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KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團*

(Incorporated in the Cayman Islands)
(Stock Code: 148)

ANNOUNCEMENT RESULTS OF A SUBSIDIARY

Elec & Eltek International Company Limited, a 71.29% owned subsidiary of Kingboard Chemical Holdings Limited, announced its unaudited consolidated results for the third quarter and nine months ended 30 September 2008 on the Singapore Exchange Securities Trading Limited on 10 November 2008.

Pursuant to Rule 705(2) and Rule 920 (

Holdings Limited (“Kingboard”), announced its unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the third quarter and nine months ended 30

* For more information, please refer to the announcement.

***ELEC & ELTEK INTERNATIONAL COMPANY LIMITED**

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(C. 199300005)

**UNAUDITED FINANCIAL STATEMENT FOR THE THIRD QUARTER AND NINE MONTHS
ENDED 30 SEPTEMBER 2008**

1(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, comprising the Company and its subsidiary companies, for the third quarter (“**3QCY08**”) and nine months (“**YTD 3QCY08**”) ended 30 September 2008 together with the comparative figures for the third quarter (“**3QCY07**”) and nine months (“**YTD 3QCY07**”) ended 30 September 2007.

US\$'000	3QCY08	3QCY07	% Change	YTD 3QCY08	YTD 3QCY07	% Change
Revenue	141,211	150,699	-6.3%	420,553	405,698	3.7%
Cost of sales	(118,673)	(129,425)	-8.3%	(348,285)	(345,534)	0.8%
Gross profit	22,538	21,274	5.9%	72,268	60,164	20.1%
	16.0%	14.1%		17.2%	14.8%	
Interest income	501	49	922.4%	965	165	484.8%
Distribution & selling costs	(3,827)	(4,090)	-6.4%	(11,084)	(12,706)	-12.8%
Administrative costs	(6,505)	(6,266)	3.8%	(20,794)	(17,869)	16.4%
Other operating income/(expenses)	685	(682)	n/m	(174)	(2,208)	-92.1%
Finance costs	(986)	(1,970)	-49.9%	(3,449)	(5,744)	-40.0%
Gain on disposal of a subsidiary	–	–	n/m	590	–	n/m
Share of profits of an associate	410	412	-0.5%	1,150	913	26.0%
Profit before tax	12,816	8,727	46.9%	39,472	22,715	73.8%
Income tax expense	(525)	(575)	-8.7%	(2,042)	(1,285)	58.9%
Profit for the financial period	12,291	8,152	50.8%	37,430	21,430	74.7%
Attributable to:						
Equity holders of the Company	12,233	8,052	51.9%	37,505	21,483	74.6%
Minority interests	58	100	-42.0%	(75)	(53)	41.5%
	12,291	8,152	50.8%	37,430	21,430	74.7%

/s/ , ,

(II) Income statement of the Group for 3QCY08 together with the comparative figures for the second quarter ended 30 June 2008 (“2QCY08”).

US\$'000	3QCY08	2QCY08	% Change
Revenue	141,211	132,461	6.6%
Cost of sales	(118,673)	(110,917)	7.0%
Gross profit	22,538	21,544	4.6%
	16.0%	16.3%	
Interest income	501	341	46.9%
Distribution & selling costs	(3,827)	(3,255)	17.6%
Administrative costs	(6,505)	(5,714)	13.8%
Other operating income	685	157	n/m
Finance costs	(986)	(1,096)	-10.0%
Gain on disposal of a subsidiary	–	590	n/m
Share of profits of an associate	410	369	11.1%
Profit before tax	12,816	12,936	-0.9%
Income tax expense	(525)	(657)	-20.1%
Profit for the financial period	12,291	12,279	0.1%
Attributable to:			
Equity holders of the Company	12,233	12,384	-1.2%
Minority interests	58	(105)	n/m
	12,291	12,279	0.1%

(III) Notes to Income Statement:

US\$'000	3QCY08	3QCY07	% Change	YTD	YTD	% Change
				3QCY08	3QCY07	
Depreciation and amortisation	12,71					

Explanation of non-Consolidated Income Statement

1. Gross profit

Gross profit for the Group at US\$22.5 million was 5.9% higher year-over-year. The corresponding gross margin was 16.0% compared with 14.1% for the same quarter last year, reflecting improving management on material and manufacturing overheads.

