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**KINGBOARD CHEMICAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 148)**



**Elec & Eltek 依利安達**

**Elec & Eltek International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 33)**

**ANNOUNCEMENT IN RELATION TO THE RESULTS FOR THE SECOND QUARTER  
AND FIRST-HALF YEAR ENDED 31 DECEMBER 2004 OF A SUBSIDIARY**

EEIC announced its unaudited consolidated results for the second quarter and first-half year ended 31 December 2004 on the Singapore Exchange Securities Trading Limited on 2 February 2005. EEIC is a 50.74% owned subsidiary of EEIH which is in turn a 98.72% owned subsidiary of Kingboard. Kingboard is indirectly interested in 69.93% of the entire issued share capital of EEIC through its subsidiaries including EEIH.

This announcement, reproducing hereinbelow the unaudited consolidated results (the "Results") of Elec & Eltek International Company Limited ("EEIC" and hereinbelow referred to as the "Company") and its subsidiaries (collectively hereinbelow referred to as the "Group") for the second quarter and first-half year ended 31 December 2004, is made pursuant to the disclosure obligation under Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EEIC is a public company listed on the Singapore Exchange Securities Trading Limited as to 50.74% owned by Elec & Eltek International Holdings Limited ("EEIH") which is in turn a 98.72% owned subsidiary of Kingboard Chemical Holdings Limited ("Kingboard"). Kingboard is indirectly interested in 69.93% of the entire issued share capital of EEIC through its subsidiaries including EEIH.

The Results are prepared in accordance with the provision of the Singapore Financial Reporting Standards and are released in the website of [www.sgx.com](http://www.sgx.com) of the Singapore Exchange Securities Trading Limited on 2 February 2005:

**"ELEC & ELTEK INTERNATIONAL COMPANY LIMITED**

(Company Registration No: 199300005H)

**UNAUDITED SECOND QUARTER AND FIRST-HALF FINANCIAL STATEMENT AND  
DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2004**

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

- I(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**
- (i) Income statement of the Group for the second quarter ("Q2 FY2005") and half year ("1H FY2005") ended 31 December 2004 together with the comparative figures for the second quarter ("Q2 FY2004") and half year ("1H FY2004") ended 31 December 2003.

These figures have not been audited.

US\$'000	Q2 FY2005 vs Q2 FY2004			1H FY2005 vs 1H FY2004		% Change
	Q2 FY2005	Q2 FY2004	% Change	1H FY2005	1H FY2004	
Sale of goods	111,920	88,997	25.8%	218,093	161,488	35.1%
Cost of sales	(88,029)	(67,849)	29.7%	(171,008)	(126,020)	35.7%
<b>Gross profit</b>	<b>23,891</b>	<b>21,148</b>	<b>13.0%</b>	<b>47,085</b>	<b>35,468</b>	<b>32.8%</b>
<i>Gross profit margin</i>	<i>21.3%</i>	<i>23.8%</i>		<i>21.6%</i>	<i>22.0%</i>	
<b>Other revenue</b>						
Interest income	43	27	59.3%	63	75	-16.0%
<b>Costs and expenses</b>						
Distribution & selling costs	(4,064)	(3,346)	21.5%	(7,925)	(7,152)	10.8%
Administrative costs	(5,303)	(4,853)	9.3%	(10,968)	(9,018)	21.6%
Other operating (expenses)/income	(185)	(20)	n/m	(364)	60	n/m
<b>Profit from operating activities</b>	<b>14,382</b>	<b>12,956</b>	<b>11.0%</b>	<b>27,891</b>	<b>19,433</b>	<b>43.5%</b>
Interest expense	(796)	(362)	119.9%	(1,328)	(660)	101.2%
Exceptional item	(872)	0	n/m	(872)	0	n/m
<b>Profit before taxation</b>	<b>12,714</b>	<b>12,594</b>	<b>1.0%</b>	<b>25,691</b>	<b>18,773</b>	<b>36.9%</b>
Taxation	(851)	(939)	-9.4%	(2,113)	(1,140)	85.4%
<b>Profit after taxation</b>	<b>11,863</b>	<b>11,655</b>	<b>1.8%</b>	<b>23,578</b>	<b>17,633</b>	<b>33.7%</b>
Minority interests	(875)	(802)	9.1%	(1,415)	(1,196)	18.3%
<b>Profit attributable to shareholders</b>	<b>10,988</b>	<b>10,853</b>	<b>1.2%</b>	<b>22,163</b>	<b>16,437</b>	<b>34.8%</b>

