

BUSINESS REVIEW

In the financial year 2004, we reaped strong results of past hard work and laid down a new foundation for excellent growth prospects. Not only our laminate division had been able to fully capitalize on the recovery of the electronics industry and continued to gain market share with competitive vertically integrated production facilities, several major initiatives implemented during the year such as acquiring Elec & Eltek group, increasing our controlling stake in Techwise Circuits to 90%, and developing a few natural resources based chemical plants, our Board is fully convinced, will enable the Group to achieve more balanced and sustained growth in the long term. Although our balance sheet has been more leveraged as a result of the purchase of Elec & Eltek group, the Group's steady business performance and leading market position, coupled with Elec & Eltek's strong cash flow generating track record, mean that the current gearing level is well manageable.

業務回顧

集團憑藉過去的努力不懈，在二零零四財政年度再度取得驕人業績，並為未來秀麗的發展前景奠定了新基礎。除了覆銅面板業務能夠充分利用電子業的強勁復甦，以及集團具競爭力的垂直生產設施，進一步擴大市場佔有率之外；集團在年度內作出了數項重大的投資，包括收購了依利安達集團，增持科惠的控股權益至90%，以及發展數個以自然資源為基礎的化工項目。董事會深信，上述投資能令集團取得更均衡和持續的長遠增長。雖然收購依利安達集團令到集團的負債增加，但憑著集團穩健的業務表現及在市場上的領導地位，再加上依利安達集團過去一直有強健的現金流入紀錄，故管理層深信有足夠的能力承擔目前的負債水平。

Financial Summary

- Sales reached the record level of HK\$7.1 billion, representing an increase of 59%
- Pre-tax profit margins* advanced to 18.1% (2003 – 12.6%)
- Net profit soared 133% to around HK\$1.1 billion
- Return on equity* improved to 25% (2003 – 16%)

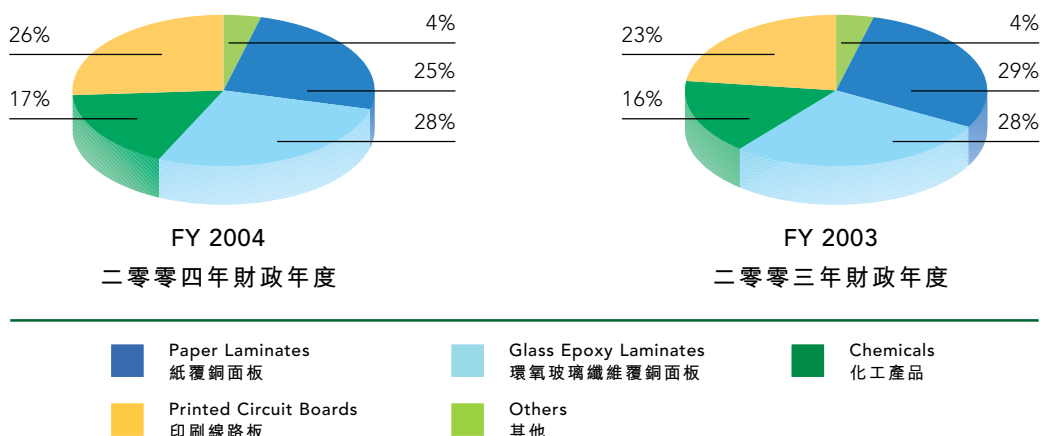
* Excluding goodwill and loss on deemed disposal of partial interests in a subsidiary

財務摘要

- 營業額創七十一億港元新高，增長約59%
- 稅前邊際利潤*改善至約18.1% (二零零三年：12.6%)
- 純利急升133%至十一億港元
- 股東資金回報率*改善至約25% (二零零三年：16%)

