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# 建滔積層板控股有限公司

## KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code: 1888



## 2007 Interim Report



## RESULTS

The board of directors (the "Board") of Kingboard Laminates Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 as follows:

### Condensed Consolidated Income Statement

		Six months ended 30 June	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Notes</i>		
Revenue	3	4,806,290	3,838,680
Cost of sales		<u>(3,499,090)</u>	<u>(2,702,563)</u>
Gross profit		1,307,200	1,136,117
Other income		46,204	35,887
Distribution costs		(89,418)	(76,397)
Administrative costs		(165,670)	(148,199)
Finance costs		(78,218)	(33,717)
Share of result of an associate		-	(408)
Profit before taxation		1,020,098	913,283
Income tax expense	5	<u>(73,426)</u>	<u>(69,735)</u>
Profit for the period		<u>946,672</u>	<u>843,548</u>
Attributable to:			
Equity holders of the Company		903,070	803,936
Minority interests		43,602	39,612
		<u>946,672</u>	<u>843,548</u>
Dividends	6	<u>300,000</u>	<u>241,603</u>
Earnings per share			
Basic	7	<u>HK\$0.301</u>	<u>HK\$0.284</u>

## Condensed Consolidated Balance Sheet

	<i>Notes</i>	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		<b>40,220</b>	40,220
Properties, plant and equipment	8	<b>4,424,670</b>	4,065,323
Prepaid lease payments		<b>183,916</b>	171,961
Goodwill		<b>202</b>	–
Available-for-sale investments		<b>9,000</b>	9,000
Non-current deposits		<b>33,980</b>	15,166
		<b>4,691,988</b>	4,301,670
<b>Current assets</b>			
Inventories		<b>1,493,078</b>	1,339,463
Trade and other receivables and prepayments	9	<b>3,141,229</b>	2,710,257
Prepaid lease payments		<b>3,968</b>	4,015
Amounts due from fellow subsidiaries		<b>193,733</b>	173,181
Derivative financial instruments		<b>5,628</b>	3,704
Taxation recoverable		<b>266</b>	266
Bank balances and cash		<b>1,407,237</b>	1,713,324
		<b>6,245,139</b>	5,944,210
<b>Current liabilities</b>			
Trade and other payables	10	<b>825,930</b>	729,872
Bills payable	10	<b>386,907</b>	550,424
Amounts due to fellow subsidiaries		<b>1,983</b>	4,881
Derivative financial instruments		<b>286</b>	195
Taxation payable		<b>247,905</b>	245,174
Bank borrowings – amount due within one year		<b>212,842</b>	540,687
		<b>1,675,853</b>	2,071,233
Net current assets		<b>4,569,286</b>	3,872,977
Total assets less current liabilities		<b>9,261,274</b>	8,174,647

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	<b>1,098</b>	543
Bank borrowings – amount due after one year	<b>2,535,000</b>	2,535,000
	<b>2,536,098</b>	2,535,543
	<b>6,725,176</b>	5,639,104
Capital and reserves		
Share capital	<b>300,000</b>	300,000
Reserves	<b>5,658,986</b>	4,638,168
Equity attributable to equity holders of the Company	<b>5,958,986</b>	4,938,168
Minority interests	<b>766,190</b>	700,936
Total equity	<b>6,725,176</b>	5,639,104

## Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company												
	Share Capital	Capital of subsidiaries comprising the Group	Capital reserve	Share premium	Translation reserve	Investment revaluation reserve	Special reserve	Other reserve	Statutory reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2007	300,000	-	-	1,097,104	221,722	-	757,689	-	6,185	2,555,468	4,938,168	700,936	5,639,104
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	-	117,748	-	-	-	-	-	117,748	14,369	132,117
Profit for the period	-	-	-	-	-	-	-	-	-	903,070	903,070	43,602	946,672
Total recognised income for the period	-	-	-	-	117,748	-	-	-	-	903,070	1,020,818	57,971	1,078,789
Dividend paid to minority shareholder	-	-	-	-	-	-	-	-	-	-	-	(12,353)	(12,353)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	19,636	19,636
Balance at 30 June 2007	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>1,097,104</u>	<u>339,470</u>	<u>-</u>	<u>757,689</u>	<u>-</u>	<u>6,185</u>	<u>3,458,538</u>	<u>5,958,986</u>	<u>786,190</u>	<u>6,725,176</u>
Balance at 1 January 2006	-	1,112,498	3,757	-	76,463	47,906	-	26,067	-	3,181,185	4,447,876	600,345	5,048,221
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	-	45,794	-	-	-	-	-	45,794	5,441	51,235
Profit for the period	-	-	-	-	-	-	-	-	-	803,936	803,936	39,612	843,548
Total recognised income for the period	-	-	-	-	45,794	-	-	-	-	803,936	849,730	45,053	894,783
Transfer to statutory reserve	-	-	-	-	-	-	-	-	6,185	(6,185)	-	-	-
Issue of new shares	390	-	-	-	-	-	-	-	-	-	390	-	390
Dividend paid	-	-	-	-	-	-	-	-	-	(233,399)	(233,399)	(8,204)	(241,603)
Capital contribution and acquisition of additional interests of the group entities	-	13,970	-	-	-	-	-	5,442	-	-	19,412	(5,442)	13,970
Balance at 30 June 2006	<u>390</u>	<u>1,126,468</u>	<u>3,757</u>	<u>-</u>	<u>122,257</u>	<u>47,906</u>	<u>-</u>	<u>31,509</u>	<u>6,185</u>	<u>3,745,537</u>	<u>5,084,009</u>	<u>631,752</u>	<u>5,715,761</u>

