

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged in the manufacturing and sale of PCBs. Details of the Company's principal subsidiaries as at 31 December 2006 are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Details of the analysis of the Group's revenue for the year by geographical location are set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 99 of this annual report.

The Directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements is set out on page 100. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year are set out in notes 28 and 29 to the financial statements, respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and the consolidated statement of changes in equity on page 47 of this annual report, respectively.

DISTRIBUTABLE RESERVES

At as 31 December 2006, the distributable reserves of the Company available for distribution as dividends amounted to HK\$511,390,000, comprising retained earnings of HK\$44,621,000 and contributed surplus of HK\$466,769,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant & equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws though there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. Eligible participants of the Scheme include:

- (i) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

- (vii) for the purposes of the Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The Scheme was conditionally adopted and approved by the shareholders of the Company on 30 May 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of ordinary shares in respect of which options may be granted at any time under the Scheme and any other share option scheme of the Company cannot exceed 30% of the issued share capital of the Company from time to time. The total number of ordinary shares, which may be issued upon exercise of all options granted under the Scheme and any other share option scheme of the Group, must not in aggregate exceed 64,000,000 Shares, being 10% of the Shares in issue at the Listing Date. The Company may seek approval of its shareholders in general meeting to refresh the 10% limit provided that the total number of ordinary shares which may be issued upon exercise of all outstanding options granted under the Scheme and under any other share option scheme of the Group under the limit as “refreshed” must not exceed 10% of the ordinary shares in issue at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue, further grant in excess of this limit is subject to issue of a circular to the shareholders and shareholders’ approval in a general meeting of the Company with the proposed grantees and their associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is a proposed grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders’ approval in advance in a general meeting in which the proposed grantees must abstain from voting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and will commence at any time on or after the date upon which the option is deemed to be granted and accepted and will expire not later than the 10th anniversary of that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date.

Apart from as disclosed above under the headings "Share option scheme" and "Directors' Interests in Shares and Share Options" below, none of the directors or their respective associates has any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) or has any right to subscribe for equity or debt securities of the Company, as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2006, the sales of products to the largest and the five largest customers amounted to 13% (2005: 15%) and 40% (2005: 44%) of the Company's revenue respectively.

For the financial year ended 31 December 2006, the purchases of materials from the largest and the five largest suppliers amounted to 17% (2005: 14%) and 53% (2005: 40%) of the total purchases respectively.

None of the directors, their respective associates had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2006.

To the knowledge of the Directors, one of the five largest suppliers is a substantial shareholder of the Group and owned 25.01% of the issued shares of the Company as at 31 December 2006.

Save as disclosed above, none of any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the issued share of the Company) had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2006.

CONTINUING CONNECTED TRANSACTIONS

On 18 August 2006, the Company entered into a raw materials supply agreement (“Raw Materials Supply Agreement”) in connection with the supply of raw materials by Kingboard Copper Foil (Macao Commercial Offshore) Limited and Kingboard Laminates (Macao Commercial Offshore) Limited (the “Suppliers”) to the Group for a period of three years from 1 July 2006 to 30 June 2009. Kingboard Copper Foil (Macao Commercial Offshore) Limited and Kingboard Laminates (Macao Commercial Offshore) Limited are subsidiaries of Kingboard Chemical Holdings Limited (“Kingboard”) (stock code: 148). Since 10 May 2006 and up to 31 December 2006, Kingboard and its subsidiaries (“Kingboard Group”) had been a substantial shareholder of the Company and accordingly, was a connected person of the Company. The transactions contemplated under the Raw Materials Supply Agreement therefore constituted a continuing connected transaction (“Continuing Connected Transaction”) of the Group under the Listing Rules during the year ended 31 December 2006.