* 不包括商譽及視作出售一間附屬公司部份權益之虧損

Turnover Breakdown by Product 營業額分佈

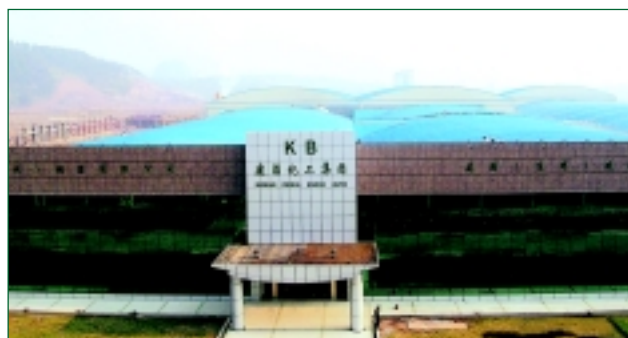


Performance

The laminate division achieved robust performance in 2004. The overall recovery of the electronics manufacturing industry continued its momentum until there were modest inventory adjustments throughout the entire supply chain in the fourth quarter. Nevertheless the lack of investments in the laminate and its related upstream industries particularly glass yarn in the preceding cyclical downturn supported a favorable supplier market throughout the year. Given our persistent focus on capacity growth and capability upgrading in the last few years, the Group had successfully ridden on the current uptrend. Our average volume monthly shipment exceeded 5.1 million square meters, more than twice the level achieved during the industry's previous peak in year 2000. Partly attributed to the pricing uptrend, the external sales of laminates grew 47% and EBIT margin (earnings before interest and tax), despite increasing materials costs, improved to 25% from 16% a year ago.

業務表現

覆銅面板部門在二零零四年的表現強勁。電子製造業全面復甦，令行業一直保持增長動力，直至第四季，整個行業的供應鏈才出現輕微的庫存調整。然而由於在經濟週期的低潮時，業界對覆銅面板及相關的上游工業，特別是玻璃絲的投資不足，導致整年來市場均以供應商為主導。由於集團在過去數年均保持穩定的產能增長及設備提升，故能充分把握現時的復甦趨勢。集團現時每月的平均付運量已逾510萬平方米，與業界上一次高峰期二零零零年時比較，銷售量較當年增長逾倍；再加上售價的上揚，覆銅面板的對外銷售額增長了約47%。儘管面對原料成本上漲的壓力，未扣除利息及稅項邊際盈利仍由去年的16%增加至25%。



With the establishment of the two laminates plants in Fogang and our continuous expansion plan, the Group's monthly capacity of laminates will increase to over 8 million square meters.

集團於佛崗新增兩家覆銅面板廠，加上各地廠房之持續擴產計劃，集團覆銅面板產能將提昇至每月逾800萬平方米。



Following the acquisition of Elec & Eltek together with the increased capacity in Techwise, Kingboard becomes one of the largest PCB manufacturers in the world.

完成收購依利安達及科惠提昇產能後，建滔現已成為全球最大印刷線路板生產商之一。



The Group had successfully made major inroads on the printed circuit board market. Following the acquisition of a controlling stake in Elec & Eltek group at the end of November, we are ranked the largest printed circuit board group in China and the eighth in the world based on the pro-forma combined revenue around US\$600 million in 2004. The printed circuit board division, without taking in contribution by Elec & Eltek, continued to achieve double-digit volume growth with notable strength in multi-layer (i.e. four layers or above) which saw a 63% increase in volume. In dollar terms, sales organically soared 49%. As stated in the interim report, different from the demand and supply balance in the laminate industry, the selling price of printed circuit boards had increased by a modest range of 3-5% compared with double digit increases in most of material costs. However with the product mix successfully shifted to more profitable multi-layer boards, EBIT margin, excluding Elec & Eltek, maintained at around 7%.

集團在拓展印刷線路板市場上取得重大突破。集團在二零零四年十一月底成功取得依利安達集團的控股權，以二零零四年之六億美元備考綜合收入計算，集團已成為中國最大的印刷線路板生產商，在全球則排名第八。扣除依利安達集團的一個月貢獻，印刷線路板業務仍繼續錄得雙位數的銷量增長，當中以多層（四層或以上）印刷線路板的表現尤其突出，銷量增加63%。以金額計，不包括依利安達集團，銷售額增長達49%。正如中期報告所述，印刷線路板行業在供求平衡方面有別於覆銅面板，因此雖然印刷線路板的大部份原料價格上漲達雙位數，但其售價僅能調高3-5%。惟集團成功將產品重心移向利潤較佳的多層板，未扣除利息及稅項的邊際盈利（不包括依利安達集團）保持在約7%水平。

The growth of our chemical division continued to be on track with both internal and external sales increasing by more than 70%, and EBIT margin maintained at around 6%. In the year we have strengthened our market position in formalin and hydrogen peroxide. The acquisition of a hydrogen peroxide plant in Gaomi, Shangdong province and the set-up of a formalin plant in Changzhou, Jiangsu province have enabled us to widen our customer coverage outside Guangdong province. The melamine plant which was completed in early 2004 had successfully overcome some initial teething problems and received strong order book from external customers. The coke-methanol plant had completed its first phase and started trial production of coke smoothly last October.

The Group is very delighted to have been included in the MSCI World Index since May 2004 and consecutively for the past five years chosen by the Forbes as one of the world's best small companies in October 2004.