*Note:* Statutory fund, which is non-distributable, is appropriated from the profit after taxation of the Company's subsidiaries under the applicable laws and regulations in the People's Republic of China (other than Hong Kong).

## Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2007 <i>HK\$'000</i> <i>(Unaudited)</i>	2006 <i>HK\$'000</i> <i>(Audited)</i>
Net cash from operating activities	612,597	969,396
Net cash (used in) from investing activities	(518,070)	92,282
Net cash used in financing activities	(400,614)	(794,309)
Net (decrease) increase in cash and cash equivalents	(306,087)	267,369
Cash and cash equivalents at the beginning of the period	<u>1,713,324</u>	<u>685,020</u>
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u><u>1,407,237</u></u>	<u><u>952,389</u></u>

Notes:

### 1. General information and basis of preparation

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 10 May 2006 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 7 December 2006. Its ultimate holding company is Kingboard Chemical Holdings Limited ("KCHL"), an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange.

Through a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the companies comprising the Group. Details of the Group Reorganisation are more fully explained in the paragraph headed "Corporate Reorganization" in Appendix VI to the prospectus of the Company dated 24 November 2006.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements of the Group for the six months ended 30 June 2006 have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the group structure under the Group Reorganisation had been in existence throughout the six months ended 30 June 2006 or since their respective dates of incorporation, whichever is the shorter period.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-INT 9	Reassessment of embedded derivatives <sup>4</sup>
HK(IFRIC)-INT 10	Interim financial reporting and impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006.

The adoption of these new HKFRSs has had no material effect on the results or the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions <sup>2</sup>
HK(IFRIC)-INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company (the "Directors") anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

### 3. Business and geographical segments

#### *Business segments*

No business segment analysis is shown as more than 90% of the Group's principal business activities is the sale of laminates and related products.

#### *Geographical segments*

The analysis of the Group's revenue by geographical market for the period is as follows:

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Audited)
The People's Republic of China	4,381,036	3,357,838
Other Asian countries	333,013	384,863
Europe	64,008	75,669
America	28,233	20,310
	<u>4,806,290</u>	<u>3,838,680</u>

### 4. Depreciation

During the period, depreciation of approximately HK\$266.6 million (1 January 2006 to 30 June 2006: HK\$240.3 million) was charged in respect of the Group's properties, plant and equipment.

### 5. Income tax expense

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Audited)
The amount comprises:		
Hong Kong Profits Tax	-	962
Taxation arising in other jurisdictions	72,871	83,413
	<u>72,871</u>	<u>84,375</u>
Deferred taxation		
Charge (credit) for the period	555	(14,640)
	<u>73,426</u>	<u>69,735</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



## 6. Dividends

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2007 of HK10 cents per share to the shareholders whose names appear on the register of members of the Company on Wednesday, 19 September 2007. The dividend warrants will be dispatched on or around Tuesday, 25 September 2007.

During the six months ended 30 June 2006, HK\$241,603,000 was paid by certain subsidiaries of the Company to KCHL and its subsidiaries and the minority shareholders prior to the Group Reorganisation.

## 7. Earnings per share

The calculation of basic earnings per share attributable to the equity holders of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2007 HK\$'000 (Unaudited)</b>	<b>2006 HK\$'000 (Audited)</b>
Earnings for the purpose of calculating basic earnings per share	<b><u>903,070</u></b>	<b><u>803,936</u></b>
	<b>Number of shares</b>	
	<b>30 June 2007 '000</b>	<b>30 June 2006 '000</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b><u>3,000,000</u></b>	<b><u>2,831,841</u></b>

No diluted earnings per share has been presented as the Company does not have any dilutive potential ordinary shares.

