

DIRECTORS' REPORT

董事會報告

The directors are pleased to present their first annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006.

CORPORATE REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 10 May 2006. Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group in November 2006 and the Company's shares became listed on the main board of the Stock Exchange on 7 December 2006.

Details of the group reorganisation are set out in note 1 to the consolidated financial statements and are more fully explained in the paragraph headed "Corporate reorganization" in Appendix VI to the prospectus of the Company dated 24 November 2006 (the "Prospectus").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 49.

During the year, the Company declared payment of a special dividend prior to the listing of the Company's shares of HK\$0.702 per share, amounting to HK\$2,000,000,000 in total, to the sole shareholder whose name appeared on the register of members of the Company on 15 November 2006 and the amount was paid on 7 December 2006.

The Directors do not recommend the payment of a final dividend for the year.

董事會欣然提呈本公司及其附屬公司(統稱「本集團」)截至二零零六年十二月三十一日止年度之首份年報及經審核綜合財務報表。

企業重組

本公司於二零零六年五月十日在開曼群島註冊成立並登記為一家獲豁免之有限公司。為準備本公司股份於香港聯合交易所有限公司(「聯交所」)主板上市,本集團進行重組計劃以理順本集團之架構,藉此,本公司於二零零六年十一月成為本集團現有成員公司之控股公司。本公司股份於二零零六年十二月七日起於聯交所主板上市。

集團重組之詳情載於綜合財務報表附註1,並於本公司在二零零六年十一月二十四日刊發之招股章程(「招股章程」)附錄六「公司重組」一段有更詳盡解釋。

主要業務

本公司為投資控股公司,其主要附屬公司的業務載於綜合財務報表附註37。

業績及股息

本集團之本年度業績載於第49頁綜合收益表內。

年內,本公司於本公司股份上市前向於二零零六年十一月十五日名列本公司股東名冊的唯一股東宣派特別股息每股0.702港元,合共為2,000,000,000港元。有關股息已於二零零六年十二月七日支付。

董事不建議派付本年度之末期股息。

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TRADING RESULTS AND PUBLISHED PROFIT FORECAST

The Group's consolidated profit attributable to equity holders of the Company for the year amounting to approximately HK\$1,638 million, representing an excess of approximately HK\$14 million over the profit forecast as set out in the Prospectus.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 52 and 53.

In addition to the retained profits of the Company, the special reserve of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

At 31 December 2006, the sum of the retained profits, the share premium and the special reserve of the Company amounted to approximately HK\$4,637,318,000.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2006, resulting in an increase in fair value of approximately HK\$7,163,000 which has been credited to the consolidated income statement.

PROPERTIES, PLANT AND EQUIPMENT

Expenditure of approximately HK\$812,843,000 was incurred during the year primarily to expand the production capacity of the Group. Details of all the changes during the year are set out in note 16 to the consolidated financial statements.

貿易業績及經刊發之溢利預測

年內，本公司權益持有人應佔本集團綜合溢利約為1,638,000,000港元，較招股章程所載的溢利預測超出約14,000,000港元。

股本

本公司已發行股本於年內之變動詳情載於綜合財務報表附註29。

購買、出售或贖回股份

回顧期間內，本公司或其任何附屬公司概無購買、出售或贖回本公司上市之證券。

儲備

年內，本集團之儲備變動詳情載於第52至53頁之綜合權益變動表內。

除本公司之保留溢利外，本公司之特別儲備亦可向股東分派，惟於緊隨建議進行上述分派當日之後，本公司必須仍有能力償還在日常業務中到期支付之欠款。

於二零零六年十二月三十一日，本公司之保留溢利、股份溢價及特別儲備總額約為4,637,318,000港元。

投資物業

本集團之投資物業於二零零六年十二月三十一日重新估值，導致公平值增加約7,163,000港元，已計入綜合收益表內。

物業、廠房及設備

年內主要因提高本集團生產力而引致約812,843,000港元之支出。年內所有變動詳情載於綜合財務報表附註16。

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PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2006 are set out in note 37 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donation totalling approximately HK\$3,824,000.

DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS

The directors of the Company ("Directors") during the period from 10 May 2006 (date of incorporation) to 31 December 2006 and up to the date of this report were:

Executive Directors:

- Mr. Cheung Kwok Wa (*Chairman*)
(appointed on 20 July 2006)
- Mr. Cheung Kwok Keung (*Managing Director*)
(appointed on 20 July 2006)
- Mr. Cheung Kwok Ping
(appointed on 10 May 2006)
- Mr. Lam Ka Po
(appointed on 5 November 2006)
- Mr. Cheung Ka Ho
(appointed on 20 July 2006)
- Ms. Chan Sau Chi
(appointed on 10 May 2006)
- Mr. Liu Min
(appointed on 5 November 2006)
- Mr. Zhou Pei Feng
(appointed on 5 November 2006)

Non-executive Director:

- Mr. Lo Ka Leong
(appointed on 20 July 2006)

Independent non-executive Directors:

- Mr. Chan Charnwut Bernard
(appointed on 5 November 2006)
- Mr. Chan Yue Kwong, Michael
(appointed on 5 November 2006)
- Mr. Leung Tai Chiu
(appointed on 5 November 2006)
- Mr. Mok Yiu Keung, Peter
(appointed on 5 November 2006)

主要附屬公司

本公司主要附屬公司於二零零六年十二月三十一日之詳情載於財務報表附註37。

捐款

年內，本集團作出之慈善及其他捐款共約3,824,000港元。

董事及董事之服務合約

由二零零六年五月十日(註冊成立日期)至二零零六年十二月三十一日期間及直至本報告日期止之本公司董事(「董事」)如下:

執行董事:

- 張國華先生(主席)
(於二零零六年七月二十日獲委任)
- 張國強先生(董事總經理)
(於二零零六年七月二十日獲委任)
- 張國平先生
(於二零零六年五月十日獲委任)
- 林家寶先生
(於二零零六年十一月五日獲委任)
- 張家豪先生
(於二零零六年七月二十日獲委任)
- 陳秀姿小姐
(於二零零六年五月十日獲委任)
- 劉敏先生
(於二零零六年十一月五日獲委任)
- 周培峰先生
(於二零零六年十一月五日獲委任)

非執行董事:

- 羅家亮先生
(於二零零六年七月二十日獲委任)

獨立非執行董事:

- 陳智思先生
(於二零零六年十一月五日獲委任)
- 陳裕光先生
(於二零零六年十一月五日獲委任)
- 梁體超先生
(於二零零六年十一月五日獲委任)
- 莫耀強先生
(於二零零六年十一月五日獲委任)

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DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS (continued)

All the Directors, namely, Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping, Mr. Lam Ka Po, Mr. Cheung Ka Ho, Ms. Chan Sau Chi, Mr. Liu Min and Mr. Zhou Pei Feng who are executive Directors, Mr. Lo Ka Leong, who is a non-executive Director, Mr. Chan Charnwut Bernard, Mr. Chan Yue Kwong, Michael, Mr. Leung Tai Chiu and Mr. Mok Yiu Keung, Peter, who are independent non-executive Directors, will retire from directorship by rotation and will be eligible for re-election as Directors at the forthcoming annual general meeting of the Company.

Each of the executive Directors had entered into a service contract with the Company for an initial term of three years commencing from 5 November 2006. Each service contract will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

Each of the non-executive and independent non-executive Directors had been appointed for an initial term of two years commencing in November 2006. In addition, the appointment of the non-executive director will continue after the initial term unless terminated by three months' notice in writing served by either party on the other. The appointment of the independent non-executive directors will continue after the initial term unless otherwise agreed between the parties. All Directors are subject to retirement by rotation in accordance with the Company's Articles of Association and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Biographical details of the above Directors are set out in the section headed "Directors' and Senior Management's Biographies" on pages 13 to 17.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

