bank borrowings	6,070	3,273	85.46%
Depreciation of property, plant and equipment	98,506	74,874	31.56%
Amortisation of prepaid land use rights	514	397	29.47%

Note on income tax expense

	Group	
	Year Ended December 31, 2005 HK\$'000	Year Ended December 31, 2004 HK\$'000
Current	13,623	10,172
Under/(Over) provision in prior years	1,115	(7,195)
Net income tax expense	<u>14,738</u>	<u>2,977</u>

1(b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As at December 31, 2005 HK\$'000	As at December 31, 2004 HK\$'000 (Restated)	As at December 31, 2005 HK\$'000	As at December 31, 2004 HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	103,247	118,631	–	–
Trade receivables	564,154	471,605	–	–
Other receivables and prepayments	100,737	99,447	26,238	22,563
Prepaid land use rights (current)	788	421	–	–
Inventories	259,651	153,952	–	–
Total current assets	<u>1,028,577</u>	<u>844,056</u>	<u>26,238</u>	<u>22,563</u>
Non-current Assets:				
Subsidiaries	–	–	394,165	394,165
Due from a subsidiary	–	–	455,498	455,488
Property, plant and equipment	941,211	841,083	–	–
Prepaid land use rights (non-current)	36,257	18,836	–	–
Available-for-sale investments	9,000	–	9,000	–
Other investments	–	15,782	–	9,000
Total non-current assets	<u>986,468</u>	<u>875,701</u>	<u>858,663</u>	<u>858,653</u>
Total assets	<u>2,015,045</u>	<u>1,719,757</u>	<u>884,901</u>	<u>881,216</u>
LIABILITIES AND EQUITY				
Current liabilities:				
Bank borrowings	365,134	213,959	–	–
Trade payables	79,217	80,434	75	–
Income tax payable	22,347	14,316	–	–
Total current liabilities	<u>466,698</u>	<u>308,709</u>	<u>75</u>	<u>–</u>
Capital and reserves:				
Issued capital	560,200	560,200	560,200	560,200
Reserves	988,147	850,848	324,626	321,016
Total equity	<u>1,548,347</u>	<u>1,411,048</u>	<u>884,826</u>	<u>881,216</u>
Total liabilities and equity	<u>2,015,045</u>	<u>1,719,757</u>	<u>884,901</u>	<u>881,216</u>

**1b(ii) Aggregate amount of group's borrowing and debt securities
Amount repayable in one year or less, or on demand**

As at December 31, 2005		As at December 31, 2004	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
–	365,134	–	213,959
Amount repayable after one year			
As at December 31, 2005		As at December 31, 2004	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
–	–	–	–

Details of any collateral

Not applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Year ended December 31, 2005 HK\$'000	Year ended December 31, 2004 HK\$'000 (Restated)
Cash flows from operations:		
Profit before tax	161,756	108,072
Adjustments for:		
Depreciation expense	98,506	74,874
Amortisation of prepaid land use rights	514	397
Allowance for slow moving inventories	6,896	–
Interest expense and finance charges	6,070	3,273
Interest income	(8,887)	(10,967)
Dividend income	–	(230)
Gain on disposal of available-for-sale investments	(4,162)	–
(Gain)/Loss on disposal of property, plant and equipment	(1)	24
Operating profit before working capital changes	260,692	175,443
Trade receivables	(92,549)	8,949
Other receivables and prepayments	(1,290)	(72,481)
Inventories	(112,595)	(68,685)
Trade payables	(1,217)	16,727
Cash generated from operations	53,041	59,953
Dividend received	–	230
Income tax paid	(6,707)	(29,749)
Dividends paid	(32,513)	(25,288)
Interest paid	(6,070)	(3,273)
Interest received	8,887	10,967
Net cash generated from operating activities	16,638	12,840
Cash flows generated from/(used in) investing activities:		
Proceeds from disposal of property, plant and equipment	2	–
Payment for prepaid land use rights	(17,671)	–
Proceeds from disposal of available-for-sale investments	10,944	–
Purchase of property, plant and equipment	(178,965)	(331,856)
Investment in unquoted equity shares	–	(9,000)
Net cash used in investing activities	(185,690)	(340,856)
Cash flows from financing activities:		
Increase in bank borrowings	151,175	212,700
Net cash generated from financing activities	151,175	212,700
Effects of consolidating foreign subsidiaries	2,493	(996)
Decrease in cash and bank balances	(15,384)	(116,312)
Cash and bank balances at beginning of financial year	118,631	234,943
Cash and bank balances at end of financial year	103,247	118,631

