

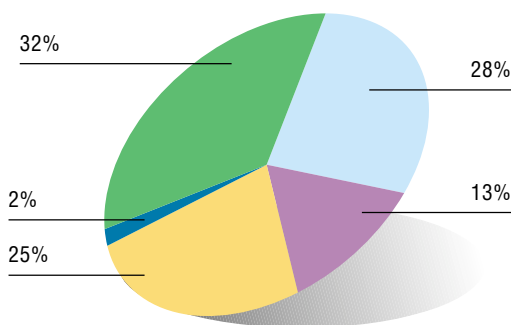
BUSINESS REVIEW

It is my pleasure to report to shareholders that, with our consistent focus on core business and efforts in driving down costs, the Group for the nine months to December 2002 had successfully managed both top and bottom lines back to growth. In light of solid business foundation and sound financial position, the Board proposed to further increase the dividend pay-out ratio, as a percentage of earnings per share, with the final dividend recommended at HK6.0 cents per share. This would make the total dividends of HK10.0 cents per share for the nine months period under review, a 16% increase on an annualized basis from the last financial year. Facing the difficult environment in the global electronics industry, our workforce from management down to production floor had worked hard and performed well to help the Group gain more business. Hence once again in the nine months period we achieved excellent performance among our peers as follows:

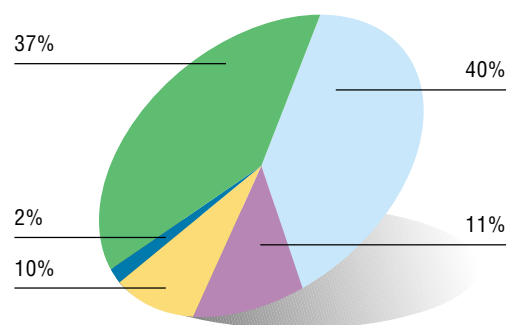
業務回顧

本人欣然向各位股東匯報，憑藉管理層一直專注核心業務，銳意降低經營成本，集團於截至二零零二年十二月止九個月內之營業額及盈利表現均成功重回增長軌道。董事會鑑於集團業務基礎穩固，加上財政狀況穩健，故進一步增加每股盈利之派息比率，建議派發末期股息每股6.0港仙，即九個月回顧期內之股息合共為每股10.0港仙。化作全年計算後之總股息較上財政年度增加16%。面對全球電子業艱困的經營環境，由管理層到生產部每位員工，全情投入，親力親為，表現良好，因此為集團贏取新業務。於九個月回顧期內，集團再次超越同儕，取得驕人業績：

Turnover Breakdown by Product
營業額分佈



9 months ended December 2002
截止二零零二年十二月止九個月



12 months ended March 2002
截止二零零二年三月止十二個月

- Paper Laminates
紙覆銅面板
- Glass Epoxy Laminates
環氧玻璃纖維覆銅面板
- Chemicals
化工產品
- Printed Circuit Boards
印刷線路板
- Others
其他

- Revenue for the nine months period reached HK\$2,552 million (year ended March 2002 – HK\$2,464 million)
- Pre-tax profit margins, excluding the non-cash items*, were held at around 15.6% (year ended March 2002 – 16.8%)
- Return on equity, excluding the non-cash items*, was annualized at 18.2% (year ended March 2002 – 17.7%)
- Gearing ratio in terms of interest bearing borrowings net of cash to shareholders' funds stayed at the comfortable level of 48.6% (year ended March 2002 – 42.6%) with the overall debt profile increasingly long-term biased
- 截至二零零二年十二月止九個月內之營業額達二十五億五千二百萬港元 (二零零二年三月止年度: 二十四億六千四百萬港元)
- 不包括非現金項目*之稅前邊際利潤保持於約15.6%水平 (二零零二年三月止年度: 16.8%)
- 不包括非現金項目*之股本回報率(化作全年計算)後為18.2% (二零零二年三月止年度: 17.7%)
- 扣除現金後之付息借貸與股東資金比率保持於48.6%理想水平 (二零零二年三月止年度: 42.6%)，長期貸款佔借貸組合比例持續增加

* comprising goodwill and loss on deemed disposal of partial interests in a subsidiary

* 商譽及視作出售一間附屬公司部份權益之虧損

In the laminate segment, volume sales were up by more than 25% from the corresponding nine months period last year with the average monthly shipment over 3.5 million square meters. Laminate prices stabilized, but they were on average 20% lower than a year ago. Hence EBIT (earnings before interest and tax) margin, partly helped by the increased economies of production scale and higher degree of vertical integration, dropped slightly to 17% from 19% in the last financial year. In the period under review, we had added new production capacity of laminates, beefed up the drilling services and vertically integrated the production of glass yarn, a key material for glass epoxy laminates.