化工部門業務經營理想，繼續保持穩定的增長，對內及對外之銷售額均有超過70%的增長，未扣除利息及稅項的邊際盈利保持在約6%水平。集團在年度內進一步鞏固了在甲醛及雙氧水的市場地位。集團在山東高密收購一家雙氧水廠，又在江蘇常州成立一家甲醛廠，兩者均有助集團擴大在廣東省以外的客戶覆蓋層面。於二零零四年初落成之三聚氰胺廠，成功克服了一些前期投產的問題，並成功獲得外部客戶的大量訂單。此外，焦炭甲醇廠已完成首期施工，並已在上年十月順利開始了焦炭的試產。

建滔化工集團自二零零四年五月獲納入為摩根士丹利資本國際 (MSCI) 環球指數成分股，並於二零零四年十月連續第五年獲福布斯雜誌選為全球『最佳小型企業』之一。集團對獲得以上殊榮，深感欣喜。



Several chemical plants, including methanol, phenol & acetone/bisphenol-A, are under construction and scheduled to complete by 2006. Chemicals division will provide strong growth impetus to the Group in the next few years.

集團多個化工項目包括：甲醇、苯酚及丙酮／雙酚A，現正籌建中及預期於二零零六年落成。化工業務將於未來數年為集團提供強勁的增長動力。

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial position changed noticeably following the acquisition of Elec & Eltek group at the end of November, and the ratio of interest bearing borrowings net of cash to shareholders' funds increased to 96%. The gearing is within manageable limits given the Group's interest cover exceeding 10 times based on pro-forma combined earnings, steady business performance and double-digit return on equity. In addition, the Group's borrowings included net debts of around HK\$780 million of Elec & Eltek International Company Limited ("EEIC"), a Singapore listed printed circuit board subsidiary. The EEIC's debts were well covered by its own solid balance sheet and profile of strong operating cash flow. Excluding EEIC's debts being non-recourse to the Group, the underlying gearing ratio came down to around 81%. The increase in the Group's gearing was mostly accounted by our investments in new production facilities amounting to HK\$2.2 billion and the acquisition of Elec & Eltek group for HK\$1.8 billion. All these capital investments are targeted for future strong growth and attractive returns.

In October 2004, the Group received net proceeds of approximately HK\$944 million on the issuance of 65 million new shares to institutional investors. Of the proceeds, 40% was used to repay the bank borrowings, 30% for laminate and glass fabric capacity expansion, and the balance for general working capital purposes.

Elec & Eltek group which itself had a net working capital cycle of around 74 days at the year end was consolidated into the Group from 1 December 2004. In order to show the performance of our organic business and to remove anomaly caused by consolidating only one month's results of Elec & Eltek group, we excluded Elec & Eltek group for the purpose of the following working capital analysis.

流動資金及財務狀況

集團於十一月底收購依利安達集團，綜合財務狀況亦出現重大變化。扣除現金後之附息借貸與股東資金比率增至96%，基於以集團備考的綜合盈利計算，利息覆蓋比率超過10倍，業務表現穩健以及股東回報率達到雙位數字，故該負債比率處於可承擔水平。借貸當中包括在新加坡上市，以生產印刷線路板為主的附屬公司 Elec & Eltek International Company Limited (「EEIC」) 的約七億八千萬港元淨借貸。EEIC之資產負債及業務狀況穩健，經營現金流充裕，故其有能力自行承擔該項貸款。若扣除EEIC對集團不附帶追索權之債項，集團的扣除現金後之附息借貸與股東資金比率則下降至約81%；集團的負債比率較上一年度有所增加，主要由於投資新生產設施達二十二億港元，同時動用了十八億港元收購依利安達集團。集團所有資本性投資，均為未來業務發展作好準備，冀能取得理想的增長和可觀的回報。

二零零四年十月，集團向機構投資者發行六千五百萬股新股，取得集資淨額約九億四千四百萬港元。其中40%用作償還銀行貸款，30%用作擴大覆銅面板及玻璃纖維布的產能，餘額則撥作一般營運資金。

依利安達集團本身在年底時之淨營運資金週期約為74日，並已於二零零四年十二月一日起納入集團之綜合賬目。為免除因計入依利安達集團的一個月業績於綜合賬目內所造成的偏差，並反映集團原有之業務表現，以下之營運資金分析並未包括依利安達集團之數據。

The net working capital cycle had improved from 127 days for the year ended 31 December 2003 to 114 days for the year ended 31 December 2004 with the breakdowns as follows:

- Inventories, in terms of stock turnover days, increased to 80 days (31 December 2003 – 70 days) mainly due to expanding manufacturing activities and tightened supply of certain raw materials.
- Trade receivables, in terms of debtors turnover days, improved to 119 days (31 December 2003 – 138 days).
- Trade and bills payables, in terms of creditors turnover days, increased to 85 days (31 December 2003 – 81 days).