*n/m – percentage not meaningful*

- (ii) Income statement of the Group for Q2 FY2005 and 1H FY2005 together with the comparative figures for the first quarter ended 30 September 2004 (“Q1 FY2005”) and second half year ended 30 June 2004 (“2H FY2004”).

US\$'000	Q2 FY2005 vs Q1 FY2005			1H FY2005 vs 2H FY2004		% Change
	Q2 FY2005	Q1 FY2005	% Change	1H FY2005	2H FY2004	
Sale of goods	111,920	106,173	5.4%	218,093	192,900	13.1%
Cost of sales	(88,029)	(82,979)	6.1%	(171,008)	(144,788)	18.1%
<b>Gross profit</b>	<b>23,891</b>	<b>23,194</b>	<b>3.0%</b>	<b>47,085</b>	<b>48,112</b>	<b>-2.1%</b>
<i>Gross profit margin</i>	<i>21.3%</i>	<i>21.8%</i>		<i>21.6%</i>	<i>24.9%</i>	
<b>Other revenue</b>						
Interest income	43	20	115.0%	63	87	-27.6%
<b>Costs and expenses</b>						
Distribution & selling costs	(4,064)	(3,861)	5.3%	(7,925)	(7,998)	-0.9%
Administrative costs	(5,303)	(5,665)	-6.4%	(10,968)	(10,950)	0.2%
Other operating (expenses)/income	(185)	(179)	3.4%	(364)	(1,123)	-67.6%
<b>Profit from operating activities</b>	<b>14,382</b>	<b>13,509</b>	<b>6.5%</b>	<b>27,891</b>	<b>28,128</b>	<b>-0.8%</b>
Interest expense	(796)	(532)	49.6%	(1,328)	(495)	168.3%
Exceptional item	(872)	0	n/m	(872)	0	n/m
<b>Profit before taxation</b>	<b>12,714</b>	<b>12,977</b>	<b>-2.0%</b>	<b>25,691</b>	<b>27,633</b>	<b>-7.0%</b>
Taxation	(851)	(1,262)	-32.6%	(2,113)	(2,263)	-6.6%
<b>Profit after taxation</b>	<b>11,863</b>	<b>11,715</b>	<b>1.3%</b>	<b>23,578</b>	<b>25,370</b>	<b>-7.1%</b>
Minority interests	(875)	(540)	62.0%	(1,415)	(1,212)	16.7%
<b>Profit attributable to shareholders</b>	<b>10,988</b>	<b>11,175</b>	<b>-1.7%</b>	<b>22,163</b>	<b>24,158</b>	<b>-8.3%</b>

*n/m – percentage not meaningful*

## (iii) Notes to Income Statement:

US\$'000	Q2 FY2005	Q2 FY2004	Q2 FY2005 vs	1H FY2005	1H FY2004	1H FY2005 vs
			Q2 FY2004			% Change
Depreciation and amortisation	7,882	5,451	44.6%	15,293	10,813	41.4%
Provision for doubtful debts (Write-back of provision)/ provision for inventory obsolescence	261 (732)	234 7	11.5% n/m	327 (327)	377 351	-13.3% n/m
Loss/(gain) on foreign exchange	24	(136)	n/m	(36)	(321)	-88.8%
Loss on disposal of plant and equipment	16	40	-60.0%	74	88	-15.9%
<i>n/m – percentage not meaningful</i>						

