建滔化工集團
KINGBOARD CHEMICAL HOLDINGS LIMITED

2005
INTERIM REPORT

RESULTS

The Board of Directors of Kingboard Chemical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with the comparative figures for the corresponding period in 2004 as follows:–

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
Turnover	*2*	**5,954,028**	3,059,573
Cost of sales		**(4,515,982)**	(2,160,655)
Gross profit		**1,438,046**	898,918
Other operating income		**29,316**	11,701
Distribution costs		**(154,793)**	(83,154)
Administrative costs		**(337,555)**	(172,445)
Amortisation of goodwill		**–**	(7,846)
Release of negative goodwill to income		**–**	2,865
Profit from operations		**975,014**	650,039
Finance costs		**(129,009)**	(31,742)
Share of results of jointly controlled entities		**(4,065)**	(155)
Profit before taxation		**841,940**	618,142
Taxation	*4*	**(55,899)**	(37,509)
Profit for the period		**786,041**	580,633
Attributable to:			
Shareholders of the Company		**688,299**	545,505
Minority interests		**97,742**	35,128
Profit for the period		**786,041**	580,633
Interim dividend	*5*	**94,149**	64,884
Earnings per share	*6*		
Basic		**95.6 cents**	84.1 cents
Diluted		**90.6 cents**	79.8 cents

Condensed Consolidated Balance Sheet

	Notes	**30 June 2005 HK$'000 (Unaudited)**	31 December 2004 HK$'000 (Audited and restated)
Non-current assets			
Investment properties		**33,040**	32,340
Other properties, plant and equipment	7	**7,886,025**	7,306,694
Prepaid lease payments		**460,341**	439,243
Goodwill		**1,663,495**	1,379,999
Investment in an associate		**188,137**	188,137
Available-for-sale investments		**107,677**	–
Investment securities		**–**	346,789
Derivative financial instruments		**57,164**	–
Interests in jointly controlled entities		**33,570**	37,815
Deferred tax assets		**13,153**	15,177
Other non-current assets		**377,537**	201,452
		10,820,139	9,947,646
Current assets			
Inventories		**1,763,026**	1,535,059
Trade and other receivables and prepayments	8	**4,300,067**	4,040,324
Available-for-sale investments		**9,225**	–
Other investments		**–**	16,058
Derivative financial instruments		**68**	–
Taxation recoverable		**6,266**	4,429
Bank balances and cash		**1,049,495**	945,630
		7,128,147	6,541,500
Current liabilities			
Trade and other payables	9	**2,273,233**	2,350,707
Bills payable		**709,643**	615,289
Taxation payable		**88,910**	61,674
Bank borrowings – amount due within one year		**1,751,959**	3,315,515
		4,823,745	6,343,185
Net current assets		**2,304,402**	198,315
Total assets less current liabilities		**13,124,541**	10,145,961
Capital and reserves			
Share capital		**72,703**	71,948
Reserves		**6,077,331**	5,433,116
Shareholders' funds		**6,150,034**	5,505,064
Minority interests		**1,358,507**	1,638,440
Total equity		**7,508,541**	7,143,504
Non-current liabilities			
Deferred tax liabilities		**54,420**	64,299
Bank borrowings – amount due after one year		**5,561,580**	2,938,158
		5,616,000	3,002,457
		13,124,541	10,145,961

Condensed Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Goodwill reserve HK$'000	Special surplus account HK$'000	Statutory reserve HK$'000	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2004	64,859	1,364,886	–	897	(791)	10,594	–	–	–	(1,654)	2,115,864	3,554,655	648,815	4,203,470
Issue of new shares														
– from share subscription	6,500	949,000	–	–	–	–	–	–	–	–	–	955,500	–	955,500
– from exercise of warrants	1	28	–	–	–	–	–	–	–	–	–	29	–	29
– from exercise of share options	588	21,396	–	–	–	–	–	–	–	–	–	21,984	–	21,984
Expenses incurred in connection with issue of new shares	–	(10,649)	–	–	–	–	–	–	–	–	–	(10,649)	–	(10,649)
Exchange differences on translation of overseas operations not recognized in the consolidated income statement	–	–	–	–	–	–	–	–	–	4,822	–	4,822	–	4,822
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,103,845	1,103,845	92,468	1,196,313
Final dividend for the year ended 31 December 2003	–	–	–	–	–	–	–	–	–	–	(64,860)	(64,860)	–	(64,860)
Interim dividend for the year ended 31 December 2004	–	–	–	–	–	–	–	–	–	–	(64,884)	(64,884)	(21,247)	(86,131)
Release of goodwill on deemed disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	4,622	4,622	–	4,622
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	918,404	918,404
Transfer to statutory reserve	–	–	–	–	–	–	3,466	–	–	–	(3,466)	–	–	–
Balance at 31 December 2004	71,948	2,324,661	–	897	(791)	10,594	3,466	–	–	3,168	3,091,121	5,505,064	1,638,440	7,143,504