The Group's consolidated net current assets and current ratio were approximately HK\$198 million (31 December 2003 – HK\$1,413 million) and 1.03 (31 December 2003 – 1.82) respectively. In addition the mix of borrowings between short term and long term bank borrowings was 53%:47% (31 December 2003 – 24%:76%). The increase in short term borrowings was due to the draw-down of one year bank bridge loan facilities to finance the acquisition of Elec & Eltek group. In the next few months, the Group will embark on certain refinancing initiatives to lengthen the borrowings maturity profile.

Furthermore in line with the Group's prudent financial management policy, we have been gradually increasing the engagement of interest rate swap contracts since the beginning of last year. As at 31 December 2004, approximately 68% of the Group's bank borrowings were hedged with such swap contracts with weighted average duration of 2.8 years.

There is no material foreign exchange fluctuation exposure to the Group. Almost all of the bank borrowings are denominated in either Hong Kong dollars or US dollars, and the Group's revenue, being mostly denominated in Hong Kong dollars, Renminbi and US dollars, was fairly matched with the currency requirements of operating expenses.

淨營運資金週期由二零零三年十二月三十一日的127日改善至二零零四年十二月三十一日的114日，細分如下：

- 存貨週轉期延長至80日（二零零三年十二月三十一日：70日）。主要由於產量擴大和部份原料供應緊張。
- 貿易應收款項的週轉期縮短至119日（二零零三年十二月三十一日：138日）。
- 貿易及票據應付賬款的週期延長至85日（二零零三年十二月三十一日：81日）。

集團之流動資產淨值約為港元一億九千八百萬（二零零三年十二月三十一日：十四億一千三百萬港元），流動比率則為1.03（二零零三年十二月三十一日：1.82）。短期與長期借貸的比例為53%：47%（二零零三年十二月三十一日：24%：76%）。短期借貸有所增加主要是集團動用了一項一年期的過渡性貸款，以收購依利安達集團。集團將在未來數月就再融資展開洽商，以延長借貸組合的還款年期。

此外，集團遵循穩健的財政政策，已於去年初開始，逐步增加利用利息掉期合約。於二零零四年十二月三十一日，銀行借貸中約有68%以加權平均數2.8年年期的利息掉期合約作對沖。

集團並無面對重大的匯率波動風險。集團大部份借貸均以港元或美元訂立，收入則主要以港元、人民幣及美元結算，與營運開支的貨幣要求大致相符。



The Group has set up new copper foil and glass fabric plants in Lianzhou. The local Government had given full support to the Group and Mr. Huang Hua Hua, the Governor of the Guangdong province, visited the construction site. The new plants commenced operation in 2004.

集團在連州新建銅箔廠及玻璃纖維布廠，興建期間獲得當地政府大力支持，廣東省省長黃華華先生親自到工地視察。新廠於二零零四年順利投產。

HUMAN RESOURCES

As at 31 December 2004, expanding organically and through acquisition of Elec & Eltek, the Group's headcount had increased to around 31,600 (31 December 2003 – 12,700) spreading around the globe with around 90% workforce in China. Recognizing the need to attract and retain talented workforce, the Group, besides offering competitive remuneration packages, continues to grant bonuses and share options to eligible employees based on the performance of individual employee as well as the Group.

PROSPECTS

The Group's business has overall started the current year with positive momentum, although the global business environment looks more challenging and uncertain than last year in view of both the US interest rate and many commodity prices including crude oil trending upwards. After the market's brief softness in the fourth quarter of last year, we have noticed demand for laminates rebounding robustly in the last few weeks. The recent close down of an overseas major paper laminate supplier helped the industry's consolidation. Also the commencement of our third glass yarn furnace eases the bottleneck in our glass epoxy laminate production. After last year's rapid expansion, the Group plans to increase the monthly capacity by a modest 15% to reach around 8.2 million square meters but will invest more aggressively in fabricating high performance, advanced laminate materials in the next few years.