US\$'000	Q2 FY2005	Q1 FY2005	Q2 FY2005 vs	1H FY2005	2H FY2004	1H FY2005 vs
			Q1 FY2005			% Change
Depreciation and amortisation	7,882	7,411	6.4%	15,293	11,936	28.1%
Provision for doubtful debts (Write-back of provision)/ provision for inventory obsolescence	261 (732)	66 405	n/m n/m	327 (327)	301 (270)	8.6% 21.1%
Loss/(gain) on foreign exchange	24	(60)	n/m	(36)	610	n/m
Loss on disposal of plant and equipment	16	58	-72.4%	74	71	4.2%
<i>n/m – percentage not meaningful</i>						

**1. Cost of Sales/ Gross Profit Margin**

The Group experienced higher materials costs in the first two months of Q2 FY2005 when oil prices peaked, resulting in overall increase in cost of sales by 6.1%. This has outpaced the sales revenue growth of 5.4% and has effectively brought down the Group's gross profit margin from 21.8% in Q1 FY2005 to 21.3% in Q2 FY2005.

**2. Depreciation and amortisation**

There were higher depreciation and amortisation charges in Q2 FY2005 as more machineries were put into productive use in Q2 FY2005.

**3. Provision for inventory obsolescence**

The provision for inventory obsolescence relates to specific provision made in accordance with the corporate policy on slow-moving inventory. The write-back of the provision for inventory obsolescence relates to the reversal of provisions no longer required for slow-moving raw materials which were disposed of during Q2 FY2005.

**4. Exceptional Items**

The exceptional items relates primarily to redundancy payment of US\$0.6 million made to streamline the Group's manufacturing plant in Hong Kong while another US\$0.3 million was professional fees incurred in respect of the recent takeover bid by Kingboard Chemical Holdings Limited.

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

US\$'000	Group			Company		
	31.12.2004	30.9.2004	30.6.2004	31.12.2004	30.9.2004	30.6.2004
<b>Non-current assets</b>						
Property, plant and equipment	294,951	283,537	274,287	24	24	26
Intangible assets	20	46	71	0	0	0
Subsidiary companies	0	0	0	20,178	20,178	20,178
Deferred tax assets	1,592	1,900	2,111	0	0	0
<b>Current assets</b>						
Inventories	49,604	51,715	42,364	0	0	0
Trade and other receivables	140,786	136,369	122,008	3	15,661	15,505
Due from subsidiary companies	0	0	0	131,159	109,960	111,014
Fixed and call deposits	512	857	5,221	36	36	418
Cash at bank and in hand	21,805	16,142	24,409	197	51	180
	<u>212,707</u>	<u>205,083</u>	<u>194,002</u>	<u>131,395</u>	<u>125,708</u>	<u>127,117</u>

**Current liabilities**

Trade and other payables	(114,944)	(125,481)	(124,641)	(415)	(319)	(129)
Due to subsidiary companies	0	0	0	(4,719)	0	(1,346)
Due to bankers	(69,925)	(48,861)	(41,390)	0	0	0
Provision for taxation	(1,668)	(1,398)	(1,442)	(1)	(1)	(1)
	<u>(186,537)</u>	<u>(175,740)</u>	<u>(167,473)</u>	<u>(5,135)</u>	<u>(320)</u>	<u>(1,476)</u>
<b>Net current assets</b>	26,170	29,343	26,529	126,260	125,388	125,641

**Non-current liabilities**

Due to bankers	(53,251)	(49,749)	(48,501)	0	0	0
Deferred tax liabilities	(1,968)	(2,144)	(2,440)	0	0	0
	<u>267,514</u>	<u>262,933</u>	<u>252,057</u>	<u>146,462</u>	<u>145,590</u>	<u>145,845</u>

**Equity**

Share capital	75,435	74,065	74,065	75,435	74,065	74,065
Reserves	178,322	175,380	164,229	71,027	71,525	71,780
	<u>253,757</u>	<u>249,445</u>	<u>238,294</u>	<u>146,462</u>	<u>145,590</u>	<u>145,845</u>
Minority interests	13,757	13,488	13,763	0	0	0
	<u>267,514</u>	<u>262,933</u>	<u>252,057</u>	<u>146,462</u>	<u>145,590</u>	<u>145,845</u>

*Notes to Balance Sheet:***1. Property, plant & equipment**

A total of US\$18.0 million of fixed assets were purchased during Q2 FY2005 to gear up for capacity expansion.