董事及董事之服務合約 (續)

執行董事張國華先生、張國強先生、張國平先生、林家寶先生、張家豪先生、陳秀姿小姐、劉敏先生及周培峰先生；非執行董事羅家亮先生；獨立非執行董事陳智思先生、陳裕光先生、梁體超先生及莫耀強先生將於本公司應屆股東週年大會上輪值退任董事職務，惟彼等符合資格膺選連任為董事。

各名執行董事已與本公司訂立服務合約，任期由二零零六年十一月五日開始，初步為期三年。每份服務合約於其後將繼續有效，直至其中一方向另一方發出不少於一個月書面通知終止合約為止。

各名非執行董事及獨立非執行董事之任期由二零零六年十一月開始，初步為期兩年。此外，非執行董事之任命將於初步年期後繼續，除非一方向另一方發出三個月書面通知終止任命。獨立非執行董事之任命將於初步年期後繼續，雙方另有協定者則除外。全體董事須根據本公司之組織章程細則及聯交所證券上市規則（「上市規則」）輪值退任。

上述各董事之履歷詳情載列於第13至17頁「董事及高級管理人員之資歷」一節。

擬在本公司應屆股東週年大會重選連任之董事概無與本集團訂有任何不可於一年內毋須賠償（法定賠償除外）而終止之服務合約。

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DIRECTORS' INTERESTS IN SHARES

As at 31 December 2006, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of 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) **Non-voting deferred shares of HK\$1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company**

Name of Director 董事姓名	Capacity 身份	Number of non-voting deferred shares held 所持無投票權遞延股份數目 (Note 1) (附註1)
Mr. Cheung Kwok Wa 張國華先生	Beneficial owner 實益擁有人	1,058,000
Mr. Cheung Kwok Keung 張國強先生	Beneficial owner 實益擁有人	529,000
Mr. Cheung Kwok Ping 張國平先生	Beneficial owner 實益擁有人	952,200
Mr. Lam Ka Po 林家寶先生	Beneficial owner 實益擁有人	581,900

- (b) **Ordinary shares of HK\$0.10 each in KCHL, the ultimate holding company of the Company**

Name of Director 董事姓名	Capacity 身份	Number of issued ordinary shares held 所持已發行 普通股數目	Approximate percentage of the issued share capital of KCHL 佔建滔化工集團 已發行股本 之概約百分比
Mr. Cheung Kwok Wa 張國華先生	Beneficial owner 實益擁有人	1,360,779	0.16
Mr. Cheung Kwok Keung 張國強先生	Beneficial owner 實益擁有人	723,252	0.09
Mr. Cheung Kwok Ping 張國平先生	Beneficial owner 實益擁有人	1,582,853	0.19
Mr. Lam Ka Po 林家寶先生	Beneficial owner 實益擁有人	625,934	0.08

董事之股份權益

於二零零六年十二月三十一日，董事及彼等之聯繫人士於本公司及其相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）之股份、相關股份及債券中，擁有本公司根據證券及期貨條例第352條存置之登記冊所記錄之權益，或根據上市公司董事進行證券交易的標準守則已知會本公司及聯交所之權益如下：

長倉

- (a) 本公司全資附屬公司建滔積層板有限公司每股面值1港元之無投票權遞延股份

- (b) 本公司最終控股公司建滔化工集團每股面值0.10港元之普通股

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DIRECTORS' INTERESTS IN SHARES (continued)

(c) Share options of KCHL

Name of Director 董事姓名	Capacity 身份	Interest in underlying shares of KCHL pursuant to share options 優先購股權項下 建滔化工集團相關股份權益
Mr. Cheung Kwok Wa 張國華先生	Beneficial owner 實益擁有人	3,308,000
Mr. Cheung Kwok Keung 張國強先生	Beneficial owner 實益擁有人	3,559,000
Mr. Cheung Kwok Ping 張國平先生	Beneficial owner 實益擁有人	3,363,000
Mr. Lam Ka Po 林家寶先生	Beneficial owner 實益擁有人	3,559,000
		13,789,000