An announcement (“Announcement”) dated 18 August 2006 and a circular dated 11 September 2006 had been issued by the Company which provided details of the Continuing Connected Transaction in accordance with the Listing Rules. As disclosed therein, the Directors had proposed the following annual caps for the Continuing Connected Transaction (“Annual Caps”) for the three years from 1 July 2006 to 30 June 2009:

	Annual Caps
1 July 2006 to 31 December 2006	HK\$82,000,000
1 January 2007 to 31 December 2007	HK\$190,000,000
1 January 2008 to 31 December 2008	HK\$228,000,000
1 January 2009 to 30 June 2009	HK\$132,500,000

The Raw Materials Supply Agreement and Annual Caps had been approved by shareholders of the Company at the Special General Meeting held on 29 September 2006.

During the period from 1 July 2006 to 31 December 2006, the Group’s purchase of raw materials from the Suppliers amounted to approximately HK\$59,668,000 and did not exceed the corresponding Annual Cap for the period from 1 July 2006 to 31 December 2006, namely an amount of HK\$82,000,000.

The Continuing Connected Transaction has been reviewed by the independent non-executive directors and have confirmed that for the year ended 31 December 2006, the Continuing Connected Transaction has been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available from independent third parties; and (iii) in accordance with the terms of the Raw Materials Supply Agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain procedures in respect of the Continuing Connected Transaction of the Group in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on these procedures to the Board of Directors and confirmed that for the year ended 31 December 2006, the Continuing Connected Transaction (i) has received the approval of the Board of Directors of the Company; (ii) has been entered into in accordance with the terms of the Raw Materials Supply Agreement governing the Continuing Connected Transaction; and (iii) has not exceeded the Annual Cap amount for the financial year ended 31 December 2006 as set out in the Announcement.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULE

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company’s loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to loan agreements between the Company and certain banks, relating to two three-year term loan facilities and two three-year syndicated loan facilities of HK\$32,500,000 (2005: HK\$56,000,000) and HK\$375,000,000 (2005: HK\$210,000,000), respectively, a termination event would arise if (i) Mr. Cheok Ho Fung, Peter, a director and controlling shareholder, and his family, collectively, cease to own beneficially directly or indirectly at least 50% of the issued share capital of the Company, or (ii) the Group fails to meet the financial covenants stipulated in the loan facilities.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Cheok Ho Fung

Mr. Ting Sui Ping

Mr. Ng Chi Shing (*Resigned on 18 April 2006*)

Mr. Wong Shui Hing (*Retired on 5 June 2006*)

Mr. Ho Siu Man (*Resigned on 1 March 2007*)

Non-executive Directors:

Mr. Tang Yok Lam, Andy

Mr. Ng Kwok Ying, Alvin

Mr. Mok Cham Hung, Chadwick (*Appointed on 4 October 2006*)

Independent Non-executive Directors:

Mr. Leung Shu Kin, Alfred

Mr. Wong Wing Kee

Mr. Ng Kee Sin (*Appointed on 20 March 2007*)

Mr. Look Guy (*Resigned on 21 December 2006*)

Pursuant to Bye-law 99 of the Bye-laws, Mr. Ng Kwok Ying, Alvin, Mr. Tang Yok Lam, Andy and Mr. Leung Shu Kin, Alfred shall retire at the Annual General Meeting. In addition, Mr. Mok Cham Hung, Chadwick and Mr. Ng Kee Sin, being Directors appointed by the Directors after the Company's annual general meeting held on 5 June 2006, will hold office only until the Annual General Meeting pursuant to Bye-law 102(B) of the Bye-laws. All the retiring Directors, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 55, is the Chairman and Chief Executive Officer and founder of the Group. Mr. Cheok is responsible for overall strategic planning and the direction of the Group. With over 20 years of experience in the PCB industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities. Prior to founding the Group in 1985, Mr. Cheok had held financial controller and various management positions in different multi-national companies involved in computers related products, application systems, motor vehicles and agricultural equipment, ship repair and oil-rig construction, business-form printing and PCB manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, a member of the Chartered Institute of Management Accountants since 1981 and the Hong Kong Institute of Certified Public Accountants since 1990.

Mr. Ting Sui Ping

Mr. Ting Sui Ping, aged 49, is the Marketing Director of the Group overseeing all sales and marketing functions. He has over 22 years of experience in the PCB marketing. Prior to joining the Group in 2002, Mr. Ting was employed by a major PCB manufacturer in Hong Kong for over 10 years.