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Issued capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Proposed dividend HK\$'000	Currency translation reserves HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Group							
Balance at January 1, 2004	560,200	296,573	6,275	14,450	3,600	450,343	1,331,441
Profit for the financial year	-	-	-	-	-	105,095	105,095
Dividend paid	-	-	-	(14,450)	-	-	(14,450)
Interim dividend paid	-	-	-	-	-	(10,838)	(10,838)
Proposed final dividend	-	-	-	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
Profit for the financial year	-	-	-	-	-	147,018	147,018
Dividend paid	-	-	-	(18,063)	-	-	(18,063)
Interim dividend paid	-	-	-	-	-	(14,450)	(14,450)
Proposed final dividend	-	-	-	21,675	-	(21,675)	-
Exchange translation	-	-	-	-	22,794	-	22,794
Balance at December 31, 2005	560,200	296,573	6,275	21,675	26,194	637,430	1,548,347
	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, 2004	560,200	296,573	6,275	14,450	103	877,601	
Profit for the financial year	-	-	-	-	28,903	28,903	
Dividend paid	-	-	-	(14,450)	-	(14,450)	
Interim dividend paid	-	-	-	-	(10,838)	(10,838)	
Proposed final dividend	-	-	-	18,063	(18,063)	-	
Balance at December 31, 2004	560,200	296,573	6,275	18,063	105	881,216	
Profit for the financial year	-	-	-	-	36,123	36,123	
Dividend paid	-	-	-	(18,063)	-	(18,063)	
Interim dividend paid	-	-	-	-	(14,450)	(14,450)	
Proposed final dividend	-	-	-	21,675	(21,675)	-	
Balance at December 31, 2005	560,200	296,573	6,275	21,675	103	884,826	

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued share capital for the year ended December 31, 2005.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The group has applied the same accounting policies and methods of computation as in the preparation of the financial statements for FY2005 as in its FY2004 audited annual financial statements except for the adoption of the new/revised Financial Reporting Standards ("FRS") that are mandatory for financial years beginning on or after January 1, 2005. The adoption of the new/revised FRS has not resulted in changes to the amounts reported for prior periods except for some reclassifications made to the balance sheet and does not have any major financial impact on the Group's FY2005 results.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**
Please refer to paragraph 4.
6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Year Ended December 31, 2005	Year Ended December 31, 2004
Based on the weighted average number of ordinary shares in issue	20.35 HK cents	14.55 HK cents
On a fully diluted basis	20.35 HK cents	14.55 HK cents

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	Group		Company	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Net asset value per ordinary share based on issued share capital at the end of the period reported on	214.30 HK cents	195.30 HK cents	122.47 HK cents	121.97 HK cents

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

RESULTS

On behalf of the Board of Directors, I am pleased to inform our shareholders that Kingboard Copper Foil Group achieved double-digit growth in revenue and earnings for the financial year ended 31 December 2005 ("FY2005") due to the continuing support of our customers, increasing market acceptance of our quality products and the dedicated work and commitment of management and staff. Our financial position continued to be healthy.

Financial Summary

Turnover amounted to HK\$1,485 million, an increase of 44% over previous financial year

Profit attributable to shareholders was up by 40% to HK\$147 million

Earnings per share were HK20.35 cents, up 40%

Final dividend per share is proposed at HK3.0 cents, an increase of 20% over previous year's HK2.5 cents

Business Review

The electronics industry continued to perform well in year 2005. In spite of the challenge of interest rate hikes and rising oil prices, the Group has been able to harvest the fruits planted in previous years. The first, second and third stages of Phase One of the Lianzhou copper foil plant with a monthly capacity of 270 tonnes each have been operating smoothly and efficiently in year 2005, this explained the increase in our copper foil sales in FY2005 over previous year.

Following a transaction mandate approved by the shareholders of Elec & Eltek International Company Limited in April 2005, the Group started to supply copper foil to Elec & Eltek PCB group of companies ("EEIC Group"). EEIC Group is one of the leading PCB manufacturers in the region producing higher value-added and higher layer count PCBs for its multi-national customers. As the Group has allocated a sizeable portion of the production capacity to meet the demand of EEIC Group and the parent company, our sales to external customers accounted for approximately 16% of the total sales (FY2004: 13%), which was lower than the original 20% sales target. In dollar terms, sales to external customers hit another record high to reach approximately HK\$237 million.

