



BUSINESS REVIEW

The Group continued to successfully strengthen its operations across the board with the focus on the manufacture of laminate and its related products. Against the background of the strong market conditions, our colleagues had worked extremely hard to cope with the pent-up demand for our laminate products in most parts of the financial year 2001. This resulted in another remarkable year.

Financial Summary

The Group once again posted record turnover and profit for the year ended 31 March 2001.

- Turnover increased by 55% to HK\$2,416 million
- Pre-tax profit margins (*) improved to 21.6% from 18.7%
- Profit attributable to shareholders (*) rose 58% to HK\$408.7 million
- Basic earnings per share (*) were up 54% to 86.6 HK cents
- Gearing ratio (net debt/equity) was healthy at 36.3%

(*) Excluding the gain of HK\$178.4 million from the spin off of copper foil business in the financial year 2000.

Sales

The Group was successfully shifting the product mix to higher margin glass epoxy laminates (FR4) which are used for the production of double-sided and multi-layered printed circuit boards. FR4 sales posted strong growth of 210% and accounted for about 41% of our total turnover compared with only 28% in the previous year. With the mass production of FR4 commencing only in 1998, the Group has been able to establish a solid market position in the last three years.

業務回顧

集團以生產覆銅面板及相關產品作為業務核心，於去年繼續銳意優化各部門的運作。在二零零一財政年度內，覆銅面板產品需求殷切，集團員工全力以赴，竭力滿足客戶需求，令集團再次取得驕人成績。

財務摘要

截至二零零一年三月三十一日止年度，集團業績優異，再次突破過往的營業額及盈利紀錄。

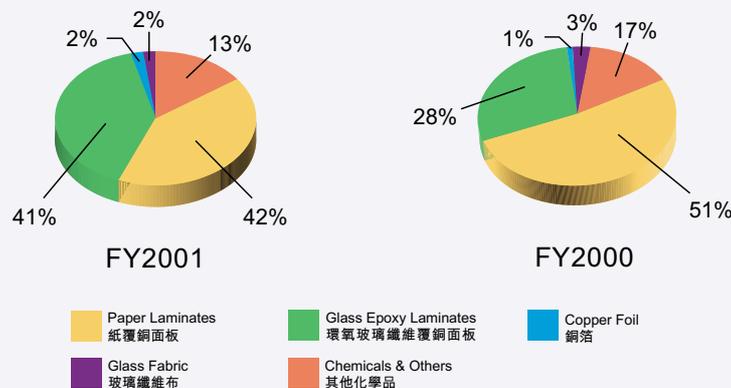
- 營業額上升 55% 至 二十四億一千六百萬港元
- 稅前邊際利潤(*)由上年度的 18.7% 增至 21.6%
- 股東應佔溢利(*)增加 58% 至 四億八百七十萬港元
- 基本每股盈利(*)上升 54% 至 86.6 港仙
- 資產負債比率(淨負債/資產)維持在 36.3% 的健康水平

(*) 不包括在二零零零財政年度內分拆銅箔業務之 178,400,000 港元收益。

銷售

集團成功提高產品組合中利潤較高的玻璃纖維覆銅面板 (FR4) 的銷售比例。FR4 主要用作生產雙面及多層印刷電路板。集團的 FR4 銷售取得 210% 的強勁增長，佔總營業額 41%，而上年度，FR4 的銷售僅佔總營業額 28%。集團自一九九八年開始大量生產 FR4，在過去短短三年已成功在市場上建立穩固的地位。

Turnover Breakdown by Product
營業額分佈



There had been expansion of our lead in the paper laminate market of which we believe to have the highest global share. Paper laminates which are mainly used for the single-sided printed circuit boards also posted robust growth of 23%.

Other than the internal consumption of glass fabric and copper foil, key materials for the laminate production, we had increased the external sales to the multi-layered printed circuit board and other laminate manufacturers. Their sales rose 70% and accounted for about 4% of the Group's turnover.

The sales of chemicals also performed well, showing an increase of 39%. Excluding the sales of hydrogen peroxide which commenced last May, other chemicals sales, comprising mainly formalin, jumped 16%. Both hydrogen peroxide and formalin are also used in the Group's other production plants.

