

KB 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock code: 1888



Interim Report
2010



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 (collectively referred to as the “Group”) for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
	Notes		
Revenue	2	6,521,286	3,956,895
Cost of sales		<u>(4,727,649)</u>	<u>(2,847,180)</u>
Gross profit		1,793,637	1,109,715
Other income		23,558	24,495
Distribution costs		(134,754)	(89,892)
Administrative costs		(228,301)	(174,670)
Discount on acquisition of additional interest in a subsidiary		–	4,945
Finance costs		<u>(23,194)</u>	<u>(20,869)</u>
Profit before taxation		1,430,946	853,724
Income tax expense	5	<u>(102,119)</u>	<u>(59,561)</u>
Profit for the period		<u>1,328,827</u>	<u>794,163</u>
Profit for the period attributable to:			
Owners of the Company		1,281,078	818,278
Non-controlling interests		<u>47,749</u>	<u>(24,115)</u>
		<u>1,328,827</u>	<u>794,163</u>
Earnings per share	7		
Basic		<u>HK\$0.427</u>	<u>HK\$0.273</u>



Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Profit for the period	<u>1,328,827</u>	<u>794,163</u>
Other comprehensive income:		
Loss on cash flow hedges	(1,442)	(12,759)
Reclassification adjustments relating to transfer of cash flow hedges	18,183	9,897
Fair value gain on available-for-sale investments	46,502	–
Exchange differences arising on translation to presentation currency	<u>70,510</u>	<u>2,936</u>
Other comprehensive income for the period	<u>133,753</u>	<u>74</u>
Total comprehensive income for the period	<u><u>1,462,580</u></u>	<u><u>794,237</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,408,256	818,082
Non-controlling interests	<u>54,324</u>	<u>(23,845)</u>
	<u><u>1,462,580</u></u>	<u><u>794,237</u></u>



Condensed Consolidated Statement of Financial Position

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current assets			
Investment properties		56,927	56,873
Properties, plant and equipment	8	5,363,261	5,348,082
Prepaid lease payments		299,836	296,420
Available-for-sale investments		511,729	403,748
Non-current deposits		70,625	51,775
Deferred tax assets		6,521	5,964
Goodwill		238	238
		6,309,137	6,163,100
Current assets			
Inventories		2,048,035	1,815,784
Trade and other receivables and prepayments	9	3,493,154	2,619,806
Bills receivables	9	725,968	725,691
Prepaid lease payments		5,855	5,542
Amounts due from fellow subsidiaries		656,658	323,070
Derivative financial instruments		304	–
Taxation recoverable		7,063	7,063
Bank balances and cash		1,753,064	2,039,662
		8,690,101	7,536,618
Current liabilities			
Trade and other payables	10	1,045,597	892,435
Bills payables	10	326,912	270,348
Amounts due to fellow subsidiaries		20,682	20,040
Derivative financial instruments		–	11,628
Taxation payable		284,180	264,088
Bank borrowings – amount due within one year		794,467	1,030,516
		2,471,838	2,489,055



	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Net current assets	<u>6,218,263</u>	<u>5,047,563</u>
Total assets less current liabilities	<u>12,527,400</u>	<u>11,210,663</u>
Non-current liabilities		
Deferred tax liabilities	1,816	1,816
Derivative financial instruments	16,231	32,971
Bank borrowings – amount due after one year	<u>2,380,911</u>	<u>1,963,348</u>
	<u>2,398,958</u>	<u>1,998,135</u>
	<u>10,128,442</u>	<u>9,212,528</u>
Capital and reserves		
Share capital	300,000	300,000
Reserves	<u>8,897,597</u>	<u>8,027,709</u>
Equity attributable to owners of the Company	<u>9,197,597</u>	<u>8,327,709</u>
Non-controlling interests	<u>930,845</u>	<u>884,819</u>
Total equity	<u>10,128,442</u>	<u>9,212,528</u>



Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Special reserve HK\$'000	Statutory reserve (note) HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2010	300,000	1,097,104	838,266	350	(32,971)	757,689	18,034	-	5,349,237	8,327,709	884,819	9,212,528
Loss on cash flow hedges	-	-	-	-	(1,442)	-	-	-	-	(1,442)	-	(1,442)
Exchange difference arising on translation to presentation currency	-	-	63,935	-	-	-	-	-	-	63,935	6,575	70,510
Reclassification adjustments relating to transfer of cash flow hedges	-	-	-	-	18,183	-	-	-	-	18,183	-	18,183
Fair value gain on available-for-sale investments	-	-	-	46,502	-	-	-	-	-	46,502	-	46,502
Profit for the period	-	-	-	-	-	-	-	-	1,281,078	1,281,078	47,749	1,328,827
Total comprehensive income for the period	-	-	63,935	46,502	16,741	-	-	-	1,281,078	1,408,256	54,324	1,462,580
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	1,632	-	1,632	(3,238)	(1,606)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(5,060)	(5,060)
Final dividend paid for the year ended 31 December 2009	-	-	-	-	-	-	-	-	(540,000)	(540,000)	-	(540,000)
Transfer to reserve	-	-	-	-	-	-	10,714	-	(10,714)	-	-	-
	-	-	-	-	-	-	10,714	1,632	(550,714)	(538,368)	(8,298)	(546,666)
Balance at 30 June 2010	300,000	1,097,104	902,201	46,852	(16,230)	757,689	28,748	1,632	6,079,601	9,197,597	930,845	10,128,442
Balance at 1 January 2009	300,000	1,097,104	830,696	-	(35,273)	757,689	6,185	-	4,312,541	7,268,942	889,203	8,158,145
Loss on cash flow hedges	-	-	-	-	(12,759)	-	-	-	-	(12,759)	-	(12,759)
Exchange difference arising on translation to presentation currency	-	-	2,666	-	-	-	-	-	-	2,666	270	2,936
Reclassification adjustments relating to transfer of cash flow hedges	-	-	-	-	9,897	-	-	-	-	9,897	-	9,897
Profit (loss) for the period	-	-	-	-	-	-	-	-	818,278	818,278	(24,115)	794,163
Total comprehensive income for the period	-	-	2,666	-	(2,862)	-	-	-	818,278	818,082	(23,845)	794,237
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(7,071)	(7,071)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(5,278)	(5,278)
Final dividend paid for the year ended 31 December 2008	-	-	-	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
Transfer to reserve	-	-	-	-	-	-	887	-	(887)	-	-	-
	-	-	-	-	-	-	887	-	(300,887)	(300,000)	(12,349)	(312,349)
Balance at 30 June 2009	300,000	1,097,104	833,362	-	(38,135)	757,689	7,072	-	4,829,932	7,787,024	853,009	8,640,033

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



Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash from operating activities	546,009	1,218,486
Net cash used in investing activities	(445,867)	(95,647)
Net cash used in financing activities	(386,740)	(1,400,618)
Net decrease in cash and cash equivalents	(286,598)	(277,779)
Cash and cash equivalents at the beginning of the period	2,039,662	2,237,499
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>1,753,064</u>	<u>1,959,720</u>

Notes:

1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK (IFRIC*) – Int 17	Distributions of non-cash assets to owners

* IFRIC represents the International Financial Reporting Interpretations Committee.



The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. As there was no transactions during the current interim period in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a discount on acquisition of additional interest in a subsidiary being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.



2. Revenue

Revenue represents the amounts received and receivable by the Group from the sales of goods and drilling services provided to outside customers, net of discounts, returns and sales related taxes. Analysis for each period is as follows:

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Sales of:		
Glass epoxy laminates	3,695,901	1,970,213
Paper laminates	1,433,822	1,075,698
Upstream materials	970,011	541,602
Others	421,552	369,382
	6,521,286	3,956,895

Sales of laminates includes glass epoxy laminates and paper laminates manufactured according to specifications required by customers. Sales of upstream materials includes sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. Others comprise drilling service which involves the drilling of holes into the laminates required by customers and sales of specialty resin and other materials.

3. Segment information

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and sale of laminates and related products. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies to conform with HKFRSs, that are regularly reviewed by the chief executive officer in order to allocate resources to this reportable segment and to assess its performance. Accordingly, no analysis of this single reporting segment is presented.

4. Depreciation

During the reporting period, depreciation of approximately HK\$367,600,000 (six months ended 30 June 2009: HK\$367,400,000) was charged in respect of the Group's properties, plant and equipment.