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Goodwill reserve HK$'000	Special surplus account HK$'000	Statutory reserve HK$'000	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Effects of changes in accounting policies														
– HKAS 39	–	–	–	–	–	–	–	–	–	–	(89,586)	(89,586)	–	(89,586)
– HKAS 32	–	–	–	–	–	–	–	–	–	–	(41,465)	(41,465)	–	(41,465)
Restated as at 1 January 2005	71,948	2,324,661	–	897	(791)	10,594	3,466	–	–	3,168	2,960,070	5,374,013	1,638,440	7,012,453
Issue of new shares														
– from exercise of warrants	229	45,563	–	–	–	–	–	–	–	–	–	45,792	–	45,792
– from exercise of share options	526	19,146	–	–	–	–	–	–	–	–	–	19,672	–	19,672
Exchange differences on translation of overseas operations not recognized in the consolidated income statement	–	–	–	–	–	–	–	–	–	(19,332)	–	(19,332)	–	(19,332)
Profit for the period	–	–	–	–	–	–	–	–	–	–	688,299	688,299	97,742	786,041
Final dividend for the year ended 31 December 2004	–	–	–	–	–	–	–	–	–	–	(144,353)	(144,353)	(24,788)	(169,141)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(352,887)	(352,887)
Gains on cash flow hedges	–	–	–	–	–	–	–	146,819	–	–	–	146,819	–	146,819
Gains on available-for-sale investments	–	–	–	–	–	–	–	–	37,024	–	–	37,024	–	37,024
Recognition of equity-settled share-based payment	–	–	2,100	–	–	–	–	–	–	–	–	2,100	–	2,100
Transfer to retained profits	–	–	–	–	–	–	–	(89,586)	(37,024)	–	126,610	–	–	–
Balance at 30 June 2005	**72,703**	**2,389,370**	**2,100**	**897**	**(791)**	**10,594**	**3,466**	**57,233**	**–**	**(16,164)**	**3,630,626**	**6,150,034**	**1,358,507**	**7,508,541**

The special surplus account of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital of the subsidiaries which were acquired by the Company under the Group's reorganisation in 1993 and the nominal amount of the deferred shares of a wholly-owned subsidiary, Kingboard Laminates Limited.

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash generated from operating activities	**820,942**	658,088
Net cash used in investing activities	**(1,546,334)**	(1,396,904)
Net cash generated from financing activities	**796,856**	759,423
Net increase in cash and cash equivalents	**71,464**	20,607
Cash and cash equivalents at beginning of the period	**839,790**	585,661
Cash and cash equivalents at end of the period	**911,254**	606,268
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,049,495**	606,268
Bank overdrafts	**(138,241)**	–
	911,254	606,268

Notes:

1. Basis of preparation and principal accounting policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(a) *Business combinations*

In the current period, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 April 2001 continued to be held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalized and amortised over its estimated useful life. With respect to goodwill previously capitalized on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

(b) *Share-based payment*

In the current period, the Group has applied HKFRS 2 ''Share-based payment'' which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (''equity-settled transactions''), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (''cash-settled transactions''). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company and its subsidiaries determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to shares granted on or after 1 January 2005. In relation to shares granted before 1 January 2005, the Group has not applied HKFRS 2 to shares granted on or before 7 November 2002 and shares granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. The Group had no share granted after 7 November 2002 and had not yet vested on 1 January 2005, and accordingly, no retrospective restatement is required.

However, the adoption of HKFRS 2 has an impact on the results of the Group for the accounting period beginning on 1 January 2005. In relation to the expensing of the fair value of directors' and employees' share options of Elec & Eltek International Company Limited ("EEIC"), a public company listed on the Singapore Exchange Securities Trading Limited and a 70.19% owned subsidiary of the Company, granted under The Elec & Eltek Employees' Share Option Scheme (the ''EEIC Scheme''), an amount of approximately HK$2 million (nil for the six months ended 30 June 2004) representing the estimated fair value of shares granted on 25 May 2005 and accepted by its eligible employees on 24 June 2005 under the EEIC Scheme was charged to the income statement during the period, with a corresponding credit to equity.

(c) *Financial instruments*

In the current period, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting period beginning on or after 1 January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

(i) Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

At 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealized gain or losses included in the profit or loss for the period. Held-to-maturity investments are carried at amortised cost less impairment loss (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss', "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. An adjustment of HK$41,465,000 to the previous carrying amounts of assets and liabilities at 1 January 2005 has been made to the Group's retained earnings.