Non-executive Directors

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 58, has had over 32 years international working experience in Hong Kong, Japan, London, the US and the PRC in engineering, finance and investment banking areas. Mr. Tang had held various senior executive positions in multinational companies in Hong Kong, Japan, London, the US and the PRC. Mr. Tang has been a pioneer in non-recourse project financing for major power plant in the PRC since 1994. Mr. Tang is currently the president of Inflow Finance Limited in Beijing. The Company provides various investment and strategic advisory services to both private enterprises and publicly listed companies in Greater China. Mr. Tang studied naval Architecture in Taiwan, then production management at Cambridge and earned his MBA at the Cranfield Institute of Technology (England) in 1977.

Mr. Ng Kwok Ying, Alvin

Mr. Ng Kwok Ying, Alvin, aged 59, was re-designated from Independent Non-Executive Director to Non-Executive Director of the Company on 22 February 2005. Mr. Ng is the founder and currently a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng had worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Mr. Mok Cham Hung, Chadwick

Mr. Mok Cham Hung, Chadwick, aged 42, joined Kingboard Chemical Holdings Limited (Stock Code: 148) (“Kingboard”) together with its subsidiaries, (the “Kingboard Group”) as an executive director in 2000 and is responsible for the Kingboard Group’s financial management. Prior to this he worked in financial services industry for over 11 years. Mr. Mok is an associate member of the Institute of Chartered Accountants in England & Wales and a fellow member of Hong Kong Institute of Certified Public Accountants. He holds an MA in Electrical and Information Engineering from the University of Cambridge and an MBA with distinction from Imperial College, the University of London. He is also an executive director and vice-chairman of Elec & Eltek International Company Limited, a company listed in Singapore Securities Trading Limited and a subsidiary of Kingboard. Mr. Mok is responsible for the strategic planning and day-to-day management thereof.

Independent Non-executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 54, has had extensive working experience in the banking industry. For over 20 years, Mr. Leung had held various senior credit management positions in Bank of America and the First National Bank of Boston before becoming the Group General Manager of Seng Heng Bank in Macau. Currently he serves as the executive director for the Elegance Printing Group. Mr. Leung holds a Bachelor’s degree in Economics and a Bachelor’s degree in Commerce from the University of Windsor, Canada, a Master’s degree in Business Administration from the Chinese University of Hong Kong. Mr. Leung was appointed as the Company’s Independent Non-Executive Director on 1 September 2004.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 60, holds a Bachelor of Science degree in Financial Services from the University of Manchester. He is also a Fellow of The Chartered Institute of Bankers, UK (FCIB). Being Singaporean, Mr. Wong has extensive experience in the banking industry, having worked for Citibank, J.P. Morgan and DBS, and held management positions with local and regional responsibilities in audit, compliance and operational risk areas. Currently, he is the Advisor of Risk Management with a private bank in Indonesia. Mr. Wong was appointed as the Company’s Independent Non-Executive Director on 1 December 2004.

Mr. Ng Kee Sin

Mr. Ng Kee Sin, aged 55, is currently an international associate of Golden Namsing Technology Shenzhen Co., Ltd. where he is heading its overseas operations. Mr. Ng has more than 20 years of senior management experience in Asia Pacific countries and had been the managing director of Quantum Storage Greater China Region and the director of Storage Business Unit of Compaq Computers Greater China Division. Mr. Ng holds a Bachelor of Accountancy degree from University of Singapore. He is a member of Institute of Certified Public Accountants of Singapore (ICPAS) and a fellow member of the Association of Chartered Certified Accountants.

DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into a service agreement with Mr. Cheok Ho Fung for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day next after the expiry of the then current terms of the service agreements. Under the service agreement with Mr. Cheok, such agreement may be terminated by either party by giving not less than six month's written notice to the other party.