董事之股份權益 (續)

(c) 建滔化工集團之優先購股權

(d) Ordinary shares ("EEIC Shares") in Elec & Eltek International Company Limited ("EEIC"), a fellow subsidiary of the Company

(d) 本公司同系附屬公司依利安達集團有限公司(「EEIC」)之普通股(「EEIC股份」)

Name of Director 董事姓名	Capacity 身份	Number of issued EEIC Shares held 所持已發行 EEIC股份數目	Approximate percentage of the issued share capital of EEIC 佔EEIC已發行股本 之概約百分比
Mr. Cheung Kwok Wa 張國華先生	Beneficial owner 實益擁有人	278,400	0.16

(e) Share options of EEIC

(e) EEIC之優先購股權

Name of Director 董事姓名	Capacity 身份	Interest in underlying EEIC Shares pursuant to share options 優先購股權項下 EEIC相關 股份權益 (Note 2) (附註2)
Mr. Cheung Kwok Wa 張國華先生	Beneficial owner 實益擁有人	973,200

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DIRECTORS' INTERESTS IN SHARES (continued)

Notes:

- None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.
- The interests were by virtue of an aggregate of 811,000 share options accepted by the Director on 24 June 2005. The number of share options were subsequently adjusted pursuant to the 1 for 5 bonus issue effected on 13 October 2005. The relevant Director is entitled to subscribe for EEIC Shares at an adjusted exercise price of US\$2.033 per EEIC Share. The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing on 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 respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2006.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

As at 31 December 2006, no share option scheme had ever been adopted by the Company.

At the forthcoming annual general meeting of the Company, an ordinary resolution will be proposed for approval by the shareholders of the Company to adopt a share option scheme for the Company ("Share Option Scheme") pursuant to which eligible participants may be granted options to subscribe for shares in the Company upon and subject to the terms and conditions of the Share Option Scheme. Further details of the Share Option Scheme will be set out in a circular which will be despatched to the shareholders of the Company prior to the forthcoming annual general meeting of the Company.

董事之股份權益 (續)

附註:

- 本集團概無持有建滔積層板有限公司之無投票權遞延股份。該等遞延股份並無附帶可收取建滔積層板有限公司任何股東大會通告或出席股東大會及於會上投票之權利，亦沒有收取股息或於清盤時獲得任何分派之實際權利。
- 該等權益基於一名董事於二零零五年六月二十四日接納合共811,000份優先購股權而擁有。優先購股權數目其後因二零零五年十月十三日按一比五基準進行之紅股發行而調整。有關董事可按經調整行使價每股EEIC股份2.033美元認購EEIC股份。優先購股權分別自二零零六年十一月二十六日、二零零七年十一月二十六日、二零零八年十一月二十六日、二零零九年十一月二十六日及二零一零年三月二十六日至二零一零年五月二十四日止五個優先購股權行使期間內分段行使全部或其中部分。

除上述披露者外，於二零零六年十二月三十一日，概無董事或彼等各自之聯繫人士於本公司或其任何相聯法團（定義見證券及期貨條例第XV部）之任何股份、相關股份或債券中擁有任何權益或短倉。

購買股份或債券之安排

除上文披露外，本公司、其控股公司或其任何附屬公司或同系附屬公司於年內任何時間概無參與訂立任何安排，致使本公司董事可藉購入本公司或任何其他法人團體之股份或債券而獲益。

優先購股權

於二零零六年十二月三十一日，本公司不曾採納任何優先購股權計劃。

於本公司應屆股東週年大會上，本公司將提呈一項普通決議案，尋求本公司股東批准採納本公司之優先購股權計劃（「優先購股權計劃」），據此，符合優先購股權計劃之條款及條件及受此規限下，合資格參與者可獲授優先購股權，以認購本公司股份。優先購股權計劃之其他詳情載於本公司應屆股東週年大會舉行前將向本公司股東寄發之通函內。

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTEREST AND NON-COMPETE UNDERTAKING

None of the Directors or their respective associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange) had an interest in a business, which competes or may compete with the business of the Group.