5. Income tax expense

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	–	730
Taxation arising in other jurisdictions	102,676	61,680
	102,676	62,410
Deferred taxation		
Credit for the period	(557)	(2,849)
	102,119	59,561

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



6. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2010 of HK16 cents (2009: HK10 cents) per share to the shareholders whose names appear on the register of members of the Company on Wednesday, 8 September 2010. The dividend warrants will be dispatched on or around Monday, 13 September 2010.

7. Earnings per share

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic earnings per share	<u>1,281,078</u>	<u>818,278</u>

	Number of shares	
	30 June	30 June
	2010	2009
	'000	'000
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,000,000</u>	<u>3,000,000</u>

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

8. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$358,500,000 (six month ended 30 June 2009: HK\$138,900,000) on acquisition of properties, plant and equipment.

9. Trade and other receivables and prepayments and bills receivables

	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	2,815,087	2,043,899
Advance to suppliers	247,750	280,903
Other receivables and prepayments	<u>430,317</u>	<u>295,004</u>
	<u>3,493,154</u>	<u>2,619,806</u>



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 end of the reporting period:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
0-90 days	2,201,819	1,548,804
91-180 days	581,561	462,551
Over 180 days	31,707	32,544
	<hr/> 2,815,087 <hr/>	<hr/> 2,043,899 <hr/>

All bills receivables of the Group are aged within 90 days at the end of the reporting period.

10. Trade and other payables and bills payables

Included in trade and other payables are trade payables of HK\$515,116,000 (2009: HK\$457,068,000). The following is an aged analysis of trade payables at the end of the reporting period:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
0-90 days	424,133	369,417
91-180 days	57,250	54,919
Over 180 days	33,733	32,732
	<hr/> 515,116 <hr/>	<hr/> 457,068 <hr/>

All bills payables of the Group are aged within 90 days at the end of the reporting period.

11. Share options

The share option scheme of the Company (the "Scheme") was approved by the shareholders of the Company and the shareholders of Kingboard Chemical Holdings Limited ("KCHL") on 18 May 2007 and 25 June 2007 respectively. The Scheme has taken effect after obtaining the approval from the Listing Committee of the Stock Exchange on 6 July 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), 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 for the 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.

No share option was granted pursuant to the Scheme since its adoption.

12. Capital commitments

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements for the acquisition of properties, plant and equipment	130,768	32,340



13. Related party transactions

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

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
(i) Sales of goods and drilling services provided to fellow subsidiaries	<u>1,473,278</u>	<u>808,874</u>
(ii) Purchases of goods from fellow subsidiaries	<u>257,409</u>	<u>173,420</u>
(iii) Purchases of drill bits from related companies	<u>3,784</u>	<u>–</u>
(iv) Purchases of machineries from related companies	<u>3,389</u>	<u>–</u>
(v) Sales of copper to related companies	<u>58,080</u>	<u>–</u>

BUSINESS REVIEW

On behalf of the Board of Directors, I am pleased to report to our shareholders that Kingboard Laminates Holdings Limited (the “Company”) and its subsidiaries (the “Group”) delivered another set of impressive results for the six months ended 30 June 2010. Combining the Group’s concrete business fundamentals, progressive capacity expansion plans and focus on market penetration for both export and China domestic market, the Group’s laminate business continued to deliver excellent performance. According to the latest report issued by Prismark Partners LLC, the Group maintained its No.1 position in the world for the fifth consecutive year with a global market share of 14.6% in 2009. Our visionary and forward-looking management team strategically stocked up key upstream materials in 2009. Demand for electronic products rebounded sharply in the first half of 2010 (“1H 2010”) and resulted in tight market supply of glass fabric and glass yarn. Benefited from the Group’s vertically-integrated business model with a steady and abundant supply of upstream materials, the Group was able to seize business opportunities arising from the strong global demand recovery for electronic products in addition to robust domestic market in China. As a result, the Group achieved record-breaking interim results with spectacular growth in both revenue and earnings. In view of the Group’s outstanding performance in the current period, the Board resolved to declare an interim dividend of HK16 cents per share to reward our shareholders while maintaining financial flexibility to invest for future earnings growth.