## 8. Additions to properties, plant and equipment

During the period, the Group spent approximately HK\$509.6 million (1 January 2006 to 30 June 2006: HK\$220.3 million) on acquisition of properties, plant and equipment.

## 9. Trade and other receivables and prepayments

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	<b>31 December 2006 HK\$'000 (Audited)</b>
Trade receivables	<b>2,359,030</b>	2,147,557
Bills receivables	<b>481,019</b>	322,087
Other receivables and prepayments	<b>301,180</b>	240,613
	<b><u>3,141,229</u></b>	<b><u>2,710,257</u></b>

The Group allows credit periods of up to 120 days, depending on the products sold, to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
0-90 days	<b>1,986,834</b>	1,681,537
91-180 days	<b>359,301</b>	463,176
Over 180 days	<b>12,895</b>	2,844
	<b><u>2,359,030</u></b>	<b><u>2,147,557</u></b>

All bills receivables are aged within 90 days at the balance sheet date.

The fair values of the Group's trade and other receivables at the balance sheet date approximate their corresponding carrying amounts.

#### 10. Trade and other payables and bills payable

The following is an aged analysis of trade payable at the balance sheet date:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
0-90 days	<b>389,800</b>	327,433
91-180 days	<b>25,622</b>	43,929
Over 180 days	<b>20,858</b>	21,448
	<b><u>436,280</u></b>	<b><u>392,810</u></b>

The fair values of the Group's trade and other payables and bills payable at the balance sheet date approximate their corresponding carrying amounts.

#### 11. Share option

The Company proposed to adopt a share option scheme for the Company (the "Scheme") and the approvals of the shareholders of the Company and the shareholders of KCHL were obtained on 18 May 2007 and 25 June 2007 respectively. The Scheme would take effect subject to the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued pursuant to the exercise of the options which may be granted under the Scheme ("Listing Approval"). The Listing Approval was granted by the Stock Exchange on 6 July 2007.

As set out in the Company's circular dated 23 April 2007, the Scheme would be valid for a period of ten years. The Board may, at its discretion, grant options to subscribe for shares in the Company to eligible participants who contribute to the long-term growth and profitability of the Company and include (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (ii) any non-executive directors (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 provides research, development or other technological support to the Group or any Invested Entity; and (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.

The subscription price of the Company's share in respect of any option granted under the Scheme must be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

The option may be accepted by a participant within 28 days from the date of the offer of grant of the option upon the payment of a consideration of HK\$1. An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, and in the absence of such determination, from the date upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company (excluding, for this purpose, options lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares of the Company issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the share capital of the Company then in issue unless approved by the shareholders of the Company and KCHL in general meetings.

During the period under review and as at 30 June 2007, no share option was granted pursuant to the Scheme.

## 12. Commitments

Capital expenditure contracted for but not provided in the financial statements for the acquisition of properties, plant and equipment

<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
<b><u>170,106</u></b>	<u>117,056</u>

### 13. Related party transactions

The Group entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Audited)
(i) Sale of goods to fellow subsidiaries	<u>964,004</u>	<u>794,908</u>
(ii) Purchase of goods from fellow subsidiaries	<u>77,494</u>	<u>43,776</u>
(iii) Management fee received from fellow subsidiaries	<u>-</u>	<u>10,291</u>
(iv) Rental income received from fellow subsidiaries	<u>80</u>	<u>-</u>
(v) Interest paid to holding companies and fellow subsidiaries	<u>-</u>	<u>25,000</u>

## BUSINESS REVIEW

On behalf of the Board of Directors, I am pleased to report to our shareholders a sterling set of results of Kingboard Laminates Holdings Limited (the "Group") for the six months ended 30 June 2007. This remarkable performance both in revenue and profit was fueled by organic growth and the effort of our highly committed management team. According to the latest report of Japan Marketing Survey Co., Ltd., the Group continued to maintain No.1 position in the global laminate market with a market share of 11.5% up from 9.9% a year ago. Our unrivaled position as the largest global laminate producer certainly enables the Group to tap into the future earnings growth opportunities.