2. Interest income

The increase in interest income to US\$0.5 million in 3QCY08 as compared to US\$0.1 million in 3QCY07 was contributed by higher cash balances placed under fixed deposit.

3. (Write back of allowance)/allowance for inventory obsolescence

The write back of allowance for inventory obsolescence in 3QCY08 for US\$0.4 million was primarily due to progressive consumption of slow-moving inventories during the quarter when inventory provision was previously provided for.

4. Administrative costs

The increase in administrative costs by US\$0.2 million in 3QCY08 as compared to 3QCY07 was due to accrual made for management bonus while there was a management bonus written back a year ago.

5. Other operating income/(expense)

The other operating income of US\$0.7 million in 3QCY08 relates to rental collection from the Group's investment property while the other operating expenses of US\$0.7 million in 3QCY07 were mainly due to loss on disposition of machineries and exchange losses.

6. Finance costs

The decrease in interest expenses by 49.9% to US\$1.0 million in 3QCY08 compared to US\$2.0 million in 3QCY07 was primarily due to lower average interest rates during the quarter.

7. Income tax expense

The Group's overall effective tax rate decreased from 6.6% in 3QCY07 to 4.1% in 3QCY08 on receiving income tax rebates in respect of profits re-investments incentive from the Group's Chinese subsidiaries.

8. Minority interests

The 42.0% year-on-year decrease in minority interests was attributed by the lower profits contribution by certain joint venture subsidiaries.

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		
	30.9.2008	30.6.2008	31.12.2007	30.9.2008	30.6.2008	31.12.2007
ASSETS						
Current assets						
Cash and bank balances	70,164	97,220	26,478	33	57	37
Trade receivables	138,554	133,416	152,432			

US\$'000	GROUP			COMPANY		
	30.9.2008	30.6.2008	31.12.2007	30.9.2008	30.6.2008	31.12.2007
LIABILITIES AND EQUITY						
Current liabilities:						
Bank overdrafts and loans	76,481	126,046	83,223	–	–	–
Trade payables	101,323	100,683	119,233	–	–	–
Bills payables	10,164	6,910	2,981	–	–	–
Other payables	36,916	35,383	32,654	714	722	757
Amounts due to subsidiary companies	–	–	–	–	–	1,366
Provision for taxation	1,682	3,009	2,189	–	–	1

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	3QCY08	3QCY07	YTD 3QCY08	YTD 3QCY07
Operating activities:				
Profit before taxation	12,816	8,727	39,472	22,715
Adjustments for:				
Amortisation of intangible assets	–	–	–	2
Depreciation of property, plant and equipment	12,713	11,711	37,094	34,369
Interest expense	986	1,970	3,449	5,744
Loss/(gain) on disposal of plant and equipment	32	153	(2)	744
Gain on disposal of a subsidiary	–	–	(590)	–
Share-based payment expense	90	139	271	439
Allowance for doubtful debts	719	217	1,706	908
(Write-back)/allowance for inventory obsolescence	(380)	515	(836)	1,456
Interest income	(501)	(49)	(965)	(165)
Share of profits of an associate	(410)	(412)	(1,150)	(913)
Operating income before reinvestment in working capital	26,065	22,971	78,449	65,299
Decrease/(increase) in inventories	2,252	(1,752)	6,396	(458)
(Increase)/decrease in trade and other receivables	(4,701)	(13,322)	15,255	(12,257)
Increase/(decrease) in trade and other payables	5,427	4,014	(10,704)	8,357

US\$'000	3QCY08	3QCY07	YTD 3QCY08	YTD 3QCY07
Financing activities:				
Proceeds from bank borrowings	1,235	26,016	68,305	136,046
Repayment of bank borrowings	(7,381)	(17,544)	(22,131)	(129,561)
Proceeds from share issue pursuant to the exercise of share option	–	–	–	1,587
Payment for share buy-back	(1)	–	(460)	–
Dividends paid by the Company	(17,889)	(14,371)	(40,250)	(34,131)
Dividends paid by subsidiary companies to minority shareholders	(261)	–	(261)	(1,388)

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.