On 29 August 2005, the Company entered into a service agreement with Mr. Ting Sui Ping with effect from 3 June 2005 for an initial period of three years, which is renewable thereafter. Under the service agreement with Mr. Ting, such agreement may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Leung Shu Kin, Alfred. Mr. Leung serves the Company as an independent non-executive Director with effect from 3 June 2005 to 31 August 2007, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Wong Wing Kee. Mr. Wong serves the Company as an independent non-executive Director with effect from 3 June 2005 to 30 November 2007, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, separate letters of appointment were issued by the Company and accepted by Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin respectively. Mr. Tang and Mr. Ng serve the Company as non-executive Directors with effect from 3 June 2005 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 4 October 2006, a letter of appointment was issued by the Company and accepted by Mr. Mok Cham Hung, Chadwick. Mr. Mok serves the Company as a non-executive Director with effect from 4 October 2006 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 20 March 2007, a letter of appointment was issued by the Company and accepted by Mr. Ng Kee Sin. Mr. Ng serves the Company as an independent non-executive Director with effect from 20 March 2007 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, no contracts of significance in relation to the Group's business to which the Company, its holding or its 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.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

1. Directors' Interests in Shares

As at 31 December 2006, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (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 notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(a) The Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung	Direct	48,000,000	5.60%
	<i>Note</i> Deemed	432,000,000	50.37%
Total		480,000,000	55.97%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

(b) Associated Corporation — Inni International Inc.

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung	Direct	12,250	49.00%
	<i>Note</i> Deemed	12,750	51.00%
		25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his wife.

(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director	Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok Ho Fung	Direct	2,000,100	10.00%
	<i>Note</i> Deemed	17,999,900	90.00%
Total		20,000,000	100.00%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

2. Directors' interests in share options of the Company

As at 31 December 2006, certain of the Company's directors held share options of the Company and particulars of those outstanding share options granted under the Scheme as defined in note 29 to the financial statements were as follows:

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share	Price of Company's shares		
	At 1 January 2006	Exercised during the year	Expired during the year	At 31 December 2006				At grant date of options HK\$ per share	Immediately before the exercise date HK\$ per share	At exercise date of options HK\$ per share
Directors										
Mr. Ng Chi Shing#	1,200,000	(600,000)	—	—	1 Sep 04	6 July 2004 to 31 December 2006	0.694	0.70	0.92	0.92
		(600,000)	—	—	1 Sep 04	6 July 2004 to 31 December 2006	0.694	0.70	0.84	0.84
Mr. Wong Shui Hing#	900,000	(450,000)	—	—	1 Sep 04	6 July 2004 to 31 December 2006	0.694	0.70	0.92	0.92
		(450,000)	—	—	1 Sep 04	6 July 2004 to 31 December 2006	0.694	0.70	0.84	0.84
Mr. Ting Sui Ping	800,000	(800,000)	—	—	1 Sep 04	6 July 2004 to 31 December 2006	0.694	0.70	0.88	0.88
Mr. Tang Yok Lam, Andy	640,000	—	(640,000)	—	1 Sep 04	6 July 2004 to 31 December 2006	0.694	0.70	—	—
	1,860,000	—	(1,860,000)	—	12 Jan 05	20 December 2004 to 31 December 2006	0.792	0.81	—	—
	<u>5,400,000</u>	<u>(2,900,000)</u>	<u>(2,500,000)</u>	<u>—</u>						

Mr. Ng Chi Shing and Mr. Wong Shui Hing resigned and retired as directors on 18 April 2006 and 5 June 2006, respectively.

3. Directors' interest in underlying shares of equity derivatives of the Company — bonus issue of warrants on the basis of one warrant for every ten existing Shares held by the Shareholders on 5 June 2006:

Name of director	Nature of interest	Date of grant of share warrants	Exercise period of warrants	Subscription price of warrants	Number of warrants outstanding	Number of total underlying shares	Approximate percentage of total shareholding
Mr. Cheok Ho Fung	Direct	5 June 2006	26 June 2006 to 31 October 2008	1.20	4,800,000	4,800,000	0.56%
Inni International Inc	Note Deemed	5 June 2006	26 June 2006 to 31 October 2008	1.20	43,200,000	43,200,000	5.04%
Total					48,000,000	48,000,000	5.6%

Note: These warrants are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

Save as discussed above, none of the directors, chief executives or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2006 or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 31 December 2006.