(ii) Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirement of HKAS 39. As mentioned above, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". Other financial liabilities are carried at amortised cost using the effective interest method. This change has had no material effect on the results for the current period.

(iii) Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognized in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. As a result of adoption of HKAS 39, the retained profits of 1 January 2005 were reduced by HK$89,586,000. Financial liabilities of the Group at 1 January 2005 were increased by HK$89,586,000.

(d) Interest in jointly controlled entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in jointly controlled entities" allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue using the equity method to account for its interests in jointly controlled entities.

(e) Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognized directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This has no material effect on the investment property as at 1 January 2005 and thus no adjustment has been made to the Group's retained earnings.

(f) Prepaid lease payments

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

The Group has not early applied the new HKFRSs that have been issued by HKICPA before 30 June 2005 but are not yet effective for the accounting periods on or after 1 January 2005. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

2. Segmental information

For management purposes, the Group is organised into four operating divisions - laminates, printed circuit boards, chemicals and others.

	Laminates *HK$'000*	Printed circuit boards *HK$'000*	Chemicals *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2005						
Segment revenue						
External sales	2,041,492	2,465,443	916,747	530,346	–	5,954,028
Inter-segment sales	578,231	–	470,669	–	(1,048,900)	–
Total	2,619,723	2,465,443	1,387,416	530,346	(1,048,900)	5,954,028
Result						
Segment result	571,350	270,111	91,271	33,770	–	966,502
Unallocated corporate income						27,708
Unallocated corporate expenses						(19,196)
Profit from operations						975,014
Finance costs						(129,009)
Share of results of jointly controlled entities						(4,065)
Profit before taxation						841,940
Taxation						(55,899)
Profit for the period						786,041

Inter-segment sales are charged by reference to market prices.

	Laminates HK$'000	Printed circuit boards HK$'000	Chemicals HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Six months ended 30 June 2004						
Segment revenue						
External sales	1,826,639	688,048	443,582	101,304	–	3,059,573
Inter-segment sales	186,612	–	274,049	–	(460,661)	–
Total	2,013,251	688,048	717,631	101,304	(460,661)	3,059,573
Result						
Segment result	522,240	52,277	59,463	12,274	–	646,254
Amortisation of goodwill	–	(7,238)	–	(608)	–	(7,846)
Release of negative goodwill to income	2,865	–	–	–	–	2,865
Unallocated corporate income						9,636
Unallocated corporate expenses						(870)
Profit from operations						650,039
Finance costs						(31,742)
Share of results of jointly controlled entities						(155)
Profit before taxation						618,142
Taxation						(37,509)
Profit for the period						580,633

Inter-segment sales are charged by reference to market prices.

The analysis of the Group's turnover and profit from operations by geographical market is as follows:

	Turnover Six months ended 30 June		Profit from operations Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
The People's Republic of China	**4,690,843**	2,563,579	**815,503**	586,751
Other Asian countries	**673,345**	345,168	**84,359**	35,720
America	**220,472**	45,220	**28,974**	7,721
Europe	**369,368**	105,606	**46,178**	19,847
	5,954,028	3,059,573	**975,014**	650,039

3. Depreciation

During the period, depreciation and amortisation of HK$393.2 million (1 January 2004 to 30 June 2004: HK$192.3 million) was charged in respect of the Group's other properties, plant and equipment.

4. Taxation

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
The taxation charges comprise:		
Hong Kong Profits Tax	**28,029**	20,700
Taxation in other jurisdictions	**35,725**	17,684
	63,754	38,384
Deferred taxation		
Credit for the period	**(7,855)**	(875)
	55,899	37,509

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits of the Group for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2005 of HK12.0 cents (2004: HK10.0 cents) per share to the shareholders whose names appear on the register of members of the Company on 30 September 2005. The dividend warrants will be dispatched on 5 October 2005.

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings for the purposes of calculating basic and diluted earnings per share	**688,299**	545,505

	Number of shares	
	30 June 2005	30 June 2004
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**720,140,294**	648,598,381
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**34,677,353**	34,721,345
– outstanding warrants	**5,008,568**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**759,826,215**	683,319,726

7. Additions to other properties, plant and equipment

During the period, the Group spent approximately HK$972 million (1 January 2004 to 30 June 2004: HK$952 million) on acquisition of other properties, plant and equipment.