Attributable to equity holder of the Company												
	Share capital	Treasury shares	Capital reserve	Statutory reserve	Reserve for re-allocation	Other reserve	Revenue reserve	Foreign currency translation	Share option	Total	Minority interest	Total equity
US\$'000												
GROUP												
3QCY08												
Balance at 30.6.2008	98,656	(1,355)	2,702	2,780	844	166	220,912	39,039	1,613	365,357	10,134	375,491
Profit for the financial period	-	-	-	-	-	-	12,233	-	-	12,233	58	12,291
Foreign currency translation	-	-	-	-	-	-	-	1,812	-	1,812	23	1,835
Total recognised income for the financial period	-	-	-	-	-	-	12,233	1,812	-	14,045	81	14,126
Purchase of treasury shares	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Transfer from revenue reserve to statutory reserve	-	-	-	160	-	-	(160)	-	-	-	-	-
Transfer to revenue reserve upon lapse of share options	-	-	-	-	-	-	12	-	(12)	-	-	-
Grant of share options to employees	-	-	-	-	-	-	-	-	90	90	-	90
Dividend paid in respect of	-	-	-	-	-	-	-	-	-	-	(261)	(261)
- previous financial year	-	-	-	-	-	-	-	-	-	-	-	-
- current financial year	-	-	-	-	-	-	(17,889)	-	-	(17,889)	-	(17,889)
	-	(1)	-	160	-	-	(18,037)	-	78	(17,800)	(261)	(18,061)
Balance at 30.9.2008	98,656	(1,356)	2,702	2,940	844	166	215,108	40,851	1,691	361,602	9,954	371,556
3QCY07												
Balance at 30.6.2007	98,656	-	2,702	2,482	-	190	211,060	3,155	1,406	319,651	8,837	328,488
Profit for the financial period	-	-	-	-	-	-	8,052	-	-	8,052	100	8,152
Foreign currency translation	-	-	-	-	-	-	-	4,154	-	4,154	571	4,725
Total recognised income for the financial period	-	-	-	-	-	-	8,052	4,154	-	12,206	671	12,877
Transfer to revenue reserve upon lapse of share options	-	-	-	-	-	-	9	-	(9)	-	-	-
Grant of share options to employees	-	-	-	-	-	-	-	-	139	139	-	139
Dividend paid in respect of current financial year	-	-	-	-	-	-	(14,371)	-	-	(14,371)	-	(14,371)