SUBSTANTIAL SHAREHOLDERS

1. Long positions in Shares:

As at 31 December 2006, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Inni International Inc.		Direct	Long position	432,000,000	50.37%
Mr. Cheok Ho Fung	(i)	Direct	Long position	48,000,000	5.60%
		Deemed	Long position	432,000,000	50.37%
			Total	480,000,000	55.97%
Mrs. Cheok Chu Wai Min	(ii)	Deemed	Long position	480,000,000	55.97%
Hallgain Management Limited	(iii)	Deemed	Long position	214,522,000	25.01%
Kingboard Chemical Holdings Limited	(iii)	Direct	Long position	2,766,000	0.32%
		Deemed	Long position	211,756,000	24.69%
			Total	214,522,000	25.01%
Jamplan (BVI) Limited	(iii)	Deemed	Long position	211,756,000	24.69%
Kingboard Investments Limited		Direct	Long position	211,554,000	24.67%

Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Share Options".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Share Options".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 211,554,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 30.63% equity shares in Kingboard Chemical Holdings Limited.

2. Long positions in underlying shares of equity derivatives of the Company — bonus issue of warrants on the basis of one warrant for every ten existing Shares held by the Shareholders on 5 June 2006:

Name of shareholders	Notes	Nature of interest	Date of grant of share warrants	Exercise period of warrants	Subscription price of warrants	Number of warrants outstanding	Number of total underlying shares	Approximate percentage of total shareholding	
Inni International Inc.		Direct	5 June 2006	26 June 2006 to 31 October 2008	1.20	43,200,000	43,200,000	5.04%	
Mr. Cheok Ho Fung		Direct	5 June 2006	26 June 2006 to 31 October 2008	1.20	4,800,000	4,800,000	0.56%	
	(i)	Deemed	5 June 2006	26 June 2006 to 31 October 2008	1.20	43,200,000	43,200,000	5.04%	
						Total	48,000,000	48,000,000	5.6%
Mrs. Cheok Chu Wai Min	(ii)	Deemed	5 June 2006	26 June 2006 to 31 October 2008	1.20	48,000,000	48,000,000	5.6%	
Hallgain Management Limited	(iii)	Deemed	5 June 2006	26 June 2006 to 31 October 2008	1.20	5,874,400	5,874,400	0.68%	
Kingboard Chemical Holdings Limited		Direct	5 June 2006	26 June 2006 to 31 October 2008	1.20	250,000	250,000	0.03%	
	(iii)	Deemed	5 June 2006	26 June 2006 to 31 October 2008	1.20	5,624,400	5,624,400	0.66%	
						Total	5,874,400	5,874,400	0.69%
Jamplan (BVI) Limited	(iii)	Deemed	5 June 2006	26 June 2006 to 31 October 2008	1.20	5,624,400	5,624,400	0.66%	
Kingboard Investments Limited		Direct	5 June 2006	26 June 2006 to 31 October 2008	1.20	5,604,200	5,604,200	0.65%	

Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in underlying shares of equity derivatives of the Company".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The warrant-holdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of warrants, which were also included as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in underlying shares of equity derivatives of the Company".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 211,554,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallagin Management Limited owns 30.63% equity shares in Kingboard Chemical Holdings Limited.

Save as disclosed above, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' interest in shares and share option" above had registered an interests or shorts positions in the shares and underlying shares of the Company as recorded under Section 336 of the SFO as at 31 December 2006.

AUDIT COMMITTEE

The Company established an Audit Committee on 30 May 2002 with written terms of reference in compliance with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group. Meetings were held to review the interim financial statements of the Company for the financial period ended 30 June 2006, and financial statements of the Company for the year ended 31 December 2006.

This Annual Report has been reviewed by the Audit Committee.

As at the date of this report, the Committee comprised three independent non-executive directors, namely Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin and one non-executive director namely Mr. Ng Kwok Ying, Alvin.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 38 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 20 April 2007