Production

The production capacity expansion for laminates progressed in line with our targets. The monthly production capacity of paper laminates and FR4 increased by 46% to 1.9 million sheets and 100% to 800,000 sheets. In addition to expanding existing facilities, we established a new production plant in Jiangmen, Guangdong Province in order to strengthen our delivery services for the customers in the region. Together with this new production plant, we now have five laminate plants located in Guangdong and Shanghai areas, the two major regional hubs of manufacturing printed circuit boards in China.

Given the tight supply of copper foil throughout the year and with the proceeds from the listing of Kingboard Copper Foil Holdings Limited in Singapore, we have speeded up our expansion schedule for the copper foil plant in Qingyuan, Guangdong. The monthly capacity was expanded to 1,200 tonnes, an increase of 71% from FY2000.



A paper mill beside the copper foil plant in Qingyuan can produce 1,600 tonnes bleached kraft paper per month, enhancing the Group's vertical production model. 集團在清遠銅箔廠旁邊設立紙廠，每月生產1,600噸漂白木漿紙，進一步加強集團垂直生產。

集團在過往一年進一步鞏固在紙覆銅面板市場的領導優勢，我們相信集團現時在此市場上擁有最高的全球市場佔有率。紙覆銅面板主要用於生產單面印刷電路板，回顧年度內該類產品亦錄得23%的可觀增長。

玻璃纖維布及銅箔乃生產覆銅面板的主要原料。集團除了自行生產玻璃纖維布及銅箔供內部使用外，更增加向其他多層印刷電路板及覆銅面板生產商的銷售比例。回顧期間，玻璃纖維布及銅箔的銷售額增加70%，佔集團整體營業額4%。

化工產品的銷售亦表現理想，取得39%增長。除卻於去年五月才開始投產的雙氧水業務，其他化工原料，其中主要為甲醛的銷售躍升16%。集團其他廠房亦有使用雙氧水及甲醛。

生產

覆銅面板的產能按集團所訂目標如期擴充。紙覆銅面板及FR4的月產能分別增加46%及100%至一百九十萬張及八十萬張。除擴大現有的生產設施，集團亦於廣東省江門市設立新的生產廠房，以加強對區內顧客的付運服務。連同江門新廠房，集團現時在廣東及上海這兩個國內生產印刷電路板的主要生產據點，設有合共五個覆銅面板生產廠房。

回顧期內，銅箔的供應一直持續緊張。藉著Kingboard Copper Foil Holdings Limited在新加坡上市時所獲的資金，集團加快了在廣東清遠銅箔廠的擴展步伐。銅箔的每月產能增加至一千二百噸，較去年度上升71%。



Over 400 weaving machines are now in operations to satisfy the robust demand.

逾400台織布機已正式投產以配合市場迅速增長的需要。



In response to the growing internal consumption and external sales, we completed the Phase II of the glass fabric plant. Over 400 weaving machines are now in operation. Hence the monthly capacity has reached 7 million meters, doubling from the previous year.

In order to secure the supply of bleached kraft paper and further reduce our production costs for paper laminates, we established a paper mill plant in Qingyuan, Guangdong. The plant commenced production in the second half of the year. Its monthly capacity is 1,600 tonnes per month, satisfying over 75% of our consumption.

In the chemical division, as mentioned earlier, the new hydrogen peroxide plant commenced operation early in the year. It is now producing 4,000 tonnes of hydrogen peroxide monthly. The plant has already achieved profit for the first twelve months of commercial production.

Staff

Our colleagues are important assets in the Group. As at 31 March 2001, the size of our workforce was 3,684, a modest increase of 27% relative to the Group's business growth. This implies we achieved strong gains in productivity. Per employee sales and pre-tax profit rose 22% and 40% respectively. In recent years, we have been recruiting graduates from leading universities in China to be part of middle to senior management.

In order to share the Group's achievements with our colleagues, we have established a share option scheme and a performance related bonus system. The Group is conducting a compensation study with a view to further strengthening the bonus policy for our senior executives.