**2. Inventories, trade & other receivables**

The increase in trade and other receivables was largely due to higher turnover towards the end of Q2 FY2005. During Q2 FY2005, more raw material inventories were used to meet production requirements, thereby resulting in reduction in inventories.

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

As at 31.12.2004		As at 30.6.2004	
Secured	Unsecured	Secured	Unsecured
Nil	US\$69,925,000	Nil	US\$41,390,000

**Amount repayable after one year**

As at 31.12.2004		As at 30.6.2004	
Secured	Unsecured	Secured	Unsecured
Nil	US\$53,251,000	Nil	US\$48,501,000

**Details of any collateral**

Not applicable.

*Notes on net borrowing position*

	As at 31.12.2004	As at 30.9.2004	As at 30.6.2004
US\$'000			
Due to bankers	123,176	98,610	89,891
Less: Bank balances, deposits and cash	(22,317)	(16,999)	(29,630)
Net borrowings position	<u>100,859</u>	<u>81,611</u>	<u>60,261</u>

The Group's net borrowing increased to US\$100.9 million in Q2 FY2005 from US\$81.6 million in Q1 FY2005. The increase was for funding of the Group's working capital and investment in fixed assets.

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

US\$'000	Q2 FY2005	Q2 FY2004	1H FY2005	2H FY2004
<b>Cash flow from operating activities:</b>				
Operating profit before interest and taxation	13,467	12,929	26,956	28,041
Adjustments for:				
Amortisation of intangible assets	26	27	51	52
Depreciation of property, plant and equipment	7,856	5,424	15,242	11,884
Loss on disposal of plant and equipment	16	40	74	71
<b>Operating income before reinvestment in working capital</b>	<u>21,365</u>	<u>18,420</u>	<u>42,323</u>	<u>40,048</u>
Decrease/(increase) in inventories	2,111	(1,562)	(7,240)	(10,490)
Increase in trade and other receivables	(4,417)	(10,284)	(18,778)	(5,619)
(Decrease)/increase in trade and other payables	<u>(10,537)</u>	<u>17,190</u>	<u>(9,697)</u>	<u>40,160</u>

<b>Cash generated from operations</b>	8,522	23,764	6,608	64,099
Interest income received	43	27	63	87
Interest paid	(796)	(362)	(1,328)	(495)
Income taxes paid	(389)	(235)	(1,750)	(2,079)
<b>Net cash provided by operating activities</b>	<u>7,380</u>	<u>23,194</u>	<u>3,593</u>	<u>61,612</u>

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

<i>US\$ '000</i>	<b>Q2 FY2005</b>	<b>Q2 FY2004</b>	<b>1H FY2005</b>	<b>2H FY2004</b>
<b>Cash flow from investing activities:</b>				
Proceeds from disposal of plant and equipment	119	30	201	78
Plant and equipment acquired	(18,041)	(15,410)	(34,530)	(68,645)
<b>Net cash used in investing activities</b>	<u>(17,922)</u>	<u>(15,380)</u>	<u>(34,329)</u>	<u>(68,567)</u>
<b>Cash flow from financing activities:</b>				
Bank borrowings obtained	26,678	13,079	32,566	23,289
Repayment of loan to minority shareholders	0	(3,301)	0	(893)
Proceeds from share issue pursuant to the exercise of share options	5,180	0	5,180	540
Capital injection from minority interest	155	0	552	178
Dividends paid by the Company	(15,674)	(14,349)	(15,674)	(10,405)
Dividends paid by subsidiaries to minority shareholders	(1,145)	(247)	(1,145)	(772)
<b>Net cash provided by/(used in) financing activities</b>	<u>15,194</u>	<u>(4,818)</u>	<u>21,479</u>	<u>11,937</u>
Net increase/(decrease) in cash and cash equivalents	4,652	2,996	(9,257)	4,982
Cash and cash equivalents at beginning of financial period	14,168	19,638	29,630	25,477
Effect of foreign exchange rate changes, net	2,778	2,843	1,225	(829)
<b>Cash and cash equivalents at end of financial period</b>	<u>21,598</u>	<u>25,477</u>	<u>21,598</u>	<u>29,630</u>