### Financial highlights

- Revenue up 25% to exceed HK\$4.8 billion
- Profit attributable to equity holders of the Company increased by 12% to HK\$903.1 million
- Net gearing level reduced to 20% from 24%
- Interim dividend per share of HK10 cents

## Performance

The Group experienced a strong recovery in demand for its laminate products after a brief slowdown in the first quarter of year 2007. Spearheaded by robust growth in the electronics industry as we stepped into second quarter of year 2007, average selling price of laminate has resumed an upward trend. Our paper laminate maintained a steady order book throughout the six months under review, and business on glass epoxy laminate saw remarkable profitability growth as we continued to adjust our product mix and enhance profit contribution from higher value-added products. Consolidated revenue of the Group was up 25% for the first six months of 2007 to HK\$4,806.3 million. Earnings before interest and tax (“EBIT”) increased by 16% to HK\$1,098.3 million over the same period last year. Volume sales were up by around 15% with the average monthly shipment reaching 7.4 million square meters. The moderate increase in net profit compared to a year ago was primarily due to higher degree of material costs volatility in the first quarter and the initial startup costs of our new glass epoxy laminate plant in Jiangyin, Jiangsu province.

Our new glass epoxy laminate plant in Jiangyin, Jiangsu province with monthly production capacity of 200,000 sheets commenced production in April 2007. This shall enhance our presence in eastern China as many global printed circuit board (“PCB”) customers which the Group serves have stepped up either their marketing initiatives or set up their production facilities in this emerging electronics industry hub. The Group also expanded its production capacity in Lianzhou copper foil plant propelled by growing demand for upstream component materials. This new facility has added another 300 tonnes monthly capacity of copper foil after progressing to mass production in the first half of year 2007. Our highly vertical integration business model would assure an ongoing supply of quality upstream component materials required for our laminate products.

The increase in distribution costs by 17% was in line with the increased shipment volume of laminate and upstream component materials. Compared to the magnitude of revenue growth, administrative expenses increased by only 12% as a result of our on-going cost rationalization effort. Our finance costs of HK\$78.2 million was mainly related to interest expenses incurred on the 5-year term loan facilities of HK\$2,535 million drawdown in December 2006. Our effective tax rate remained at 7.2% being similar to last year.

## LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained healthy. As at 30 June 2007, net current assets and current ratio of the Group were approximately HK\$4,569.3 million (31 December 2006 – HK\$3,873.0 million) and 3.73 (31 December 2006 – 2.87), respectively.

The net working capital cycle increased to 132 days as at 30 June 2007 from 124 days as at 31 December 2006 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 78 days (31 December 2006 – 81 days)
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, improved to 97 days (31 December 2006 – 100 days)
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, reduced to 43 days (31 December 2006 – 57 days)

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash to total equity) reduced to 20% (31 December 2006 – 24%) as a result of our positive operating cash inflow after funding working capital requirement and capital expenditure during the reporting period. The proportion of bank borrowings between short term and long term bank borrowings stood at 8%: 92% (31 December 2006: 18%: 82%). All bank borrowings were denominated in either Hong Kong or US dollars. In the first half of 2007, the Group invested approximately HK\$509.6 million in new production facilities in order to support our capacity expansion plans.

There was no material foreign exchange exposure to the Group during the period under review. The Group's revenue, mostly dominated in Hong Kong dollars, Renminbi and US dollars, was fairly matched with the currency requirements of operating expenses.

## PROSPECTS

The Group's overall business for laminates started with positive momentum in the second half of 2007 as the electronics industry remained buoyant. The continued trend of major US, European and Japanese OEMs outsourcing their components requirement to lower-cost Asian manufacturers, particularly China, is expected to drive greater demand for PCB production. These would translate into higher demand for the Group's laminates and upstream component materials.

In order to capture additional market share in China and to gain new customers in emerging markets such as India and Vietnam, the capacity of glass epoxy laminate and other upstream component materials including copper foil and epoxy resin will continue to expand in the second half of year 2007. While the traditional laminate products would continue to provide a steady income stream, we are also making headway to invest in high performance laminate products which can be used to manufacture more sophisticated electronic devices. The Group continues to strengthen the alliances with PCB affiliates of the parent company so as to seize opportunities from the growing regional demand for more advanced laminate products. These higher performance laminate products would command higher margin and will set to become the next growth avenue for the Group.

## HUMAN RESOURCES

As at 30 June 2007, the Group employed over 8,300 employees (31 December 2006: 7,200). During the reporting period, we continued to recruit new talents to support our continuous business expansion. Apart from offering competitive salary package, the Group grants discretionary bonuses to eligible employees based on our financial achievement and individual's performance.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks, the management and employees for their unreserved support to the Group in the last six months.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlements to the interim dividend, the register of members of the Company will be closed from Monday, 17 September 2007 to Wednesday, 19 September 2007 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders are reminded to ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 14 September 2007.