8. Trade and other receivables and prepayments

Included in trade and other receivables and prepayments are trade receivables of HK$3,594,657,000 (31 December 2004: HK$3,271,162,000). The Group allows credit periods of up to 120 days, depending on the product sold, to its trade customers. The aged analysis of the trade receivables is as follows:

	0-90 days *HK$'000*	**91-180 days** *HK$'000*	**Over 180 days** *HK$'000*	**Total** *HK$'000*
Balance at 30 June 2005 (Unaudited)	2,714,912	804,718	75,027	3,594,657
Balance at 31 December 2004 (Audited)	2,447,494	750,731	72,937	3,271,162

9. Trade and other payables

Included in trade and other payables are trade payables of HK$1,349,488,000 (31 December 2004: HK$1,268,068,000). The aged analysis of the trade payables is as follows:

	0-90 days *HK$'000*	**91-180 days** *HK$'000*	**Over 180 days** *HK$'000*	**Total** *HK$'000*
Balance at 30 June 2005 (Unaudited)	1,029,947	246,726	72,815	1,349,488
Balance at 31 December 2004 (Audited)	883,141	315,340	69,587	1,268,068

10. Share options

(a) *Employees' share option scheme of the Company*

Under the Company's share option scheme (the "Scheme") adopted on 2 July 2002, which is valid for a period of ten years, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company ("Shares") to eligible participants ("Eligible Participants") who contributes to the long-term growth and profitability of the Company. Eligible Participants includes (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds any equity interests ("Invested Entity"), including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vi) any person or entity who from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date when an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date when an offer of the grant of the options. The options must be taken up within 28 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of the options but shall end in any event not later than ten years from the date of adoption of the Scheme.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

At 30 June 2005, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 36,562,000, representing 5.03% of the shares of the Company in issue on that date.

A summary of the movements of the share options under the Scheme for the period is as follows:

	Granted to directors	**Granted to employees**	**Total**
Balance at 31 December 2004	33,617,000	8,205,000	41,822,000
Exercised during the period *(Note)*	(4,336,200)	(923,800)	(5,260,000)
Balance at 30 June 2005	29,280,800	7,281,200	36,562,000

Note:

On 30 June 2005, options to subscribe for 5,260,000 shares in the Company at HK$3.74 per share were exercised. The average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately before 30 June 2005 was HK$25.57.

(b) *Employees' share option scheme of EEIC*

On 12 November 2002, EEIC adopted its existing employees' share option scheme (the ''EEIC Scheme") under which the committee authorised by EEIC's directors (the ''Committee") may, at its discretion, at any time during a period of five years from the date of adoption offer options to full-time employees and directors of EEIC and its subsidiaries, the Company and its subsidiaries, or an associated company of EEIC to subscribe for the shares of EEIC (''EEIC Shares") according to the terms of the EEIC Scheme. The EEIC Scheme has been implemented for the purpose of attracting, retaining and motivating talented directors and employees to strive towards long-term performance targets and allowing the participants to enjoy the results of EEIC. The EEIC Scheme became effective on 12 November 2002 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

Pursuant to the EEIC Scheme, the maximum number of EEIC Shares upon which options may be issued upon exercise of all options to be granted under the EEIC Scheme and any other option schemes of EEIC shall not in aggregate exceed 14,602,540 shares, representing 10% of the total number of EEIC Shares in issue as at 12 November 2002, the date of adoption of the EEIC Scheme. The total number of EEIC Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 months period must not exceed 1% of the total number of EEIC Shares in issue from time to time.

The exercise period of an option is determined and notified by the Committee to each participant. Options in respect of which the subscription price for an EEIC Share is fixed at the higher of (i) the average of the closing prices of EEIC Shares for the last five market days immediately preceding the relevant date of grant or (ii) the nominal value of EEIC Shares (the ''Subscription Price"), will have an option period commencing on a date not earlier than the first anniversary date and ending on a date not later than five years after the date of grant. The Committee has the discretion to grant options with up to a 20% discount to the Subscription Price subject to a more remote exercise period commencing on a date not earlier than the second anniversary date and ending on a date not later than five years after the date of grant. Options may be accepted within 30 days from the date of offer upon payment of S$1.00 as nominal consideration by the participant. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

A summary of the movements of the share options under the EEIC Scheme for the period is as follows:

	Granted to EEIC's directors	Granted to EEIC's employees	Total
Balance at 31 December 2004	–	–	–
Granted during the period	6,855,000	2,945,000	9,800,000
Lapsed during the period	–	(20,000)	(20,000)
Balance at 30 June 2005	6,855,000	2,925,000	9,780,000

The interests are by virtue of share options granted to the directors of EEIC and full times employees (the "Participants") on 25 May 2005, which entitle the Participants to subscribe for EEIC Shares at an exercise price of US$2.44 per share. The vesting period of the share options is from the date of grant until the commencement of the respective exercise periods. The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing 26 November 2006, 26 November 2007, 26 November 2008, 26 November 2009 and 26 November 2010 respectively and all ending on 24 May 2010.