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

<i>US\$ '000</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Capital reserve</b>	<b>Statutory reserve</b>	<b>Revenue reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total shareholders' equity</b>
<b>Group</b>							
<b>Q2 FY2005</b>							
Balance at 30.9.2004	74,065	17,816	2,597	649	185,452	(31,134)	249,445
Shares issued pursuant to the exercise of options	1,370	3,810	0	0	0	0	5,180
Transfer from revenue reserve to statutory reserve	0	0	0	976	(976)	0	0
Foreign currency translation	0	0	0	16	0	3,802	3,818
Profit for the financial period	0	0	0	0	10,988	0	10,988
Dividend paid in respect of previous financial year	0	0	0	0	(15,674)	0	(15,674)
Balance at 31.12.2004	<u>75,435</u>	<u>21,626</u>	<u>2,597</u>	<u>1,641</u>	<u>179,790</u>	<u>(27,332)</u>	<u>253,757</u>
<b>Q2 FY2004</b>							
Balance at 30.9.2003	73,982	17,359	2,597	70	164,608	(29,740)	228,876
Transfer from revenue reserve to statutory reserve	0	0	0	82	(82)	0	0
Foreign currency translation	0	0	0	1	0	(137)	(136)
Profit for the financial period	0	0	0	0	10,853	0	10,853
Dividend paid in respect of previous financial year	0	0	0	0	(14,349)	0	(14,349)
Balance at 31.12.2003	<u>73,982</u>	<u>17,359</u>	<u>2,597</u>	<u>153</u>	<u>161,030</u>	<u>(29,877)</u>	<u>225,244</u>

1H FY2005							
Balance at 30.6.2004	74,065	17,816	2,597	567	174,359	(31,110)	238,294
Shares issued pursuant to the exercise of options	1,370	3,810	0	0	0	0	5,180
Transfer from revenue reserve to statutory reserve	0	0	0	1,058	(1,058)	0	0
Foreign currency translation	0	0	0	16	0	3,778	3,794
Profit for the financial period	0	0	0	0	22,163	0	22,163
Dividend paid in respect of previous financial year	0	0	0	0	(15,674)	0	(15,674)
Balance at 31.12.2004	<u>75,435</u>	<u>21,626</u>	<u>2,597</u>	<u>1,641</u>	<u>179,790</u>	<u>(27,332)</u>	<u>253,757</u>
1H FY2004							
Balance at 30.6.2003							
– As previously stated	66,507	12,614	2,490	70	141,847	(1,951)	221,577
– Effect of adopting INT FRS19	7,475	4,745	107	0	17,177	(29,504)	0
Balance at 30.6.2003							
– As restated	73,982	17,359	2,597	70	159,024	(31,455)	221,577
Transfer from revenue reserve to statutory reserve	0	0	0	82	(82)	0	0
Foreign currency translation	0	0	0	1	0	1,578	1,579
Profit for the financial period	0	0	0	0	16,437	0	16,437
Dividend paid in respect of previous financial year	0	0	0	0	(14,349)	0	(14,349)
Dividend paid in respect of current financial year	0	0	0	0	0	0	0
Balance at 31.12.2003	<u>73,982</u>	<u>17,359</u>	<u>2,597</u>	<u>153</u>	<u>161,030</u>	<u>(29,877)</u>	<u>225,244</u>
							<b>Total share-holders' equity</b>
<i>US\$ '000</i>				<b>Share capital</b>	<b>Share premium</b>	<b>Revenue reserve</b>	
<b>Company</b>							
Q2 FY2005							
Balance at 30.9.2004			74,065	17,816	53,709		145,590
Shares issued pursuant to the exercise of options			1,370	3,810	0		5,180
Profit for the financial period			0	0	11,366		11,366
Dividend paid in respect of previous financial year			0	0	(15,674)		(15,674)
Balance at 31.12.2004			<u>75,435</u>	<u>21,626</u>	<u>49,401</u>		<u>146,462</u>
Q2 FY2004							
Balance at 30.9.2003			73,982	17,359	33,143		124,484
Profit for the financial period			0	0	(371)		(371)
Dividend paid in respect of previous financial year			0	0	(14,349)		(14,349)
Balance at 31.12.2003			<u>73,982</u>	<u>17,359</u>	<u>18,423</u>		<u>109,764</u>
1H FY2005							
Balance at 30.6.2004			74,065	17,816	53,964		145,845
Shares issued pursuant to the exercise of options			1,370	3,810	0		5,180
Profit for the financial period			0	0	11,111		11,111
Dividend paid in respect of previous financial year			0	0	(15,674)		(15,674)
Balance at 31.12.2004			<u>75,435</u>	<u>21,626</u>	<u>49,401</u>		<u>146,462</u>
1H FY2004							
Balance at 30.6.2003							
– As previously stated			66,507	12,614	45,510		124,631
– Effect of adopting INT FRS19			7,475	4,745	(12,545)		(325)
Balance at 30.6.2003							
– As restated			73,982	17,359	32,965		124,306
Profit for the financial period			0	0	(193)		(193)
Dividend paid in respect of previous financial year			0	0	(14,349)		(14,349)
Balance at 31.12.2003			<u>73,982</u>	<u>17,359</u>	<u>18,423</u>		<u>109,764</u>