集團已完成玻璃纖維布廠房的第二期擴展工程，以應付不斷增加的內部和市場需求。現時有逾四百部織布機投入運作。玻璃纖維布的月產能達七百萬米，較去年度上升一倍。

集團在廣東清遠設立紙廠，以穩定漂白木漿紙的供應，及減低紙覆銅面板的生產成本。紙廠已在下半年度投入生產，每月產能為一千六百噸，佔集團所需逾75%。

集團的化工產品部門，如前文所述，在年度初期開設了首條雙氧水生產設施。該廠房現時月產逾四千噸，且在首十二個月的正式生產期間已錄得利潤。

員工

員工乃集團最寶貴的資產。截至二零零一年三月三十一日止，集團員工總數為3,684人。相對集團業務的增長步伐，員工人數僅溫和增加27%，進一步提昇集團生產力。回顧期內，集團每位員工的平均營業額及稅前盈利分別上升22%及40%。集團近年已從國內主要大學挑選畢業生，擔任中層至高層管理職位。

集團建立了一個優先購股權計劃及一個與業務表現掛鉤的花紅制度，使員工能共同分享集團的成果。集團正進行一項員工薪酬研究，進一步改善高層行政人員的花紅制度。

Senior management hold regular meetings to formulate strategies for the fast changing market conditions.
高層管理人員定期召開會議，
為不斷轉變的市場情況制定策略。





Overseas Markets

Overseas sales of laminates were of an unprecedented success, up more than 280% from the previous year. They accounted for 12% of the Group's turnover compared with only 5% in FY2000. Our overseas markets span across the globe, including South Korea, Europe and the USA. They are denominated in US dollars and mostly settled by letters of credit, thereby enhancing the Group's debtor profile.



海外市場

回顧期內，覆銅面板海外業務取得空前成功，營業額較去年上升超過 280%。由去年只佔集團總營業額 5% 上升至本年度的 12%。集團的海外市場遍佈全球各地，包括南韓、歐洲及美國。海外訂單均以美元定價，並以信用狀支付，進一步改善集團的收款狀況。

The Group participates in most major exhibitions of the printed circuit board industry.

集團參與多個印刷電路板行業的主要展覽會。

Product Developments

We have spent on average 3% of annual turnover on research and development activities for each of the last few years. They covered new product developments, process re-engineering and new projects. In FY2001, the production lines at our two largest laminate plants in Shenzhen were further upgraded and automated mostly by our own engineering team. New laminate products such as "green" flame-retardant paper laminate (FR2) with increased insulating properties and "thin" glass epoxy laminate for multi-layer printed circuit boards were introduced. In addition we have successfully started the production of bleached kraft paper and hydrogen peroxide, both of which is now profitable. In the copper foil plant, our production lines are ready for the commercial production of 12-micron thickness copper foil pending the industry demand.

產品開發

集團在過去數年均撥用全年營業額約 3% 作為研究及開發費用。其中包括產品開發、工序改良及發展新項目。回顧期間，集團在深圳兩大覆銅面板生產據點，進行了生產線設施提昇及自動化工程。新產品如：加強絕緣性能的環保防火紙覆銅面板 (FR2)，及供多層印刷電路板用的薄玻璃纖維覆銅面板，均已在年度內順利推出。此外，集團亦成功開展了漂白木漿紙及雙氧水的生產，現時兩者均已錄得利潤。此外，集團銅箔廠房已為量產 12 微米銅箔作好準備，以應付業內的需求。



As mentioned in the interim report for FY2001, on top of the expansion of in-house R&D capabilities, we are seeking joint venture programs with leading research centres. One of the examples is the establishment of Zhejiang University-Kingboard Polymer Research Centre in the year.

正如本年年中期業績報告所述，集團除了擴大內部的研發設施，亦積極與著名研究中心共同研究合作項目，其中包括本年度內成立的浙江大學建滔高分子研究中心。

The Group collaborates with leading research centres to seek technological breakthroughs.
集團與主要研究中心合作，尋求科技上的突破。



Supporting Operations

The Group devoted substantial resources to our back-end operations, resulting in a 35% increase in administrative costs. We expanded the finance and accounting department, added more headcount in the IT team and strengthened the internal audits. All these had been translated to an access to timely management information, enabling the Board to respond quickly to any critical issue.