11. Warrants

At an extraordinary general meeting of the Company held on 30 September 2004, a bonus issue of warrants to the shareholders of the Company ("Warrants"), in the proportion of one Warrant for every ten shares held in the share capital of the Company, was proposed and approved. Consequently, 65,447,638 Warrants were issued, conferring rights to the holders of the Warrants until 31 December 2006 to subscribe for up to an aggregate of 65,447,638 Shares at an initial subscription price of HK$20 per Share, representing an aggregate subscription price of HK$1,308,952,760.

During the period, 2,289,600 new Shares were issued on exercise of the Warrants. Exercise in full of the remaining outstanding Warrants would, under the present capital structure, resulting in receipt by the Company of HK$1,263,160,760 in subscription monies and the issue of 63,158,038 new Shares.

12. Commitments

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Capital expenditure contracted for but not provided in the financial statements for the acquisition of properties, plant and equipment	**335,443**	189,722

13. Contingent liabilities

During the period under review, the Group continued to take legal action against customers to recover overdue trade receivables. With regard to the three customers which were particularly referred to in previous years' financial statements, and which collectively owe approximately HK$12 million to the Group, it is the intention of the directors that the Group will continue vigorously to pursue the recovery of the outstanding trade receivables and to defend against the counter-claims, amounting to approximately HK$9 million, which have been lodged by the delinquent customers.

14. Post balance sheet events

On 7 July 2005, 15,500,000 new Shares were issued on the exercise of the Warrants by Hallgain Management Limited ("Hallgain"), the Company's controlling shareholder, resulting in receipt by the Company of HK$310,000,000.

On 8 July 2005, Hallgain entered into a placing and subscription agreement with a placing agent ("Subscription Agreement"). A total of 40,000,000 Shares at the price of HK$22.25 per Share were successfully placed to independent investors. Pursuant to the Subscription Agreement, Hallgain subscribed for, and was allotted and issued 40,000,000 new Shares at the same price of HK$22.25 per Share. The net proceeds of approximately HK$880,000,000 will be used by the Group to repay the existing bank borrowings of the Group and for general working capital purposes. The directors of the Company considered that it was an ideal opportunity for raising additional capital for the Company and that it would enhance the capital base of the Company and increase the shareholders' base and marketability of the Shares. With the proceeds, the Company is able to reduce the amount of bank borrowings to save interest costs.

15. Comparatives

As explained in note 1, due to the adoption of the New HKFRSs during the current period, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current period's presentation.

BUSINESS REVIEW

We are pleased to report that Kingboard Group ("the Group") has delivered another impressive set of results for the six months ended 30 June 2005 ("the reporting period"), despite a challenging operating landscape in the global platform.

Year 2005 has been a milestone for the Group. Following the acquisition of a controlling stake in Elec & Eltek Group, the Group has gained a significant foothold in various business sectors, namely, Printed Circuit Board ("PCB"), Liquid Crystal Display ("LCD"), and Magnetic Products. These, together with our existing core businesses in laminates and chemicals, allow an appropriate balance of our operations across a good spectrum of industries and geographies, and bring in new revenue stream and significant synergies.

Kingboard Group has come a long way since the day we founded the business some 17 years ago. We believe our fellow shareholders would share our joy in seeing the Group embarking on a new era of growth in the years ahead.

Financial highlights

- Turnover posted strong growth of 95% to HK$5,954.0 million
- Net profit rose 26% to HK$688.3 million
- Return on equity stood at 23.6% (annualized)
- Interim dividend per share up 20% to HK12.0 cents

Against the mixed backdrop of better economic conditions and rising oil prices, the Group reported double-digit increases in its revenue in all geographic regions and operating segments. The smooth business integration with Elec & Eltek Group enables the Group to strengthen its leadership position in the electronic components businesses. Including the contribution from Elec & Eltek Group, the Group's revenue and earnings before interest & tax ("EBIT") rose 95% and 50% to HK$5,954.0 million and HK$975.0 million respectively. Net profit, impacted by higher interest expenses and profit sharings with minority interests, increased by 26% to reach HK$688.3 million in the reporting period.

Excluding contribution from Elec & Eltek Group, the Group recorded a 33% improvement in revenue to HK$4,078.6 million and, deducting for the interest expenses incurred in connection with the acquisition of Elec & Eltek Group, a 13% increase in net profit to HK$617.1 million in the reporting period compared to the corresponding six months' period ended 30 June 2004.

Performance

All key business sectors continued to deliver solid performance with healthy order bookings during the reporting period.