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

Since the end of the last financial year, the issued and paid-up capital of the Company increased from US\$74.1 million to US\$75.4 million on additional 2,800,000 shares allotted and issued pursuant to the exercise of share options granted under The 2002 Elec & Eltek Employees' Share Option Scheme (the "2002 Scheme").

As at 31 December 2004, the issued and paid-up capital of the Company was S\$119,229,918 (equivalent to US\$75.4 million), represented by 149,037,397 ordinary shares of S\$0.80 each.

There were no share options granted to employees under the 2002 Scheme in Q2 FY2005.

Details of the movement of share options previously granted by the Company to eligible employees in Q2 FY2005 and the number of share options at the end of Q2 FY2004 were as follows:

Date of grant	Subscription price per share (US\$)	Outstanding balance as at 1.10.2004	Exercised	Lapsed	Outstanding balance as at 31.12.2004	Outstanding balance as at 31.12.2003	Expiry date
19 April 1999	3.100	0	0	0	0	799,200	18 April 2004
25 May 2000	1.308	400	0	(400)	0	400	24 May 2005
7 May 2003	1.450	700,000	(700,000)	0	0	700,000	6 May 2006
7 May 2003	1.450	700,000	(700,000)	0	0	700,000	6 May 2007
19 July 2004	2.250	700,000	(700,000)	0	0	0	18 July 2007
19 July 2004	2.250	700,000	(700,000)	0	0	0	18 July 2008
<b>TOTAL</b>		<b>2,800,400</b>	<b>(2,800,000)</b>	<b>(400)</b>	<b>0</b>	<b>2,199,600</b>	

There were no outstanding share options as at 31 December 2004.

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

The figures for Q2 FY2005 and 1H FY2005 have neither been audited nor reviewed in accordance with relevant auditing standards.

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

Not applicable.

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

The Group and the Company has adopted the same accounting policies and methods of computation in the current financial quarter in preparing the financial statements as those for the audited financial statements for the financial year ended 30 June 2004.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period.

Diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue, adjusted for the effect of dilutive options during the financial period.