Subject to certain exceptions, KCHL had undertaken (the "Non-compete Undertaking") to the Company that, at any time during which the shares of the Company are listed on the Stock Exchange and for so long as KCHL and its associates together hold, whether individually or taken together, 30% or more of the issued share capital of the Company or are otherwise regarded as a controlling shareholder (as defined in the Listing Rules) of the Company, KCHL will not, and will procure that its associates (excluding the Group) will not, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of the Group or its associated companies), partner, agent or otherwise in the manufacture and sale of laminates, or in any other business that may compete, directly or indirectly, with any business carried on from time to time by any member of the Group. For further details on the Non-compete Undertaking, please refer to the Prospectus.

The independent non-executive Directors had reviewed the confirmation provided by KCHL ("Confirmation") which stated that KCHL had not breached the terms of the Non-compete Undertaking during the year. Based on the Confirmation, the Company confirmed that KCHL had complied with the Non-compete Undertaking during the year.

董事之重大合約權益

本公司、其控股公司、同系附屬公司或附屬公司概無訂立任何於年度終結或年內任何時間仍然生效而本公司董事直接或間接擁有重大權益之重大合約。

競爭權益及不競爭承諾

董事或彼等各自之聯繫人(定義見聯交所證券上市規則(「上市規則」))概無於與本集團業務構成或可能構成競爭之業務中擁有權益。

除若干例外情況外,建滔化工集團已向本公司承諾(「不競爭承諾」),於本公司股份在聯交所上市期間內之任何時間,倘建滔化工集團及其聯繫人個別或共同持有本公司已發行股本合共30%或以上或被視為本公司之控股股東(定義見上市規則),則建滔化工集團將不會(並將促使其聯繫人(不包括本集團)不會)自行、互相、聯同或代表任何人士、商號或公司,直接或間接從事或參與或涉及產銷覆銅面板或任何與本集團任何成員公司不時從事之任何業務可能存在直接或間接競爭之業務(不論以股東(除作為本集團或其聯營公司之董事或股東除外)、合夥人、代理人或其他身份),或在當中擁有權益。有關不競爭承諾之進一步詳情,請參閱招股章程。

獨立非執行董事已經審閱建滔化工集團所提供之確認書(「確認書」),當中聲明建滔化工集團年內並無違反不競爭承諾之條款。根據確認書,本公司確認建滔化工集團於年內一直遵守不競爭承諾。

DIRECTORS' REPORT

董事會報告

SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long position

Ordinary shares of HK\$0.10 each in the Company

主要股東

根據本公司按證券及期貨條例第336條須存置之主要股東登記冊所記錄，於二零零六年十二月三十一日，下列股東（上文所披露若干董事之權益除外）已知會本公司彼等於本公司已發行股本之相關權益。

長倉

本公司每股面值0.10港元之普通股

Name of shareholder 股東名稱	Notes 附註	Nature of interest 權益性質	Number of issued ordinary shares held 所持已發行普通股數目	Approximate percentage of the issued share capital of the Company 佔本公司已發行股本之概約百分比
Hallgain Management Limited ("Hallgain")	(a)	Interest of a controlled corporation 受控制法團權益	2,175,000,000	72.5%
KCHL 建滔化工集團	(b)	Interest of a controlled corporation 受控制法團權益	2,175,000,000	72.5%
Jamplan (BVI) Limited ("Jamplan")	(c)	Beneficial owner 實益擁有人	2,175,000,000	72.5%

Notes:

- (a) As at 31 December 2006, (i) no shareholders of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.
- (b) KCHL are owned by Hallgain as to approximately 30.34% of the entire issued share capital of KCHL as at 31 December 2006.
- (c) Jamplan, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of KCHL. Mr. Lam Ka Po is a director of Jamplan.

