

CHAIRMAN'S STATEMENT
主席報告

BUSINESS REVIEW

I am writing with great pleasure to inform our shareholders that the Group achieved both record sales and profits in 2003. The Board proposes a final dividend of HK10.0 cents per share. The total dividend payments for the full year will amount to HK15.0 cents per share, also the highest ever since we became a public listed company in 1993. The solid financial returns, I am sure, mark the 10th anniversary of the Group's listing in Hong Kong with success.



業務回顧

本人欣然向各位股東報告，集團於二零零三年之營業額及盈利均創紀錄新高。董事會建議派發末期股息每股10.0港仙。全年派發之股息合共將達每股15.0港仙，為集團自一九九三年上市以來派發最多股息的一年。建滔取得驕人業績，實為集團上市十週年寫下光輝一頁。

Kingboard celebrated its 10th anniversary of listing in Hong Kong.

集團慶祝在香港上市十週年。

Financial summary

- Sales advanced to the record level of HK\$4.4 billion (nine months ended December 2002 – HK\$2.5 billion) on the back of improved market conditions in the second half
- Pre-tax profit margins* fell to around 13% (nine months ended December 2002 – 15%) due mostly to increased material costs but soft selling prices in the first half
- Net profit reached a new level of HK\$472 million (nine months ended December 2002 – HK\$301 million), but return on equity* was diluted to around 16% following both the equity issuance of 60 million new shares in May 2003 and the full conversion of bonus warrants into 45 million new shares by December 2003
- Gearing ratio in terms of interest bearing borrowings net of cash to shareholders' funds improved marginally to around 46% (December 2002 – 49%)

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

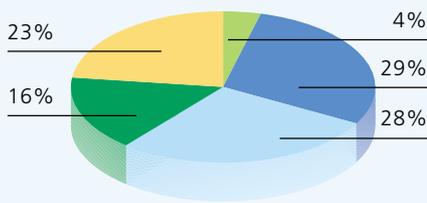
財務概要

- 憑藉市場環境在下半年有所改善，營業額創新高達四十四億港元（截至二零零二年十二月止九個月：二十五億港元）
- 稅前邊際利潤*下調至約13%（截至二零零二年十二月止九個月：15%），主要受上半年原料價格飆升及產品銷售價格偏軟所影響
- 純利破紀錄高達四億七千二百萬港元（截至二零零二年十二月止九個月：三億零一百萬港元），但由於集團在二零零三年五月發行了六千萬股新股，所發行之紅利認股權證亦於二零零三年十二月悉數轉換成四千五百萬股新股，股本回報率*被攤薄至約16%
- 扣除現金後之付息借貸與股東資金比率略為改善至46%（二零零二年十二月：49%）

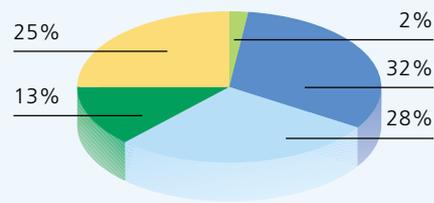
* 不包括商譽及視作出售一間附屬公司股份權益之虧損

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Turnover Breakdown by Product
營業額分佈



12 months ended December 2003
截止二零零三年十二月止十二個月



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



Performance

The year was full of surprises with which our workforce coped extremely well. It started with incidents of Iraqi war and SARS outbreak, further pressurized by increased material costs in the first half. However there was virtually no disruption in our plant operations and capacity expansion continued to progress in this period. The second half saw the long overdue recovery in the electronics industry, driving strong sales demand and in turn selling price increases. We were then able to take the full advantage of this upturn and served our customers of laminates and printed circuit boards with increased production capacity.