The laminates business recorded 30% growth in revenue to HK$2,619.7 million, and 9% increase in EBIT to HK$571.4 million in the reporting period. Volume sales, partly constrained by the relocation of paper laminate production facilities, were up by around 12%. EBIT margin contracted slightly to 21.8% as a result of the new capacity of glass yarn worldwide coming on stream which impacted the profitability of the glass epoxy laminate business. However, the favourable paper laminate market conditions coupled with the Group's leading position enabled the paper laminate business to sustain healthy returns.

The Group's PCB business, riding on the increasing outsourcing trend in China by original equipment manufacturers ("OEMs"), experienced growth in all major market sectors with all manufacturing facilities operating close to full capacity since March 2005. The Group achieved a 258% increase in revenue in the reporting period to HK$2,465.4 million after incorporating the full six months' results of Elec & Eltek. Excluding Elec & Eltek, the PCB business registered a 15% revenue growth. Elec & Eltek's business contribution has helped lift our overall layer count mix to include more higher value-added and higher density multi-layer product categories. The performance of Elec & Eltek has been on an upward trend since the second quarter after the completion of its organizational restructuring and realignment in early 2005.

The investment and expansion initiatives undertaken for our chemicals business in the production of formalin, epoxy resin, caustic soda and hydrogen peroxide plants during the past years had been paying off. The Group's chemicals division achieved satisfactory performance in the reporting period. Revenue for the chemicals division, excluding contribution from Coke, for the reporting period rose 51% to HK$1,084.6 million with EBIT margin lower by around 0.8% to 7.5%. The lower EBIT margin was primarily due to more volatile feedstock costs. Including the contribution from Coke, revenue for the chemicals division surged by 93% to HK$1,387.4 million and EBIT margin reduced to around 6.6%. The coke-methanol plant, having commissioned commercial production in October 2004, was still at its pilot run stage and contributed modest profit for the first half of year 2005. It is expected that the coke-methanol plant will excel once production of methanol is fully ramped up in the second half of year 2005.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial position remained healthy. As at 30 June 2005, net current assets and current ratio of the Group were approximately HK$2,304 million (31 December 2004 – HK$198 million) and 1.48 (31 December 2004 – 1.03), respectively.

Net working capital cycle improved from 114 days as at 31 December 2004 to 98 days as at 30 June 2005 on the following key metrics:

- Inventories, in terms of stock turnover days, improved to 71 days (31 December 2004 – 80 days)
- Trade receivables, in terms of debtors turnover days, improved to 110 days (31 December 2004 – 119 days)
- Trade and bills payables, in terms of creditors turnover days, decreased to 83 days (31 December 2004 – 85 days)

During the first half of year 2005, the Group privatized Elec & Eltek International Holdings Limited by acquiring its remaining 5.09% public float for approximately HK$120 million and acquired a further 19.45% interest in Elec & Eltek International Company Limited ("EEIC") for approximately HK$643 million. In addition, the Group invested approximately HK$997 million in new production facilities to gear up for further business expansion. As a result, the ratio of interest bearing borrowings net of cash to shareholders' funds ("net gearing ratio") increased to 102% (31 December 2004 – 96%).

In July 2005, the Group received net proceeds of approximately HK$880 million on the issuance of 40 million new shares to institutional investors. 70% of the proceeds was used to repay the bank borrowings and the remaining 30% for general working capital. We also received proceeds of approximately HK$350 million from the exercise of warrants in the same month. As a result, the Group's underlying net gearing ratio reduced to approximately 68%, and further reduced to 57% if excluding bank borrowings of EEIC on non-recourse basis.

Following the successful refinancing of one-year bridging loan facilities in June 2005, the Group's borrowings maturity profile lengthened with short term and long term bank loans standing at 24%: 76% as compared to 53%: 47% on 31 December 2004. Approximately 1.4% of the bank borrowings was denominated in Renminbi and the rest in Hong Kong or US dollars. The Group has entered into interest rate swap agreements to manage the increasing interest rates with a weighted average duration of 2.3 years at the end of June 2005.

The appreciation of Renminbi against the US dollars shall pose 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.

HUMAN RESOURCES

The Group has around 34,300 (31 December 2004: 31,600) permanent employees worldwide as at 30 June 2005. During the reporting period, approximately 2,700 employees were recruited by the Group to cope with our continuous business growth. Other than competitive salary package, the Group continues to award bonuses and share options to eligible employees according to financial achievement of the Group and individual performance of the employees.

PROSPECTS

Economic indicators released so far show that the global economy is on track to deliver another year of sustained growth with modest inflation. In light of this, the Group has confidence that all its business segments would continue to perform satisfactorily in the second half of this financial year.