The following reflects the income and share data used in the basic and diluted earnings per share computations of the Group after deducting any provision for preference dividends:

	Q2 FY2005	Q2 FY2004	1H FY2005	1H FY2004
Profit attributable to shareholders ( <i>US\$ '000</i> )	10,988	10,853	22,163	16,437
Number of ordinary shares ( <i>in thousands</i> )				
Number of ordinary shares in issue at the beginning of financial period	146,237	146,063	146,237	146,063
Weighted average number of ordinary shares issued pursuant to the exercise of share options	761	0	381	0
Weighted average number of ordinary shares applicable to basic earnings per share	146,998	146,063	146,618	146,063
Effect of dilutive share options	711	640	805	558
Weighted average number of ordinary shares applicable to diluted earnings per share	<u>147,709</u>	<u>146,703</u>	<u>147,423</u>	<u>146,621</u>
Earnings per share ( <i>United States cents</i> )				
– basic	7.47	7.43	15.12	11.25
– diluted	<u>7.44</u>	<u>7.40</u>	<u>15.03</u>	<u>11.21</u>

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**

- (a) **current financial period reported on; and**  
(b) **immediately preceding financial year.**

	Group US\$	Company US\$
Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:		
(a) current financial period reported on	1.70	0.98
(b) immediately preceding financial year	<u>1.63</u>	<u>1.00</u>

There were 149,037,397 ordinary shares in issue at the end of Q2 FY2005.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Group's revenue in Q2 FY2005 reached US\$111.9 million, up 5.4% sequentially, and up 25.8% year-on-year. The Group's revenue in 1H FY2005 was US\$218.1 million, representing an increase of 35.1% year-on-year.

During Q2 FY2005, the communication sector still suffered from excessive inventory. Mixed signals received on seasonal sales also impacted the confidence of the customers from the computer and consumer electronic sectors in placing orders in November. Booking trend for Q2 FY2005 rallied with October bookings above one, then dropped to 0.76 in November, before bouncing back to close to one in December.

Following the slow down in orders from higher-layered communication customers, the Group has picked up more PCB orders in lower-layered computer sector in both Q2 FY2005 and 1H FY2005. Shipments for the computer and peripheral products accounted for 47.2% and 45.0% of the Group's turnover in Q2 FY2005 and 1H FY2005 versus 42.7% and 35.9% of the Group's turnover in Q1 FY2005 and 2H FY 2004.

Due to softening in the market and change in product mix, average selling prices have dropped by around 4.4% quarter-on-quarter and 5.9% half-on-half.

Apart from margin impacts due to layer count mix, prices of key raw materials (such as fiber glass, resin, copper foil and copper clad laminate) had peaked during Q2 FY2005. There was also no increase in the selling prices of PCBs to compensate for this increased cost due to volatility in end product markets.

Despite the higher turnover, Q2 FY2005 gross margin was lower than Q1 FY2005 by 0.5%, and lower than Q2 FY2004 by 2.5%. 1H FY2005 gross margin was 0.4% lower than 1H FY2004, and 3.3% lower than 2H FY2004.



As a result of better cost control and contribution due to higher turnover, Q2 FY2005 operating profit was higher than Q2 FY2004 by US\$1.4 million, or US\$0.9 million higher than Q1 FY2005. 1H FY2005 operating profit was US\$8.5 million higher than 1H FY2004, but was US\$0.2 million lower than 2H FY2004.

Exceptional items include a one-time charge of redundancy payment of US\$0.6 million for Hong Kong plant scale down, and US\$0.3 million professional fees incurred in relation to the Kingboard takeover offer.

In the opinion of the Directors, no item, transaction or event of a material or unusual nature has occurred during the period from 1 January 2005 to the date of this report that would materially affect the results of the Company and/or the Group in the financial period in which this announcement is made.

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

The Group's performance for Q2 FY2005 was better than Q2 FY2004 and was in line with the prospect statement made by the Company in its first quarterly results announcement on 3 November 2004 and the Offeree Circular dispatched to shareholders on 24 December 2004.