In the laminate segment we continued to gain market share. Volume sales increased by over 30% and the average monthly shipment of laminates reached 4.4 million square meters. However, as indicated in our interim report, in the first half the cost of raw materials including copper, pulp and chemicals, surged on the average 15-20%. This coupled with the soft selling price trend had adversely impacted our EBIT (earnings before interest and tax) margin. From July onwards the picture had a significant change. The electronics industry showed signs of sustained rebound. Demand growth for most consumer related products

業務表現

二零零三年充滿了難以預料的突發事件，但集團的團隊仍能應付裕如。上半年出現伊拉克戰爭和SARS疫症，同時原料價格攀升亦進一步加劇經營壓力。然而集團在此段期間的生產幾乎沒有受到任何影響，產能持續按步擴展。電子業經過長期滯後，在下半年出現顯著復甦，因而帶動了強大的需求，令銷售價格上揚。集團亦能充分利用這次市況反彈的機遇，憑藉已擴充的產能，滿足覆銅面板及印刷線路板客戶的需求。

在覆銅面板業務上，集團的市場佔有率進一步增大。覆銅面板的銷量增加超過30%，平均每月付運的覆銅面板達440萬平方米。但正如集團的中期報告指出，在上半年原料包括銅、木漿及化工產品平均漲價15-20%；加上產品售價偏軟，對集團的未扣除利息及稅項邊際盈利帶來負面影響。七月後市場環境明顯好轉，電子業出現大幅的反彈復甦。大部份消費產品如電腦、手機及DVD播放機等的需求均錄得快速增長。集團的覆銅面板訂單開始持續

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such as computer, mobile handsets and DVD players was reported to accelerate. Our order book for laminates started to consistently exceed our production capacity, supporting a firm uptrend for the selling prices as well as profitability. EBIT margin for the full year as a result was managed at around 16%, similar to the year 2002.

The printed circuit board segment also posted strong sales growth. The new production plants were completed in late 2002 and became fully utilized in the second half. Hence our total volume output for the single-side and multi-layer increased by 135% and 40% respectively. EBIT margin, however, was dragged down to around 7% (2002 – 11%) by start up losses of the new plants in the first half followed by a combination of increased material costs and soft unit selling prices in the second half. In October 2003 our offer to acquire Suwa International, a Hong Kong listed printed circuit board company, fell through, but there was no material adverse impact on our development plan.

The chemicals segment continued to successfully serve two strategic functions, a reliable internal key material supplier as well as becoming one of the key players in the chemicals market in China. Last year the total volume sales of the current three main products i.e. formalin, hydrogen peroxide and epoxy resin grew over 20% and had 65% sold to over 500 external customers. EBIT margin was under pressure at around 6% (2002 – 11%) as feedstock costs across the board increased. Particularly the price of methanol, the major feedstock for formalin and hydrogen peroxide, jumped over 40% last year.



高於本身的生產能力，支持產品售價和盈利能力的上升勢頭。整年的未扣除利息及稅項邊際盈利因此可維持在約16%水平，與二零零二年年度相若。

印刷線路板業務同樣錄得強勁的銷售增長。新建之廠房於二零零二年底落成，其產能於年度之下半年獲全面使用。故集團的單面及多層印刷線路板之產量分別增加135%及40%。然而新廠房在上半年有前期虧損，加上下半年物料成本增加，產品單價偏軟，未扣除利息及稅項邊際盈利因而下調至約7%（二零零二年：11%）。雖然集團提出收購在香港上市的印刷線路板商秀華國際的計劃於二零零三年十月最終沒有達成，但對集團的發展並無構成任何實質影響。

化工部門繼續成功地體現其兩大策略功能，一方面是為集團提供可靠的內部原料供應，同時逐步成為中國化工市場的主要經營者之一。化工部門現時的三大產品甲醛、雙氧水及環氧樹脂，去年的總銷量增長逾20%，其中65%銷售予500多名集團以外的客戶。由於各類物料價格均有增加，未扣除利息及稅項邊際盈利因而受壓至約6%（二零零二年：11%）。以甲醛及雙氧水的主要原料甲醇為例，其價格在去年便飆升了40%。

The petrochemical terminal in Changzhou, Jiangsu further enhances our chemical operation in Eastern China.