In the third quarter, we continue to see rising volume demand for both paper and glass epoxy laminates. Although the performance of glass epoxy laminate sector may be hindered by an increase in the supply of glass yarn in the market, the paper laminate sector is benefiting from the robust market conditions owing to the industry's limited capacity growth especially outside China. The Group is in the process of adding another new production line for paper laminates in Kunshan, Jiangsu province to meet the upsurge in demand. In addition we have accelerated the relocation of paper laminates facilities from Shenzhen to the North of Guangdong province in order to resume the operation of these facilities as soon as possible.

The PCB business has been enjoying almost full production loadings with book-to-bill ratio staying above one since July 2005. As a result, we are installing production lines at various plant locations which will translate into an additional monthly capacity of 0.8 million square feet by the end of 2005. In addition a new plant in Kaiping, Guangdong province with an annual production capacity of 3.0 million square feet to supply high density interconnect (HDI) PCBs will be invested by Elec & Eltek and is expected to commence production in March 2006. At present we are leveraging the size of the enlarged operation to actively negotiate with suppliers of both raw materials and equipment for better payment terms and more competitive pricing.

The expansion of caustic soda plant in Hengyang of Hunan province has been slightly delayed due to tough weather, and pilot production has commenced in August 2005 to cater for the growing market demand in the southern China region. To satisfy the growing internal demand, the Group plans to increase the monthly capacity of epoxy resin from 3,000 tonnes to 5,000 tonnes by the end of 2005. The recent projects, such as the two methanol plants in Chongqing and Hainan province and the phenol & acetone/bisphenol-A plant in Huizhou, Guangdong province, are progressing as scheduled. This would certainly help broaden the Group's earnings base in the next couple of years.

The electronic components business comprising LCD and magnetic products is encountering lots of attractive opportunities. We are taking a few initiatives to enable us soon to provide customers with a comprehensive range of LCD display products from mono to colour. Our magnetic products command strong reputation in the industry and examples include a top tier OEM communication customer had recently given our magnetic operation the top ranking of overall services. With new capacity being in place in Qingyuan and Luoding, Guangdong province for our LCD and magnetic operations respectively, we are set to achieve further growth in the near term.

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 support in the last six months.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2005 to 30 September 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders are reminded to ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch Share Registrars in Hong Kong, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 27 September 2005.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2005, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position

(a) *Ordinary shares of HK$0.10 each of the Company*

		Number of issued ordinary shares held			
Name of director	**Capacity**	**Interest in underlying shares pursuant to share options** *(Note 1)*	**Interest in underlying shares pursuant to warrants**	**Interest in shares**	**Percentage of the issued share capital of the Company**
Mr. Cheung Kwok Wing	Beneficial owner	2,091,400	371,506	2,151,060	0.30%
Mr. Chan Wing Kwan	Beneficial owner	3,499,200	210,840	1,480,600	0.20%
Mr. Lum Gum Wun	Beneficial owner	–	206,840	1,806,400	0.25%
Mr. Lam Ka Po	Beneficial owner	4,032,200	70,052	481,800	0.07%
Mr. Cheung Kwok Keung	Beneficial owner	4,032,200	117,370	481,800	0.07%
Mr. Cheung Kwok Wa	Beneficial owner	3,781,200	194,920	1,126,600	0.15%
Mr. Cheung Kwong Kwan	Beneficial owner	3,892,200	102,662	706,300	0.10%
Mr. Cheung Kwok Ping	Beneficial owner	3,836,200	201,526	1,831,300	0.25%
Mr. Chang Wing Yiu	Beneficial owner	4,116,200	98,750	1,266,100	0.17%
Mr. Mok Cham Hung, Chadwick	Beneficial owner	–	60,000	600,000	0.08%
Mr. Cheng Ming Fun, Paul	Beneficial owner	–	–	50,000	0.01%
Mr. Tse Kam Hung	Beneficial owner	–	–	–	–

(b) *Non-voting deferred shares of HK$1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company*

Name of director	Capacity	Number of shares held
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chan Wing Kwan	Beneficial owner	1,481,200
Mr. Lum Gum Wun	Beneficial owner	1,058,000
Mr. Lam Ka Po	Beneficial owner	581,900
Mr. Cheung Kwok Keung	Beneficial owner	529,000
Mr. Cheung Kwok Wa	Beneficial owner	1,058,000
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Cheung Kwok Ping	Beneficial owner	952,200
Mr. Chang Wing Yiu	Beneficial owner	423,200

(c) *Ordinary shares of S$0.80 each of EEIC, a 70.19% owned subsidiary of the Company*