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

Last minute Christmas and New Year's sales provided impetus for customers to replenish their inventories. Order bookings have been maintained at above one since January 2005. On top of the recovery of orders from the high-end computer and peripheral sectors, there are also signs that communication sector has started to place orders more actively in the last few weeks. This will help the Group in rebuilding its backlogs in Q3 FY2005.

After crude oil prices started to stabilise and new capacity of raw material suppliers came on stream in around December, the key raw material prices have started to trend downwards in January 2005.

With healthy indications of post-seasonal order bookings, the Group's capacity expansion in the current financial year is on track to further expand from 40 million square feet per annum in December 2004 to 42 million square feet per annum by June 2005.

Despite the better business trends observed, the Group does not expect that Q3 FY2005 gross margin would be improved due to Chinese New Year holidays shut-down in our Hong Kong and PRC plants for upto 6 days. In addition, the higher cost raw material inventory would still affect the Group's bill-of-material costs in Q3 FY2005.

Barring unforeseen circumstances and assuming that the global economy remains healthy, the Directors expect Q3 FY2005 results may be only slightly lower than Q2FY2005 but the Directors are still cautiously optimistic that the Group can deliver satisfactory results in the fourth quarter of the current financial year.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?	Yes
Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	13 Singapore cents per ordinary share (one-tier tax exempt)
Dividend Rate (in %)	16.25%
Par value of shares	US\$0.80
Tax Rate	n.a.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?	Yes
Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	12 Singapore cents per ordinary share (one-tier tax exempt)
Dividend Rate (in %)	15%
Par value of shares	US\$0.80
Tax Rate	n.a.

(c) **Date payable**

The proposed one-tier tax exempt interim dividend are payable on 3 March 2005 to members registered in the books of the Company at the close of business on 22 February 2005.

(d) **Books closure date**

NOTICE IS HEREBY GIVEN that the Transfer books and the Register of Members will be closed from 23 February 2005 to 24 February 2005, both dates inclusive, for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd, of 10 Collyer Quay #19-08 Ocean Building, Singapore 049315, up to the close of business at 5:00 p.m. on 22 February 2005 will be registered to determine shareholders' entitlement to the one-tier tax exempt interim dividend.

Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares as at 5:00 p.m. on 22 February 2005 will be entitled to the one-tier tax exempt interim dividend.

In respect of ordinary shares in the securities account with CDP, the one-tier tax exempt interim dividend will be paid by the Company to CDP which will distribute the one-tier tax exempt interim dividend to the depositors of the securities accounts.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

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

Not applicable.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**15. A breakdown of sales.**

Not applicable.

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

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year	Previous Full Year
Ordinary		
Preference		
Total:		

**17. Interested Persons Transactions**

The amount of interested person transactions to be disclosed pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited was not more than S\$100,000 during the current financial period."

*As at the date of this announcement, the Directors of Kingboard comprise nine Executive Directors, Messrs. Cheung Kwok Wing, Chan Wing Kwan, Lam Ka Po, Cheung Kwong Kwan, Cheung Kwok Wa, Cheung Kwok Ping, Cheung Kwok Keung, Chang Wing Yiu and Mok Cham Hung, Chadwick; one Non-executive Director, Mr Lum Gum Wun and three Independent Non-executive Directors, Messrs. Tsao Kwang Yung, Peter, Cheng Ming Fun, Paul and Tse Kam Hung.*

*As at the date of this announcement, the Directors of EEIH comprise four Executive Directors, Messrs. Thomas Tang Koon Yiu, Canice Chung Tai Keung, Cheung Kwok Wa and Mok Cham Hung, Chadwick; four Non-executive Directors, Messrs. Peter Lee Yip Wah, Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu and three Independent Non-executive Directors, Messrs. Eugene Lee, Kenneth Shim Hing Choi and Keith Tay Ah Kee.*

BY ORDER OF THE BOARD  
Kingboard Chemical Holdings Limited  
Cheung Kwok Wing  
Chairman

BY ORDER OF THE BOARD  
Elec & Eltek International Holdings Limited  
Thomas Tang Koon Yiu  
Chairman

Hong Kong, 2 February 2005

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