Sales of the 18 microns and below thickness copper foil accounted for approximately 30% of the total sales (FY2004: 27%) while 35 microns and above thickness copper foil, accounted for 70% (FY2004: 73%). The sustained sales of the 18 microns and below thickness copper foil was again supported by the robust demand from multi-layer PCB manufacturers as well as higher sales on copper foil for batteries related products.

Financial Position

The Group continued to adopt a prudent financial management policy. As at December 31, 2005, net current assets and current ratio were approximately HK\$562 million and 2.2 respectively. The current assets included cash of HK\$103 million, trade receivables of HK\$564 million, other receivables and prepayments of HK\$101 million and inventories of HK\$260 million. The increase in inventory in FY2005 was primarily due to the commissioning of the third and fourth stages of Phase One of the Lianzhou copper foil plant and PVB film plant in year 2005 and more raw materials were procured to meet the production schedule. Addition to fixed assets in FY2005 amounted to HK\$179 million with a majority proportion of which were for the fourth and fifth stage of Phase One of the Lianzhou copper foil plant. As at December 31, 2005, no significant assets have been pledged.

Distribution costs increased by 57% to HK\$18 million in FY2005 and was in line with increased business activities. Finance costs were HK\$6 million and the Chinese bank loan raised in March 2005 has been repaid early in July 2005. Despite higher copper prices throughout the financial year 2005, the Group's pre-tax profit margin maintains at around 11%. This clearly demonstrated the success of the Group's ongoing efforts on cost management at all levels within the Group.

The appreciation of Renminbi against the US dollars posed minimum impact on the Group's performance since the Group's revenue are substantially denominated in Hong Kong dollars, US dollars and Renminbi in a proportion closely matching with the Group's operational expenses.

In the opinion of the Directors, no item, transaction or event of material or unusual nature has occurred during the period from 1 January 2006 to the date of this report that would materially affect the results of the Company and/or the Group in the financial year in which this announcement is made.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

As mentioned in the Third Quarter Financial Statement and Dividend Announcement, the directors expect the Group to remain profitable. The results for the reporting period are in line with those announcements made previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects overall business environment to remain challenging due to keen regional competition. The possible impact of sustained high oil prices and the lingering concerns on future interest rate movement may have an impact on the future world economies. These will inevitably affect the electronics industry and consumer sentiment. Amid this challenging environment, the Group will continue to focus on improving its product quality, broadening its market share, especially in mainland China and streamlining its cost structure in order to stay competitive and attain growth momentum.

The fourth stage of Phase One of the Lianzhou copper foil plant commenced trial production in December 2005 with a monthly capacity of 270 tonnes and the fifth stage of Phase One also started operation in end-February 2006. These two stages will contribute a further capacity of 540 tonnes to our monthly capacity. To satisfy the growing internal and external demand, the Board is contemplating to invest in Phase Two of the Lianzhou copper foil plant. The targeted monthly capacity of Phase Two of the Lianzhou copper foil plant will be 900 tonnes divided into three stages. The PVB film plant is still in its ramp up stage and has incurred start up losses of approximately HK\$4 million. The Group will allocate more resources to improve the production techniques and product quality in the current year.

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

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economics conditions, shifts in customer demands, customers and partners, and government and policy changes. You are cautioned not to place undue reliance on these forward looking statements which are based on current view of management on future events.

11. Dividend

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	HK 3.0 cents per ordinary share (tax not applicable)
Optional: – Dividend Rate (in %)	
Par value of shares	US\$0.10
Tax Rate	Tax not applicable

- (b) **Corresponding Period of the Immediately Preceding Financial Year**
Any dividend declared for the corresponding period of the immediately preceding financial year? Yes
- | | |
|--------------------------------------|---|
| Name of Dividend | Final |
| Dividend Type | Cash |
| Dividend Amount per Share (in cents) | HK 2.50 cents per ordinary share (tax not applicable) |
| Optional: – Dividend Rate (in %) | |
| Par value of shares | US\$0.10 |
| Tax Rate | Tax not applicable |
- (c) **Date Payable**
The Dividend payment date will be announced at a later date.
- (d) **Books closure date**
Notice on the closure of Share Transfer Books and Register of Members of the Company to determine shareholders' entitlement to the recommended final dividend will be announced later.