位於江蘇省常州的化工碼頭進一步加強集團化工部在華東地區的營運效益。

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For four years in a row the Group was chosen by the Forbes as one of the best 200 companies with annual sales below US\$1 billion outside the US in October 2003.



福布斯雜誌每年選出二百家美國境外每年營業額少於十億美元的最佳公司，集團於二零零三年十月連續四年獲選為其中之一。

The Group has been named by Forbes Global again as one of "The World's Best 200 Small Companies".

集團再度獲福布斯(全球版)選為全球『二百家最佳小型企業』之一。

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to be in a healthy financial position. As at 31 December 2003, net current assets and current ratio of the Group were approximately HK\$1,413 million (31 December 2002 – HK\$940 million) and 1.82 (31 December 2002 – 1.69).

The net working capital cycle had improved from 132 days as at 31 December 2002 to 127 days as at 31 December 2003 with the breakdowns as follows:

- Inventories, in terms of stock turnover days, decreased to 70 days (31 December 2002 – 89 days). The Group's finished goods, due to the robust demand for laminates throughout the second half, reduced to below 10 days (31 December 2002 – 20 days).
- Trade receivables, in terms of debtors turnover days, increased to 138 days (31 December 2002 – 120 days). However, by comparing with the increased sales figures in the last four months, debtors turnover days remained at 120 days, similar to the previous year.
- Trade and bills payables, in terms of creditors turnover days, increased to 81 days (31 December 2002 – 77 days).

流動資金及財務狀況

集團的財務狀況持續保持穩健。集團於二零零三年十二月三十一日之流動資產淨值為十四億一千三百萬港元(二零零二年十二月三十一日:九億四千萬港元)，流動比率則為1.82(二零零二年十二月三十一日:1.69)。

淨營運資金週期由二零零二年十二月三十一日的132日改善至二零零三年十二月三十一日的127日，細分如下：

- 存貨週轉期縮短至70日(二零零二年十二月三十一日:89日)。由於覆銅面板在下半年的需求強勁，製成品的存貨週轉期縮短至少於10日(二零零二年十二月三十一日:20日)。
- 貿易應收款項的週轉期延長至138日(二零零二年十二月三十一日:120日)。但與年度內最後四個月增加後之銷售額比較後，貿易應收款項的週轉期維持於120日水平，與去年相若。
- 貿易及票據應付款項的週轉期延長至81日(二零零二年十二月三十一日:77日)。

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In May 2003 the Group received net proceeds of approximately HK\$380 million on the issuance of 60 million new shares to institutional investors. In addition HK\$259 million was raised from the exercise of bonus warrants by the year end. In the year the Group continued to invest significantly in new production capacity with around HK\$1.1 billion. As a result, the ratio of interest bearing borrowings net of cash to shareholders' funds only improved marginally to 46% (31 December 2002 – 49%).

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 24%:76% (31 December 2002 – 31%:69%). Approximately 7% of the bank borrowings was denominated in Renminbi and the rest in Hong Kong dollars. The Group consistently adopts a prudent financial management policy including the possible use of forward interest rate and foreign exchange hedging instruments to minimise the risk of their fluctuations. As at 31 December 2003, approximately 45% of the bank borrowings was fixed with three to five year forward interest rate contracts.

The Group's exposure to foreign exchange fluctuations was minimal. Our revenue being mostly dominated in Hong Kong dollars, Renminbi and US dollars was fairly matched with the currency requirements of operating expenses.

HUMAN RESOURCES

As at 31 December 2003, in line with the further expansion of production facilities across the board, the Group's employees had increased to around 12,700 (31 December 2002 – around 8,900). Of this number, around 50 were based in the Hong Kong offices while the rest employed in the production plants in the mainland China. Besides offering the staff with competitive remuneration packages, discretionary bonuses and share options are also granted to eligible staff in accordance with the Group's and individual performance.