Attributable to equity holders of the Company

US\$'000	Share capital	Treasury shares	Capital reserve	Statutory reserve	Reserve for revaluation	Other reserve	Revenue reserve	Foreign currency translation	Share option reserve	Total	Minority interest	Total equity
GROUP												
YTD 3QCY08												
Balance at 31.12.2007	98,656	(896)	2,702	2,697	844	166	217,862	18,130	1,654	341,815	9,677	351,492
Profit for the financial period	–	–	–	–	–	–	37,505	–	–	37,505	(75)	37,430
Foreign currency translation	–	–	–	–	–	–	–	22,721	–	22,721	613	23,334
Total recognised income for the financial period	–	–	–	–	–	–	37,505	22,721	–	60,226	538	60,764
Purchase of treasury shares	–	(460)	–	–	–	–	–	–	–	(460)	–	(460)
Transfer from revenue reserve to statutory reserve	–	–	–	243	–	–	(243)	–	–	–	–	–
Transfer to revenue reserve upon lapse of share options	–	–	–	–	–	–	234	–	(234)	–	–	–
Grant of share options to employees	–	–	–	–	–	–	–	–	271	271	–	271
Dividend paid in respect of												
– previous financial year	–	–	–	–	–	–	(22,361)	–	–	(22,361)	(261)	(22,622)
– current financial year	–	–	–	–	–	–	(17,889)	–	–	(17,889)	–	(17,889)
	–	(460)	–	243	–	–	(40,259)	–	37	(40,439)	(261)	(40,700)
Balance at 30.9.2008	98,656	(1,356)	2,702	2,940	844	166	215,108	40,851	1,691	361,602	9,954	371,556
YTD 3QCY07												
Balance at 31.12.2006	97,069	–	2,597	2,234	–	166	217,591	(5,671)	1,257	315,243	10,217	325,460
Profit for the financial period	–	–	–	–	–	–	21,483	–	–	21,483	(53)	21,430
Foreign currency translation	–	–	–	–	–	–	–	12,980	–	12,980	756	13,736
Total recognised income for the financial period	–	–	–	–	–	–	21,483	12,980	–	34,463	703	35,166
Shares issued pursuant to the exercise of share options	1,587	–	–	–	–	–	–	–	–	1,587	–	1,587
Transfer from revenue reserve to statutory reserve	–	–	–	248	–	–	(248)	–	–	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	–	–	24	–	–	–	24	(24)	–
Transfer to capital reserve upon exercise of share options	–	–	105	–	–	–	–	–	(105)	–	–	–
Transfer to revenue reserve upon lapse of share options	–	–	–	–	–	–	55	–	(55)	–	–	–
Grant of share options to employees	–	–	–	–	–	–	–	–	439	439	–	439
Dividend paid in respect of												
– previous financial year	–	–	–	–	–	–	(19,760)	–	–	(19,760)	(1,388)	(21,148)
– current financial year	–	–	–	–	–	–	(14,371)	–	–	(14,371)	–	(14,371)
	1,587	–	105	248	–	24	(34,324)	–	279	(32,081)	(1,412)	(33,493)
Balance at 30.9.2007	98,656	–	2,702	2,482	–	190	204,750	7,309	1,536	317,625	9,508	327,133

US\$'000	Share capital	Treasury shares	Revenue reserve	Share option reserve	Total equity
COMPANY					
3QCY08					
Balance at 30.6.2008	98,656	(1,355)	18,229	906	116,436
Purchase of treasury shares	—	(1)	—	—	(1)
Profit for the financial period	—	—	16,857	—	16,857
Grant of share options to employees	—	—	—	37	37
Dividend paid in respect of current financial year	—	—	(17,889)	—	(17,889)
Balance at 30.9.2008	<u>98,656</u>	<u>(1,356)</u>	<u>17,197</u>	<u>943</u>	<u>115,440</u>
3QCY07					
Balance at 30.6.2007	98,656	—	40,595	725	139,976
Profit for the financial period	—	—	15,173	—	15,173
Grant of share options to employees	—	—	—	60	60
Dividend paid in respect of current financial year	—	—	(14,371)	—	(14,371)
Balance at 30.9.2007	<u>98,656</u>	<u>—</u>	<u>41,397</u>	<u>785</u>	<u>140,838</u>
YTD 3QCY08					
Balance at 31.12.2007	98,656	(896)	41,345	844	139,949
Purchase of treasury shares	—	(460)	—	—	(460)
Profit for the financial period	—	—	16,091	—	16,091
Transfer to revenue reserve upon lapse of share options	—	—	11	(11)	—

1(d)(ii) Details of any change in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or at 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 convertible as well as the number of shares held as treasury shares, if any, against the total number of issued shares including treasury shares of the issuer, at the end of the current financial period reported on and at the end of the corresponding period of the immediately preceding financial year.

1(d)(iii) To show the total number of issued shares including treasury shares at the end of the current financial period and at the end of the immediately preceding year.

1(d)(i) A statement showing all sales, transfers, disposal, cancellation and/or issue of treasury shares at the end of the current financial period reported on:

Share capital

There was no movement in the share capital during the September quarter and as at 30 September 2008, the Company has a total of 178,887,062 issued shares excluding treasury shares (30 September 2007: 179,635,062).

As at 30 September 2008 17,887,062

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

The figures for 3QCY08 have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualification or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recent audited annual financial statements have been applied, and 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 reason for, and the effect of, the change.

The Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared with the audited financial statements for the year ended 31 December 2007.

5. 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.

United States cents	3QCY08	3QCY07	YTD 3QCY08	YTD 3QCY07
Earnings per share				
5.1 Based on weighted average number of ordinary shares in issue	6.84	4.48	20.96	11.97
Weighted average number of ordinary shares in issue ('000)	178,887	179,635	178,919	179,513
5.2 On a fully diluted basis	6.84	4.47	20.96	11.86
Adjusted weighted average number of ordinary shares ('000)	178,887	180,124	178,919	181,128

6. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

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

US\$	GROUP		COMPANY	
	30.9.2008	31.12.2007	30.9.2008	31.12.2007
Net asset value per ordinary share based on total number of issued shares excluding treasury shares at end of financial period*	2.08	1.96	0.65	0.78

* Based on 178,887,062 issued shares excluding treasury shares at end of financial period (31 December 2007: 179,148,062 issued shares).

7. 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 factor 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 factor that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The third quarter of financial year 2008 turned out to be a much slower period than what the management originally expected. Due to the soften market condition, the Group achieved a sales revenue of approximately US\$141.2 million in 3QCY08, representing a 6.3% decline over the corresponding period of last financial year. This decrease was attributed to a 11.6% decline in shipment volume in 3QCY08 compared to 3QCY07.

In spite of the adverse revenue growth, gross profit increased by 5.9% year-on-year to US\$22.5 million in 3QCY08. Overall gross profit margin increased to 16.0% in 3QCY08 from 14.1% a year ago contributed by improved materials costs and lower manufacturing overheads. Couple with higher interest income and rental collection, the Group's unaudited consolidated net profit increased to US\$12.2 million, which exceeded that of the same period of last financial year by US\$4.2 million or 51.9%.

Revenues from Computer & Peripherals sector were US\$71.1 million, up 9.9% from US\$64.7 million in 3QCY07, primarily due to increased orders on notebook segment, this was partially offset by weakness in the Communication & Networking and Consumer Electronics sectors which reduced

[illegible]

No dividend will be declared for 3QCY08 (3QCY07: Nil).

11. Interest-Related Person Transactions

Name of Interest-Related Person US\$'000	Aggregate value of all interest-related person transactions during the financial period under review (including transactions less than US\$100,000 and excluding transactions conducted under shareholder's mandate pursuant to Rule 920)		Aggregate value of all interest-related person transactions conducted under shareholder's mandate pursuant to Rule 920 (including transactions less than US\$100,000)	
	YTD 3QCY08	YTD 3QCY07	YTD 3QCY08	YTD 3QCY07
Sale of plant and equipment				
Techwise (Macao Commercial Offshore) Circuits Limited	—	161	—	—
	—	161	—	—
Purchase of goods and services				
Elec & Eltek Corporate Services Limited	343	272	—	—
Elec & Eltek Display Technology (Qingyuan) Co. Ltd	—	117	—	—
Heng Yang Kingboard Chemical Co., Ltd	—	—	5,470	3,840
Hong Kong Fibre Glass Company Limited	—	—	2,229	4,921
Huizhou Chung Shun Chemical Co., Ltd	—	—	279	—
Jiangmen Glory Faith PCB Co. Ltd.	—	—	19	—
Joyful Source Group Limited	2,421	2,626	—	—
Kingboard Copper Foil (Macao Commercial Offshore) Limited	—	—	36,817	38,370
Kingboard Investments Limited	510	—	—	—
Kingboard Laminates (Macao Commercial Offshore) Limited	—	—	37,407	38,494
Kingboard (Lian Zhou) Electronic Materials Ltd	—	—	12,330	5,147
Techwise (Macao Commercial Offshore) Circuits Limited	—	5	—	54
Top Faith PCB Co. Ltd	—	—	10	—
	3,274	3,020	94,561	90,826
Provision of goods and services				
Elec & Eltek Display Technology Limited	33	33	—	—
E & E Magnetic Products Limited	5	41	—	—