## DIRECTORS' INTERESTS IN SHARES

At 30 June 2007, the interests or short positions 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 Issuers were as follows:

### Long position

(a) *Ordinary shares of HK\$0.10 each of the Company ("Shares")*

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheung Kwok Wa	Beneficial owner	628,000	0.02
Mr. Cheung Kwok Keung	Beneficial owner	471,000	0.02
Mr. Cheung Ka Ho	Beneficial owner	74,500	0.002
Ms. Chan Sau Chi	Beneficial owner	60,000	0.002
Mr. Lo Ka Leong	Beneficial owner	50,000	0.002
Mr. Mok Yiu Keung, Peter <i>(Note)</i>	Beneficial owner	100,000	0.003

*Note:* The Shares were held by his spouse as at 30 June 2007.

(b) *Non-voting deferred shares of HK\$1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company*

Name of Director	Capacity	Number of shares held
Mr. Cheung Kwok Wa	Beneficial owner	1,058,000
Mr. Cheung Kwok Keung	Beneficial owner	529,000
Mr. Cheung Kwok Ping	Beneficial owner	952,200
Mr. Lam Ka Po	Beneficial owner	581,900



(c) Ordinary shares of HK\$0.10 each of KCHL ("KCHL Shares")

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued KCHL Shares held</b>	<b>Approximate percentage of the issued share capital of KCHL</b>
Mr. Cheung Kwok Wa	Beneficial owner	1,292,000	0.15
Mr. Cheung Kwok Keung	Beneficial owner	1,061,052	0.13
Mr. Cheung Kwok Ping	Beneficial owner	1,838,253	0.22
Mr. Lam Ka Po	Beneficial owner	963,734	0.11
Mr. Cheung Ka Ho	Beneficial owner	20,000	0.002

(d) Share options of KCHL

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in underlying shares of KCHL pursuant to share options</b>
Mr. Cheung Kwok Wa	Beneficial owner	2,840,800
Mr. Cheung Kwok Keung	Beneficial owner	3,091,800
Mr. Cheung Kwok Ping	Beneficial owner	2,895,800
Mr. Lam Ka Po	Beneficial owner	3,091,800

(e) Ordinary shares of S\$0.80 each of Elec & Eltek International Company Limited ("EEIC"), a fellow subsidiary of the Company

Name of Director	Capacity	Number of issued shares held	Approximate percentage of the issued share capital of EEIC
Mr. Cheung Kwok Wa	Beneficial owner	278,400	0.15

(f) Share options of EEIC

Name of director	Capacity	Interest in underlying shares of EEIC pursuant to share options (Note)
Mr. Cheung Kwok Wa	Beneficial owner	973,200

Note: The interests were by virtue of an aggregate of 811,000 share options accepted by that Director on 24 June 2005. The number of share options were subsequently adjusted pursuant to the 1 for 5 bonus issue by EEIC effected on 13 October 2005. The relevant Director is entitled to subscribe for shares in EEIC at an adjusted exercise price of US\$2.033 per share. The share options are exercisable in whole or in part at a 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 30 June 2007.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed 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 of the Company*

Name of shareholder	Notes	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("Hallgain")	(a)	Beneficial owner	6,593,500	0.2
	(b)	Interest of a controlled corporation	2,175,000,000	72.5
KCHL	(b) and (c)	Interest of a controlled corporation	2,175,000,000	72.5
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner	2,175,000,000	72.5

Notes:

- At 30 June 2007, (i) no shareholder 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 were not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, being Directors, were also directors of Hallgain.
- The 2,175,000,000 shares in the Company were the same parcel of shares held by Jamplan.
- KCHL was owned by Hallgain as to approximately 30.82% of the entire issued capital of KCHL as at 30 June 2007.
- Jamplan, a company incorporated in the British Virgin Islands, was a wholly-owned subsidiary of KCHL. Mr. Lam Ka Po was a director of Jamplan.

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 30 June 2007.

## **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2007, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2007.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE**

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2007.

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 confirmed that 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.

By Order of the Board  
**Kingboard Laminates Holdings Limited**  
**Cheung Kwok Wa**  
*Chairman*

Hong Kong, 27 August 2007

## **Board of Directors:**

### *Executive Directors*

Mr. Cheung Kwok Wa (*Chairman*)  
Mr. Cheung Kwok Keung (*Managing Director*)  
Mr. Cheung Kwok Ping  
Mr. Lam Ka Po  
Mr. Cheung Ka Ho  
Ms. Chan Sau Chi  
Mr. Liu Min  
Mr. Zhou Pei Feng

### *Non-executive Director*

Mr. Lo Ka Leong

### *Independent non-executive Directors*

Mr. Chan Charnwut Bernard  
Mr. Chan Yue Kwong, Michael  
Mr. Leung Tai Chiu  
Mr. Mok Yiu Keung, Peter