集團在二零零三年五月發行六千萬股新股予機構投資者，集資淨額約三億八千萬港元。此外，於年底時行使之紅利認股權證亦為集團籌得二億五千九百萬港元。年度內集團持續為增加生產設備作積極投資，總額約為十一億港元。因此扣除現金後之附息借貸與股東資金比率僅略為改善至46%（二零零二年十二月三十一日：49%）。

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24%：76%（二零零二年十二月三十一日：31%：69%）。銀行借貸中約有7%為人民幣貸款，其餘為港元貸款。集團一直採取謹慎的財務管理政策，其中包括利用遠期利息和外匯對沖工具減低利率和匯率波動的影響。於二零零三年十二月三十一日，約有45%的銀行借貸以三年至五年年期的遠期利率合約對沖。

匯率波動沒有對集團構成重大風險。集團的收入主要以港元、人民幣及美元結算，與營運開支的貨幣要求大致相符。

人力資源

集團於二零零三年十二月三十一日所聘用員工增至約12,700人（二零零二年十二月三十一日：約8,900人），以配合生產設施的進一步擴充。當中約有50人於香港辦事處工作，其餘則於國內各個廠房。集團致力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，以強化人才團隊。

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PROSPECTS

The recovery in the electronics industry, in turn the laminate industry, continues unabated. During the three years' downturn, most participants in the industries of the laminate and its related raw materials were not able to make reasonable returns, leading to both shut-downs and lack of new investments in capacity. Hence the current recovery of the laminate demand is facing a number of bottlenecks such as the tight supply of glass yarn. Some of these bottlenecks will require at least one year expansion lead time. In addition the huge surge in the prices of most commodities and steel, coupled with the strong currencies of euro and yen, is prohibiting the weaker players from aggressive expansion. Although our order book visibility again is limited to the next couple of months, I am increasingly convinced that, as long as no drastic change in the demand, the current upturn in the laminate market will be sustained for some time. Our laminate segment, with capacity expansion and increased vertical integration in the last few years, is therefore in a solid position to post strong performance in the current year. By the end of 2004, we aim to increase our monthly laminate capacity by 44% to 6.7 million square meters.

The printed circuit board segment will continue to face the challenge from increasing material costs. Not only expanding the capacity to serve the growing demand from customers, the management of our printed circuit board plants will take the implementation of cost reduction measures on all fronts as the top priority in the current year. In addition there has been a gradual improvement in the selling prices and shift to the sales of higher layer count products.

We believe the investments in the chemicals will see good returns in the next few years. In the last couple of months, based on new capacity and tightened cost measures, we have been seeing an improvement in profitability. Last year we started to produce tetrabromobisphenol-A with a monthly capacity of 900 tones all of which is used for internal consumption. In September we acquired a caustic soda plant with a monthly capacity of 2,500

前景

由電子業帶動覆銅面板行業的復甦勢頭未有退減。在過去三年的低潮，覆銅面板商和其他相關原料的經營者均難以取得合理回報，導致不少廠商結業，更遑論為產能作新投資。因此目前覆銅面板需求的復甦面對多個樽頸阻礙，如玻璃絲的供應便非常緊張。部份供應樽頸需要至少一年時間作產能擴充方可紓緩。此外，大部份商品和鋼鐵的價格大幅攀升，加上歐羅和日圓持續強勁，令實力較弱的經營者不敢進取地擴大產能。雖然集團可清晰預見的訂單狀況依然不超個數個月，但本人愈來愈有信心，只要需求沒有急劇轉變，目前覆銅面板市場的復甦趨勢將可持續一段時間。集團的覆銅面板部門憑藉在過去數年的產能擴張和持續的垂直整合，在市場已穩佔有利位置，可在今年內爭取更佳業績。集團目標在二零零四年年底，將每月的覆銅面板產能增加44%至670萬平方米。