人力資源

由於收購依利安達，加上集團內部增長，集團於二零零四年十二月三十一日共聘用員工約31,600人（二零零三年十二月三十一日：約12,700人），其中90%員工駐於中國，其餘則分駐於世界各地。集團致力維持具競爭力的工資政策，並根據員工的表現發放特別獎金及認股權予合資格的員工，以吸引和保留人才。

前景

美國息率趨升，包括油價在內的多種商品價格持續高企，全球經營環境或將比去年面對更多的挑戰和更多的不明朗因素，但集團今年的業務仍有相當不錯的開始。覆銅面板市場在去年第四季經歷了輕微回軟後，產品需求在過去數星期已迅速回升。最近在海外有一家主要的紙覆銅面板生產商結業，這將有助整個行業的生產能力更合理地整合。隨著集團第三個玻璃絲窯爐的投產，亦緩解了集團玻璃纖維覆銅面板的生產瓶頸。經過去年的急速增長，集團計劃將每月產能溫和增加15%至約八百二十萬平方米，惟集團將會在未來數年更進取地投資開發高性能、先進的覆銅面板產品。

In the printed circuit board division, integrating Elec & Eltek's operation into the Group has been well in progress. It is certainly bringing significant synergies such as enhancing vertical integration and economies of scale as well as complementing each other's customer base. As the largest printed circuit board operation in China, the Group shall be the prime beneficiary of the global outsourcing trend. We expect the division to have the monthly capacity reaching 3 million square feet for single-side and 6.5 million square feet for double-side and multi-layer by the end of the current year.

The chemical division continues to undergo rapid expansion with several major chemical projects being underway. The expansion of caustic soda plant in Hengyang of Hunan province with pent-up demand is on schedule, and its monthly capacity will triple by the middle of the current year. The coke-methanol plant in Hebei province is running at full production capacity of coke and is expected to commence methanol production in June. The construction of two methanol plants in Chongqing and Hainan province is progressing well and scheduled to complete by the end of 2006. In addition a phenol & acetone/bisphenol-A plant is being set up in the petrochemical district of Huizhou, Guangdong province which has a reliable local supply of key chemical feedstock.

印刷線路板部門方面，管理層正按計劃將依利安達之業務與集團進行整合。而整合工作將為集團帶來顯著的協同效益，如使集團的垂直生產進一步深化、擴大規模經濟效益、以及與集團互補的客戶網絡。集團作為全中國最大的印刷線路板生產商，肯定可在全球外判趨勢中首先得益。管理層預期至本年底，集團的單面印刷線路板月產能為三百萬平方呎；雙面及多層板之月產能則增至六百五十萬平方呎。

化工部門繼續高速增長，多個主要化工項目正在展開。市場對燒鹼需求殷切，在湖南衡陽的燒鹼廠擴產計劃正如期進行，預期每月產能可在本年中增加二倍。於河北的焦炭甲醇廠，其焦炭生產已全面展開，預期在六月將可開始生產甲醇。分別在重慶及海南省興建的兩家甲醇廠，工程進展順利，預計在二零零六年底落成。此外，集團正於廣東惠州石油化工區設立一家苯酚及丙酮／雙酚A化工廠，該地區能夠提供穩定的原料供應。



Mr. Donald Tsang, Chief Secretary for Administration of the HKSAR was among the guests visiting our copper foil plant during the trip of the Hong Kong officials to the Pearl River Delta in June 2004.

二零零四年六月，香港特別行政區政務司司長曾蔭權先生與香港珠江三角洲考察團成員，蒞臨參觀集團銅箔廠。

The LCD business, part of Elec & Eltek group, continues to experience robust growth so far this year. There will be a take-off of color LCD module (LCM) sales on the leverage of the well-established mono LCM customer base which has shown increasing interest in our color products. On the magnetic front, we believe our strong field marketing effort and persistent focus on the development of high value magnetic products will buoy further growth.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to extend my gratitude to our shareholders, valuable customers and banks for their support, and the management and employees for their continued dedication and hard work in the past year.

CHEUNG Kwok Wing
Chairman

Hong Kong, 30 March 2005

液晶顯示屏產品為依利安達集團其中一項業務，今年以來依然保持強勁增長。公司過去在單色液晶顯示屏方面有深厚的客戶基礎，有鑑於客戶對彩色液晶顯示屏興趣日增，今年公司將會推出彩色液晶顯示屏產品。磁電產品方面，管理層相信透過深入的市場推廣考察，並且堅持專注開發高檔磁電產品，將可為集團帶來更大的增長。

致謝

本人謹代表董事會，對集團股東、尊貴的客戶及銀行的支持，以及管理層及全體員工在過去一年以來的投入和努力，致以衷心感謝。

主席
張國榮

香港，二零零五年三月三十日