附註:

- (a) 於二零零六年十二月三十一日，(i)概無Hallgain股東有權於Hallgain股東大會行使或直接或間接控制行使三分之一或以上之表決權，而Hallgain及其董事並不慣常根據任何股東指示行事；及(ii)董事張國華先生、張國平先生及林家寶先生均為Hallgain之董事。
- (b) 於二零零六年十二月三十一日，Hallgain擁有建滔化工集團全部已發行股本約30.34%權益。
- (c) Jamplan（一家於英屬處女群島註冊成立之公司）是建滔化工集團之全資附屬公司。林家寶先生為Jamplan之董事。

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2006.

除上述披露者外，本公司概無獲知會於二零零六年十二月三十一日之本公司已發行股本之任何其他相關權益或短倉。

DIRECTORS' REPORT

董事會報告

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules since the listing of the Company on the Stock Exchange on 7 December 2006 up to and including 31 December 2006 save for the deviation from code provision A.1.1 of the Code. Under code provision A.1.1 of the Code, the board of directors ("Board") should meet regularly and board meetings should be held at least four times a year. As the Company was incorporated on 10 May 2006 and listed on the Stock Exchange on 7 December 2006, during the period under review, only two board meetings had been held. The Company will ensure that code provision A.1.1 of the Code is complied with in the future.

The Company has adopted a code of conduct regarding securities transactions by directors 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 have confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent for the purpose of Rule 3.13 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer was KCHL and its subsidiaries other than the Company and its subsidiaries (the "KCHL Group"), and the percentage of sales attributable to it was 18%. The percentage of sales attributable to the Group's five largest customers combined was less than 30% of the Group's total revenue. During the year, the percentage of purchases attributable to the Group's largest supplier and the five largest suppliers combined were 18% and 33% respectively.

企業管治

董事認為，自本公司於二零零六年十二月七日在聯交所上市起至二零零六年十二月三十一日（包括該日）期間，除偏離上市規則附錄14所載之企業管治常規守則（「守則」）條文A.1.1以外，本公司一直遵守守則之條文。根據守則條文A.1.1，董事會（「董事會」）應定期開會，並每年召開至少四次董事會會議。由於本公司在二零零六年五月十日註冊成立，並在二零零六年十二月七日於聯交所上市，故本公司於回顧期間只召開兩次董事會會議。本公司保證將於日後遵守守則條文A.1.1。

本公司已採納條款不寬鬆於上市規則附錄10所載規定標準（「標準守則」）之有關董事進行證券交易之操守守則。經向全體董事作出特定查詢後，全體董事確認，彼等一直遵守標準守則所載規定標準及本公司所採納有關董事進行證券交易之操守守則。

本公司已接獲各獨立非執行董事根據上市規則第3.13條作出有關其獨立身分之年度確認。本公司認為，就上市規則第3.13條而言，全體獨立非執行董事均為獨立人士。

主要客戶及供應商

年內，本集團最大客戶為建滔化工集團及其附屬公司（不包括本公司及其附屬公司）（「建滔化工集團」），其所佔之營銷額為18%。本集團五大客戶所佔營銷額之百分比少於本集團總營業額之30%。年內，本集團向最大供應商及五大供應商之購貨額百分比分別為18%及33%。

DIRECTORS' REPORT

董事會報告

MAJOR CUSTOMERS AND SUPPLIERS (continued)

At 31 December 2006, KCHL, a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest customers. Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTIONS

The Group had the following connected transactions with its connected persons during the year:

- (a) The Group purchased chemicals and drill bits from KCHL Group amounting to approximately HK\$94,406,000 and HK\$9,108,000, respectively.
- (b) The Group sold laminates and related upstream component materials to the KCHL Group amounting to approximately HK\$812,421,000 and HK\$723,628,000 respectively.

In addition, the Group also provided drilling services to the KCHL Group amounting to approximately HK\$178,927,000 during the year.