覆銅面板之銷售量較去年同期之九個月增加超過25%，平均每月付運量逾350萬平方米。期間覆銅面板之價格已趨穩定，唯較一年前之價格平均低約20%。雖然集團進一步擴大生產規模效益及高度垂直整合均有助改善盈利能力，期內之未扣除利息及稅項的邊際盈利仍由上財政年度之19%，輕微下降至17%。回顧期內，集團增大了覆銅面板的產能，擴充鑽孔服務的規模，並自行生產環氧玻璃纖維覆銅面板的主要原料玻璃絲，進一步深化垂直整合。



A new paper laminate plant located at Shi Xing, Guangdong commenced production in December 2002.

設於廣東始興之紙覆銅面板新廠於二零零二年十二月投產。

The chemicals segment had performed strongly, aided by a price recovery of formalin and the full scale production of epoxy resin which started to have a trial run only in October 2001. External sales amounted to HK\$319 million for the nine months period under review (year ended March 2002 – HK\$265 million). EBIT margin expanded to 11% from 8% in the last financial year.



Contract drilling becomes part of our core product offerings to printed circuit board customers.
為印刷線路板客戶提供鑽孔服務已成為集團核心業務之一。

The printed circuit board segment managed to achieve 20% volume growth, offsetting the impact of around 15% decline of selling prices. EBIT margin, although helped by the reduction of material costs, was dragged down to 11% from around 15% last year. This was owing to the write-off of pre-operating costs associated with new production plants and a provision made against the receivables due from a US based customer who ceased operation in mid-2002.

In September our 59.8% owned subsidiary Kingboard Copper Foil Holdings Limited (KBCF) entered into a memorandum of understanding with Yinde City People's Government to acquire Bai Shi Yao Hyro-Power Plant for RMB 700 million. The majority of the power plant's output will be consumed internally by our production facilities after 3-5 years of the take-over. Other than RMB 200 million coming from KBCF's existing cash pile, the rest RMB 500 million consideration is expected to be financed by a

化工產品業務同樣表現優秀，主要原因包括甲醛價格回升，加上在二零零一年十月開始試產的環氧樹脂廠已進行大規模量產所致。九個月回顧期內之對外銷售達三億一千九百萬港元（二零零二年三月止年度：二億六千五百萬港元），未扣除利息及稅項的邊際盈利則由上財政年度之8%增加至11%。



The development of an industrial complex at Nansha, Guangdong is to accommodate the expansion of our chemical production capabilities.
位於廣東南沙的工業城可滿足集團化工產品產量增加之需要。

印刷線路板業務之銷量取得20%增長，因此得以抵銷約15%售價下調的影響。儘管原料價格下跌，未扣除利息及稅項的邊際盈利仍由上年度之約15%減少至11%。邊際盈利下降主要由於新廠的開辦費用註銷，並需要為一家在二零零二年中結業之美國顧客作出一項應收賬撥備。

集團擁有59.8%權益之附屬公司Kingboard Copper Foil Holdings Limited（「建滔銅箔」）於九月與英德市人民政府簽訂諒解備忘錄，以七億元人民幣收購白石窯水力發電廠。電廠的電力在收購後三至五年大部份供集團內部消耗。建滔銅箔將會以內部資源支付二億元人民幣，其餘五億元人民幣收購代價預計將以銀行長期貸款支付，有關貸款並不附帶

long term bank loan without recourse to both KBCF and the Group. Negotiation for the proposed acquisition is under way. Transaction will be completed after the finalization of other terms and conditions being satisfactory.

For the third consecutive year the Group was named "the World's 200 Best Small Enterprises" by Forbes in October 2002.



LIQUIDITY AND CAPITAL RESOURCES

The Group continued to have a healthy balance sheet. As at 31 December 2002, net current assets and current ratio of the Group were approximately HK\$940 million (31 March 2002 – HK\$688 million) and 1.69 (31 March 2002 – 1.50).

The net working capital cycle had improved to 132 days (31 March 2002 – 155 days) with the breakdowns as follows:

- Inventories, in terms of stock turnover days, decreased to 89 days (31 March 2002 – 99 days)
- Trade receivables, in terms of debtors turnover days, stayed almost flat at 120 days (31 March 2002 – 119 days)
- Trade and bills payables, in terms of creditors turnover days, increased to 77 days (31 March 2002 – 63 days)

對建滔銅箔和集團本身的追索權。有關收購建議之商討仍在進行中，交易將待有關之條件及細則取得滿意定案後完成。

集團於二零零二年十月連續第三年獲福布斯雜誌選為『全球二百家最佳小型企業』之一。

Our work on creating value for shareholders is bearing fruits and gaining recognition.