12. **If no dividend has been declared/recommended, a statement to that effect**
Not applicable

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 and half year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The operations of the Group are in the manufacturing and sale of copper foil in the People's Republic of China ("PRC") and most of the assets of the Group are deployed in these operations. Accordingly, the income and profits of the Group are derived substantially from this industry segment.

14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**
Not applicable
15. **A breakdown of sales**

	Group		% Change
	Year Ended December 31, 2005 <i>HK\$'000</i>	Year Ended December 31, 2004 <i>HK\$'000</i>	
(a) Sales reported for the first half year	644,082	466,666	38.02%
(b) Operating profit after tax before deducting minority interests reported for the first half year	65,606	48,372	35.63%
(c) Sales reported for the second half year	840,631	566,258	48.45%
(d) Operating profit after tax before deducting minority interests reported for the second half year	81,412	56,723	43.53%

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total annual dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year <i>HK\$'000</i>	Previous Full Year <i>HK\$'000</i>
Ordinary	36,125	28,900
Preference	–	–
Total	36,125	28,900

Note: Total Annual Dividend

In latest full year

Interim Dividend: HK\$ 14,450,000 @HK 2.0 cents per ordinary share

Final Dividend: HK\$ 21,675,000 @HK 3.0 cents per ordinary share

Total: HK\$ 36,125,000

In previous full year

Interim Dividend: HK\$ 10,837,500 @HK 1.5 cents per ordinary share

Final Dividend: HK\$ 18,062,500 @HK 2.5 cents per ordinary share

Total: HK\$ 28,900,000

17. Interested Person Transactions – Pursuant to Rule 920(1)(a)(ii) of the Listing Manual.
Aggregate value of interest person transactions entered for the year ended December 31, 2005.

Name of interested person	Aggregate Value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK\$	Aggregate Value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) HK\$
Kingboard Laminates Limited	9,339,000	613,250,000
Ease Ever Investments Limited	10,944,000	–
Kingboard Laminates (MCO) Limited	–	128,540,000
Jamplan Marketing Limited	–	1,377,000
Kingboard Laminates (Kunshan) Company Limited	–	120,482,000
Kingboard Laminates (Jiangmen) Company Limited	–	87,905,000
Kunshan Yattao Chemical Company Limited	–	152,477,000
Techwise (MCO) Circuits Limited	–	16,621,000
King Board (Panyu) Chemical Company Limited	–	4,522,000
Hengyang Kingboard Chemical Co. Ltd.	–	1,380,000
Nanjing Elec & Eltek Electronic Company Limited	–	2,253,000
Elec & Eltek (Guangzhou) Electronic Company Limited	–	9,969,000
Guangzhou Elec & Eltek High Density Interconnect Technology No. 1 Co., Ltd.	–	6,649,000
Guangzhou Elec & Eltek Microvia Technology Co., Ltd.	–	1,184,000
Elec & Eltek Company Limited	–	700,000
Elec & Eltek (Thailand) Limited	–	12,299,000
Pacific Insulating Material (Thailand) Limited	–	19,470,000
Shenzhen Pacific Insulating Material Company Limited	–	60,781,000
Kaiping Pacific Insulating Material Co., Ltd.	–	579,000
Kai Ping Elec & Eltek Company Limited	–	4,881,000
Kaiping Elec & Eltek No. 2 Company Limited	–	7,158,000
Kaiping Elec & Eltek No. 3 Company Limited	–	7,262,000
Total	20,283,000	1,259,739,000

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.”

As at the date of this announcement, Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Lam Ka Po, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Wa, Mr. Cheung Kwong Kwan, Mr. Cheung Kwok Ping, Mr. Chang Wing Yiu and Mr. Mok Cham Hung, Chadwick are executive directors of Kingboard Chemical Holdings Limited, Mr. Cheng Ming Fun, Paul, Mr. Tse Kam Hung and Mr. Henry Tan are independent non-executive directors of Kingboard Chemical Holdings Limited.

BY ORDER OF THE BOARD
Kingboard Chemical Holdings Limited
Chan Wing Kwan
Managing Director

Hong Kong, February 23, 2006

“Please also refer to the published version of this announcement in The Standard.”