KCHL is the Company's indirect holding company. As such, the KCHL Group is deemed to be connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

The Company has applied to the Stock Exchange for a waiver for the above connected transactions from strict compliance with the requirements under Rule 14A.42(3) of the Listing Rules and the Stock Exchange had granted such waiver to the Company from compliance with the announcement and independent shareholders' approval requirements in relation to these transactions.

主要客戶及供應商 (續)

於二零零六年十二月三十一日，一名持有本公司股本5%以上之股東建滔化工集團於本集團五大客戶之一擁有實際權益。除上文所披露者外，董事、彼等之聯繫人或據董事所知擁有本公司股本5%以上之任何股東概無於上述主要客戶或供應商中擁有權益。

關連交易

年內，本集團與其關連人士進行以下關連交易：

- (a) 本集團向建滔化工集團購買化工產品及鑽咀，涉及金額分別約為94,406,000港元及9,108,000港元。
- (b) 本集團向建滔化工集團出售覆銅面板及有關上游原料，涉及金額分別約為812,421,000港元及723,628,000港元。

此外，本集團年內亦為建滔化工集團提供鑽孔服務，涉及金額約為178,927,000港元。

建滔化工集團是本公司之間接控股公司。因此，根據上市規則第14A章，建滔化工集團被視為本公司之關連人士。

本公司已就上述關連交易向聯交所申請豁免嚴格遵守上市規則第14A.42(3)條項下之規定，而聯交所已豁免本公司就該等交易遵守公佈及獨立股東批准之規定。

DIRECTORS' REPORT

董事會報告

CONNECTED TRANSACTIONS (continued)

The Directors have engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board. The independent non-executive Directors have, for the purpose of Rule 14A.37 of the Listing Rules, reviewed the continuing connected transactions and the report of the auditor and have confirmed that the aforesaid continuing connected transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The purchase of chemicals and drill bits from the KCHL Group during the year did not exceed the aggregate annual cap for the financial year ended 31 December 2006 namely HK\$113,000,000, while the sale of laminates and related upstream component materials and provision of drilling services to the KCHL Group during the year did not exceed the aggregate annual caps for the financial year ended 31 December 2006 namely HK\$1,960,000,000.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee based on the relevant Director's experience, responsibility and the time devoted to the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under company laws in the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float since the listing of the Company's shares on the main board of the Stock Exchange.

關連交易 (續)

董事已聘用本公司核數師對本集團之持續關連交易進行若干已協定程序。核數師亦已向董事會報告此等程序所得之實際結果。就上市規則第14A.37條而言，獨立非執行董事已審閱持續關連交易及核數師之報告，並確認上述持續關連交易乃由本公司於一般業務過程中訂立，且按一般商業條款及就該等交易所訂合約之條款進行，有關條款屬公平合理，並符合本公司股東之整體利益。

年內，向建滔化工集團採購化工產品及鑽咀之購貨額並無超逾截至二零零六年十二月三十一日止財政年度之總上限（113,000,000港元）。年內，向建滔化工集團銷售覆銅面板及有關上游原料和提供鑽孔服務之有關金額並無超逾截至二零零六年十二月三十一日止財政年度之總上限（1,960,000,000港元）。

薪酬政策

薪酬委員會根據本集團員工之表現、資歷及工作能力制定員工之薪酬政策。

薪酬委員會按有關董事之經驗、職責及於本集團所投放之時間決定董事之薪酬。

優先權

本公司之公司組織章程細則並無關於優先權之規定，儘管開曼群島公司法例並無對優先權作出任何限制。

充足公眾持股量

自本公司股份於聯交所主板上市以來，本公司一直維持充足公眾持股量。

DIRECTORS' REPORT

董事會報告

AUDITOR

A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed for approval by shareholders of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
Cheung Kwok Wa
CHAIRMAN

28 March 2007

核數師

續聘德勤•關黃陳方會計師行為本公司核數師之決議案將於本公司應屆股東週年大會上提呈以供本公司股東批准。

承董事會命
張國華
主席

二零零七年三月二十八日