支援部門

集團於本年度投入大量資源於維持日常營運的部門，因此行政費用增加35%。當中包括擴充了財務及會計部門，亦增加了資訊科技隊伍的人手，並且加強了內部審核工作。以上措施皆有助董事會取得及時的管理資訊，對任何重大事項均能作出快速的應變。

Capital Investments

Additions to fixed assets amounted to around HK\$820 million. However, excluding the projects for future expansion being brought forward, capital investments were around HK\$490 million, in line with the budget of HK\$450-500 million set at the beginning of the year. These projects brought forward included the setting up of two new production lines and supporting facilities for glass epoxy laminates and phase III of the glass fabric plant. They were under construction with investments capitalized at around HK\$330 million at the end of the financial year 2001 and are scheduled to be operational in the current year.

資本性投資

年度內固定資產投資達八億二千萬港元。資本性投資額在扣除數個提前實行的投資項目後，約為四億九千萬港元，是在本年度初所訂的四億五千萬至五億港元的預算以內。提前項目包括兩條玻璃纖維覆銅面板生產線及其支援設施，以及第三期的玻璃纖維布廠房，有關的資本投入已入賬，但有關工程仍在進行中，預算在今年內投產。其有關之資產值在本年度末約為三億三千萬港元。

Recognition

In October 2000 the Group was selected one of the world's best 300 small enterprises by Forbes. Also in December it was ranked one of the top 20 best managed companies in Hong Kong in a survey of the institutional investors by Asia Money.

殊榮

集團於二零零零年十月獲福布斯雜誌選為全球三百家最佳小型企業之一。同年十二月，集團在Asia Money雜誌舉辦的一個機構投資者調查中獲選為香港二十家最佳管理公司之一。



主席報告 Chairman's Statement



Mr. Cheung Kwok Wing, Chairman, received the merit of "Forbes 300 Best SME in the World" which reflects the success of the Group's management.
集團主席張國榮獲頒「福布斯全球三百家最佳小型企業」證書引證了集團優越的管理方針。

FINANCIAL POSITION

As at 31 March 2001 net current assets and current ratio of the Group were approximately HK\$507 million and 1.40 respectively. The overall efficiency of working capital improved from the previous year. Trade receivables, in terms of debtors turnover days, were successfully reduced by 16.8% to 100 days, as the Group had been able to tighten its trade credit policy and to expand overseas sales which are mostly settled by letter of credit.

Trade and bills payables, in terms of creditors turnover day, increased by 44.8% to 90 days. This was due to the Group's ability to extend the supplier's credit period with higher purchasing volume.

Inventories rose 88.2% to HK\$ 515 million of which 63% was raw materials and work-in-progress due to highly vertically integrated production. Finished goods of HK\$ 192.5 million were equivalent to less than one month sales, falling within the normal carrying levels.

The ratio of interest bearing borrowings net of cash to shareholders funds remained healthy at 36.3% (2000 - 14.9%). The increase in borrowings, most of which being non-current liabilities, was to fund investments in production capacity for further growth. By prudently leveraging the balance sheet on new investment opportunities, the Group is taking advantage of the prevailing low interest rate environment to enhance our shareholders' return in the next few years. We actively look into the hedging instruments for the interest rates of long-term bank borrowings.

財政狀況

截至二零零一年三月三十一日止，集團之流動資產淨值及流動比率分別為約五億七百萬港元及1.4。營運資金之整體效率較去年度有所改善。貿易應收款項的週轉期成功減低 16.8% 至 100日，主要是因為集團成功收緊貿易信貸政策和擴大主要以信用狀支付的海外銷售。

集團藉較大的採購量成功向供應商延長賒賬期。因此，貿易及票據應付款項的週轉期增加了 44.8% 至 90日。

庫存增加 88.2% 至 五億一千五百萬港元，其中 63%為高度垂直整合生產線的原材料和半製成品。製成品庫存佔一億九千二百五十萬港元，相等於不足一個月的銷售量，是一般正常庫存水平。