		Number of issued ordinary shares held		
Name of director	Capacity	Interest in underlying EEIC's shares pursuant to share options *(Note 2)*	Interest in EEIC's share	Percentage of the issued share capital of EEIC
Mr. Cheung Kwok Wing	Beneficial owner	811,000	50,000	0.03%
Mr. Chan Wing Kwan	Beneficial owner	811,000	–	–
Mr. Cheung Kwok Wa	Beneficial owner	811,000	162,000	0.11%
Mr. Chang Wing Yiu	Beneficial owner	811,000	–	–
Mr. Mok Cham Hung, Chadwick	Beneficial owner	811,000	44,000	0.03%

Note:

1. The interests are by virtue of share options granted to the directors of the Company on 11 October 2002, which entitle the relevant directors to subscribe for shares in the Company at an exercise price of HK$3.74 per share during the period from 15 October 2002 to 2 July 2012.

2. The interests are by virtue of share options granted to the directors of EEIC on 25 May 2005, which entitle the relevant directors to subscribe for shares in EEIC at an exercise price of US$2.44 per share. The vesting period of the share options is from the date of grant until the commencement of the exercise period. The share options are exercisable in whole or in part at the staggered manner within 5 options period, commencing 26 November 2006, 26 November 2007, 26 November 2008, 26 November 2009 and 26 March 2010 respectively and all ending on 24 May 2010.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position

Ordinary shares of HK$0.10 each of the Company

Name of shareholder	*Notes*	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Hallgain	*(a)*	Beneficial owner	220,067,400	30.27%
The Capital Group Companies, Inc.	*(b)*	Investment manager	82,635,869	11.37%
FMR Corp	*(c)*	Investment manager	57,963,780	7.97%

Notes:

(a) Hallgain is owned as to 22% by Mr. Cheung Kwok Wing, 15% by Mr. Chan Wing Kwan, 10% by Mr. Lum Gum Wun, 5.5% by Mr. Lam Ka Po, 5.5% by Mr. Cheung Kwok Keung, 10% by Mr. Cheung Kwok Wa, 8% by Mr. Cheung Kwong Kwan, 9% by Mr. Cheung Kwok Ping and 5% by Mr. Chang Wing Yiu.

(b) The interests are indirectly held by The Capital Group Companies, Inc. through its 100% controlled corporations, namely Capital Research and Management Company, Capital Guardian Trust Company and Capital International, Inc..

(c) The interests are indirectly held by FMR Corp through its 100% controlled corporations, namely Fidelity Management & Research Company and Fidelity Management Trust Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months period ended 30 June 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

CORPORATE GOVERNANCE

Following the implementation of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules and the addition of a new Appendix 23 on the requirements for a Corporate Governance Report (collectively " the amended Listing Rules"), the Company had reviewed its current corporate governance practices and on 18 May 2005 passed special resolutions to make certain amendments to the Articles of Associations ("Articles") of the Company for the purpose of bringing the Articles in line with the amended Listing Rules.

During the interim period, the Company has complied with all the requirements set out in the Code Provisions in respect of the Code on Corporate Governance Practices save for the deviation that all non-executive directors are not appointed for specific terms but are subject to retirements by rotation and re-election at the Company's annual general meeting in accordance with the Articles.

Upon the passing away of Mr. Tsao Kwang Yung, Peter, the independent non-executive director and the Chairman of the Audit Committee of the Company, on 5 June 2005, the Company has been identifying suitable candidate with appropriate qualifications and experience for appointment as independent non-executive director and member of Audit Committee to comply with the requirement of minimum number of three persons as set out under Rules 3.11 and 3.23 of the Listing Rules and on 5 September 2005 issued an announcement with respect to the current situation. The Company will make timely announcement for the appointment of the new independent non-executive director.

The Company has adopted a code of conduct regarding securities transactions ("Code of Conduct") by directors and management who may have in possession of unpublished price-sensitive information, on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standards set out in the Model Code and the Code of Conduct.

By Order of the Board
Kingboard Chemical Holdings Limited
Cheung Kwok Wing
Chairman

Hong Kong, 8 September 2005

Board of directors:

Executive
Mr. Cheung Kwok Wing *(Chairman)*
Mr. Chan Wing Kwan *(Managing Director)*
Mr. Lam Ka Po
Mr. Cheung Kwok Keung
Mr. Cheung Kwok Wa
Mr. Cheung Kwong Kwan
Mr. Cheung Kwok Ping
Mr. Chang Wing Yiu
Mr. Mok Cham Hung, Chadwick

Non-executive
Mr. Lum Gum Wun

Independent non-executive
Mr. Cheng Ming Fun, Paul
Mr. Tse Kam Hung