本集團致力為股東增值的工作已獲得成果及得到肯定。

流動資金及資本狀況

集團的資產負債狀況持續保持穩健。集團於二零零二年十二月三十一日之流動資產淨值為九億四千萬港元(二零零二年三月三十一日：六億八千八百萬港元)，流動比率則為1.69(二零零二年三月三十一日：1.50)。

淨營運資金週期改善至132日(二零零二年三月三十一日：155日)，細分如下：

- 存貨週轉期降低至89日(二零零二年三月三十一日：99日)
- 貿易應收款項的週轉期平穩保持於120日(二零零二年三月三十一日：119日)
- 貿易及票據應付款項的週轉期上升至77日(二零零二年三月三十一日：63日)

The ratio of interest bearing borrowings net of cash to shareholders' funds increased slightly to 49% (31 March 2002 – 43%) mainly due to the funding of around HK\$685 million capital expenditure for future growth. However the mix of borrowings continued to shift in favor of long-term biased funding. The balance between short term and long term bank borrowings was 31%:69% (31 March 2002 – 51%:49%).

The Group had a limited exposure to currency fluctuation. While sales were denominated in Hong Kong dollars, Renminbi and US dollars, operating expenses were mostly paid in the three currencies within which there had been fairly rigid exchange rates.

HUMAN RESOURCES

As at the end of December 2002, the Group had around 8,900 staff (31 March 2002 – around 7,000 staff) of whom around 80 were based in the Hong Kong offices and the rest in the China production plants. The increase in the headcount was resulted from further expansion in production facilities across all operating divisions. With the recognition of attracting talents as part of the key to our success, the Group is committed to continue offering competitive remuneration enhanced by discretionary bonuses and share options to staff with outstanding performance.

An annual meeting for the Group's management of around 300 members is usually held in January to lay down objectives for the year.
集團每年一月均舉行年會，約300名管理人員聚首一堂制訂未來一年之發展策略。

PROSPECTS

The laminate market conditions have stabilized but continued to be challenging. Nevertheless, in line with the industry's peers, the Group has recently been able to raise the laminate's selling prices in order to offset the increases in material costs. With the

扣除現金後之附息借貸與股東資金比率輕微上升至49% (二零零二年三月三十一日：43%)，主要由於為未來增長而在期間作出約六億八千五百萬港元之資本開支。然而集團的借貸組合繼續傾向還款年期較長的資金。短期與長期借貸的比例為31%：69% (二零零二年三月三十一日：51%：49%)。

由於銷售及大部份營運支出主要按港元、人民幣及美元計算，而這三種貨幣之間的兌匯率亦相當穩定，所以匯價波動對集團影響非常有限。

人力資源

集團於二零零二年十二月底共聘用員工約8,900人 (二零零二年三月三十一日：約7,000人)，其中約80人於香港辦事處工作，其餘則受聘於國內各生產廠房。員工人數增加，主要由於各營運部門均擴充了生產設施。集團成功主因之一，是一直銳意招攬人才，日後集團仍將維持具競爭力的薪酬政策，並發放特別獎金及認股權予表現出色的員工，不斷強化人才團隊。



前景

覆銅面板市況已趨穩定，但仍充滿挑戰；猶幸集團與其他同業最近均能提高覆銅面板的售價，以抵銷物料成本的上升。國內對覆銅面板的需求持續上升，故集團將進一步擴充產能，

growing demand for laminates experienced in China, the Group is committed to further capacity expansion to strengthen our leading position. In December 2002, a new paper laminate plant was completed, increasing the production capacity by 25%. In addition we are planning to set up a new glass epoxy laminate plant in the next twelve months. In the chemicals segment, we are working on new chemical products to serve our growing internal demand. Meanwhile new locations outside Guangdong for formalin plants are being considered to broaden our customer base within China. The 50,000 tonnes petrochemical terminal in our industrial complex in Nansha of Guangzhou has almost been completed and should commence operation in mid-2003. On the printed circuit board front, we have been receiving technical qualification from customers for our newly completed plants which are expected to reach the break-even point by the second half of the current year.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express gratitude to our shareholders, customers, banks and employees for their unequivocal support in the past nine months.

CHEUNG Kwok Wing

Chairman

Hong Kong, 26 March 2003

以鞏固本身的市場領導地位。集團新興建之紙覆銅面板廠已於二零零二年十二月竣工投產，令產能增加25%。除此，集團計劃在未來十二個月內興建另一所環氧玻璃纖維覆銅面板廠房。化工業務方面，集團正積極開發新的化工產品，以應付內部需求增長。同時，集團亦正在廣東省以外地區物色廠址，興建新甲醛工廠，進一步擴闊在國內的客戶基礎。座落集團廣州南沙工業城內之50,000噸級化工碼頭已接近竣工，可望於二零零三年中啟用。印刷線路板部門新落成的廠房正逐步取得客戶的技術認證，預期可於今年下半年達至收支平衡。

致謝

本人謹藉此代表董事會向各股東、客戶、銀行及員工致以衷心感謝，對於各位在過去九個月內的鼎力支持，集團深表感激。

主席

張國榮

香港，二零零三年三月二十六日