印刷線路板業務面對來自原料價格攀升所造成的挑戰。部門管理層本年的首要任務除了繼續透過擴大產能以滿足客戶不斷增加的需求，亦會在各個經營層面實施成本減省措施。此外，印刷線路板的售價已漸見改善，部門的業務重心亦逐步移向多層板產品的銷售。

管理層相信集團就化工業務所作出的投資在未來數年將有理想的回報。在過去數月，集團憑藉新增的產能和成本控制措施，盈利能力已見改善。去年集團開始生產四溴雙酚A，月產量達900噸，所有產出均供集團內部使用。九月時集團在湖南衡陽收購了一家月產量達2,500噸的燒碱廠。除了滿足當地的需求，燒

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tones in Hengyang, the Hunan province. Other than serving the local demand, the plant's output is making inroads into our printed circuit board customers. Hence we are in the process of doubling its capacity by early 2005. In addition we entered into a 40:60 joint venture with CNOOC's chemical division targeting to produce 600,000 tones of methanol per annum in the Hainan province from mid-2006 onwards. There is a guarantee of at least 65% methanol output sold to us. In the Hebei province, the construction of a coal-based methanol plant with an annual capacity of 120,000 tones, as mentioned in the interim report, is well on track. It is scheduled to complete by end 2004. In the current year we have just completed a melamine plant of which the output, other than for internal consumption, has been sold out. We are also strengthening our position in the hydrogen peroxide market. In the next few months, a new plant of sodium hydrosulphite and hydrogen peroxide in Nansha, Guangdong will be completed. Not only sodium hydrosulphite will be targeted the same customers as hydrogen peroxide, manufacturing both products together should significantly reduce the unit production costs. Furthermore we have recently acquired a hydrogen peroxide plant with the monthly capacity of 6,000 tones in Gaomi, Shangdong for RMB50 million in order to broaden our geographical coverage in China.

碱廠更打算將產品銷售予集團的印刷線路板客戶，故管理層正計劃於二零零五年年初將產能倍增。此外，集團與中國海洋石油總公司旗下的化工部門成立了一家合營企業，集團與對方分別各佔四成及六成的股權，目標由二零零六年中開始，在海南島每年生產600,000噸甲醇。合作項目保證最少將65%所生產的甲醇售予建滔。另外，中期報告曾提及在河北省興建以煤為原料，年產量達120,000噸的甲醇廠按計劃進展順利，廠房預計在二零零四年底竣工。集團在本年剛建成了一家三聚氰胺廠，所生產的三聚氰胺除了供集團內部使用外，更成功將餘下產品悉數出售。集團並進一步鞏固本身在雙氧水市場的地位，在未來數月將有一家連二亞硫酸鈉（「保險粉」）及雙氧水廠在廣東南沙落成。保險粉與雙氧水的客戶不但相同，同時生產此兩種產品可顯著降低產品的單位生產成本。此外，集團最近以五千萬人民幣在山東高密收購了一家月產量達6,000噸的雙氧水廠，藉此擴大集團在中國的地理覆蓋。



The joint venture with CNOOC's chemical division is another milestone for the Group's vertical integration.

與中國海洋石油總公司旗下化工部門合作成立合資企業，為集團垂直整合開創另一新里程。

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APPRECIATION

On behalf of the board of directors, I would like to extend my gratitude to our shareholders, customers, banks, and employees for their last year's support.



CHEUNG Kwok Wing

Chairman

Hong Kong, 18 March 2004

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，對於各位在過去一年內的鼎力支持，集團深表感激。

Annual meeting enables the Group's senior management to share their views and set new targets for the year's corporate development.

集團的高級管理層在年會中聚首一堂，分享心得，為集團來年的發展策略定下新的目標。

主席

張國榮

香港，二零零四年三月十八日