扣除現金後之付息借貸與股東資金比率維持在 36.3%的健康水平（二零零零年度－ 14.9%）。借貸增加主要來自用作投資生產設施的非流動負債，目的是為日後市場增長作好準備。集團審慎調整借貸比例，並利用現時持續的低息環境，捕捉新投資機會，為股東在未來數年爭取更佳回報。集團亦積極研究為銀行長期借貸的利息尋找對沖工具。



PROSPECTS

The overheating in the global electronics industry in the second half of last year results in the current period of de-stocking and fallen end demand across all sectors. We believe that this is part of the industry's cycle and the rapid adjustments currently working through the system will soon bring the resumption of normal growth. Although the laminate market, like other parts of the electronics supply chain, has slowed down since early 2001, the Group, with our strengths in the fast response to changes in the market conditions and in competitive products, has gained additional market share. In the last few months, we have performed better than the industry and achieved satisfactory results.

The Group is committed to a steady investment program to further strengthen our competitive edge and expand market share regardless the short-term volatility in the electronics industry. Two new production lines for FR4 laminates will be rolled out by phases in the current year, translating into a final increase of 75% in FR4 monthly production capacity to 1.4 million sheets. This will facilitate the target of expanding our current only 3% global share of the FR4 market. The monthly capacity in both copper foil and glass fabric plants will also be expanded by 33% to 1,600 tonnes and 14% to 8 million meters respectively. The increased outputs will be used to reduce our purchases of those materials from outside as well as to satisfy the increasing internal demand. In addition we will continue to put strong emphasis on product developments which include the introduction of high performance FR4 for more sophisticated multi-layered printed circuit boards. In the chemical division, the monthly capacity of formalin is scheduled to expand to 30,000 tonnes in order to cope with the robust demand in China.

The Group's financial performance in the last decade, by any measures, is speaking for itself. The combination of a healthy balance sheet and above-the-industry's average operating performance is providing the Group with abundant resources for capacity expansion and investments in new technology in the current financial year. We believe that the current period of weak demand in the market, as in the previous downtrends, will prove to be one of the best times for us to enhance our competitive differentiation.

前景

去年下半年全球電子業過熱，導致現時業內在各個環節上均需要消化存貨，及出現需求減退的情況。此乃電子業經濟循環，集團深信在整個行業迅速調整後，不久需求將重回升軌。如電子產品供應鏈上其他部份一樣，覆銅面板市場在二零零一年初需求降溫，但集團憑藉對市場情況的快速應變及具競爭力的產品，成功取得額外的市場佔有率。在過去數月以來，集團的表現較整體行業優勝，且取得滿意成績。

面對電子業的短期波幅，集團仍銳意貫徹平穩的投資計劃，藉此增強競爭力和擴大在市場上的佔有率。兩條新的FR4生產線將在今年內分階段開始投資，令集團FR4每月產能最終能提升75%至一百四十萬張，目標是進一步提昇現時集團FR-4在全球市場僅佔3%的佔有率。銅箔及玻璃纖維布廠的每月產能將分別增加33%至一千六百噸及14%至八百萬米，提昇銅箔及玻璃纖維布的產能，可進一步滿足不斷增加的內部需求，及減低集團向外採購的數量；此外，集團亦會繼續致力進行產品開發，其中包括推出高效能FR4，用作生產更精密的多層印刷電路板。至於化工產品部門，甲醛的每月產量預計將提升至三萬噸，以應付國內龐大的需求。

集團過去十年的財務表現，不論以任何尺度衡量，均足以自豪。穩健的資產負債表加上優於同行水平的營運表現，為集團提供了充裕的資源，因此能在本財政年度擴大生產能力及投資新技術。集團深信現時市場需求疲弱的情況，將一如過去經濟循環的低潮期，是增強競爭優勢的最佳時機。



主席報告 Chairman's Statement

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APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express gratitude to our shareholders, customers, banks and hardworking workforce for their contributions to the growth of the Group.

CHEUNG Kwok Wing
Chairman

Hong Kong, 28 June 2001

致謝

本人謹代表董事會，藉此向集團的股東、客戶、銀行，以及致力為集團發展作出貢獻、辛勤努力的全體員工，致以衷心感謝。

主席
張國榮

香港，二零零一年六月廿八日