Financial Highlights

	Six months ended		Change
	30 June		
	2010	2009	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	6,521.3	3,956.9	+65%
EBITDA	1,824.8	1,245.2	+47%
Profit before tax	1,430.9	853.7	+68%
Net profit attributable to shareholders	1,281.1	818.3	+57%
Earnings per share	HK42.7 cents	HK27.3 cents	+57%
Interim dividend per share	HK16.0 cents	HK10.0 cents	+60%
Dividend payout ratio	37%	37%	
Net asset value per share	HK\$3.07	HK\$2.60	+18%
Net gearing	14%	2%	

Performance

With better than expected global demand for electronic products, shipment volume of paper laminates jumped 19%, while that of glass epoxy laminates increased by 45% in 1H 2010 against the previous year. Overall laminates shipment volume posted a 32% increase with average monthly shipment reaching 8.8 million square meters in the period under review. Meanwhile, the average selling price of copper in 1H 2010 rose approximately 76% against the same period last year, which in turn pushed up the average selling price of laminates. Boosted by the People's Republic of China ("PRC") government's policies to encourage domestic consumption, sales denominated in Renminbi ("RMB") soared by around 70% to HK\$2,320 million from HK\$1,360 million last year. Group revenue increased by 65% to HK\$6,521.3 million in 1H 2010, while earnings before interest, tax, depreciation and amortisation ("EBITDA") surged by 47% to HK\$1,824.8 million and net profit rocketed 57% to HK\$1,281.1 million.

As laminate shipment volume increased for both export and China domestic sales in the period under review, distribution costs increased 50% against the same period last year. Administrative costs rose 31% in line with increased business activities. Finance costs rose 11%. Effective tax rate was 7%, being similar to last year.



LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2010, net current assets and current ratio of the Group were approximately HK\$6,218.3 million (31 December 2009 - HK\$5,047.6 million) and 3.52 (31 December 2009 - 3.03) respectively.

The net working capital cycle decreased to 141 days as at 30 June 2010 from 155 days as at 31 December 2009 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 78 days as the Group consumed lower costs inventories strategically stocked up in 2009 with higher shipment volume in the current period (31 December 2009 - 102 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, was 96 days, being similar to last year (31 December 2009 - 95 days).
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, decreased to 33 days (31 December 2009 - 42 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was 14% (31 December 2009 - 10%). The proportion of bank borrowings between short term and long term stood at 25%:75% (31 December 2009 - 34%:66%). As at 30 June 2010, the Group had cash on hand and committed and undrawn banking facilities of HK\$1.75 billion and HK\$2.5 billion respectively. Hence, the Group is in a robust financial position to capture any business opportunities arising from economic cycles. All bank borrowings were denominated in Hong Kong or US dollars.

The Group continued to adopt prudent financial management policy including the use of interest rate swap contract to minimise its exposure to fluctuation in interest rates movement. At the end of June 2010, we entered into interest rate swap agreements of notional amount of HK\$1 billion with reputable financial institutions for a weighted average duration of 0.7 year and interest rate of 2.70%. The Group also entered into commodity forward contracts so as to manage the Group's exposure to fluctuation in commodities prices. The fair value of these contracts amounted to HK\$304,000 as at 30 June 2010. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into any other type of derivative financial instruments throughout the first half of 2010. There was no material foreign exchange exposure to the Group during the period under review. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirement of operating expenses.

HUMAN RESOURCES

As at 30 June 2010, the Group had a workforce of about 9,400 (31 December 2009 - 8,800). The increase in headcount was in line with increased business activities in the first half of 2010 against last year. In addition to offering competitive salary package, the Group grants discretionary bonuses to eligible employees based on our overall financial achievement and individual performance.



PROSPECTS

Laminate shipment volume softened in May and June this year as customers made inventory adjustments. However, since end of July, the Group has experienced a strong rebound in customers order level. Currently, most of the Group's laminate plants are operating at full capacities. Looking ahead, as the PRC government will continue to encourage domestic consumption and the penetration rate of electronic products in China is still lagging behind that of more developed countries, China domestic market demand for electronic products is expected to grow substantially, thereby fuelling the demand for laminate products.

In 1H 2010 additional monthly production capacity of 400,000 sheets paper laminates in Fogang, Guangdong province was readily absorbed in the market place. In order to meet the ever increasing demand for laminate products, the Group will continue to scale up laminate production capacities in the second half of 2010 ("2H 2010"). Monthly production capacities of both composite epoxy material ("CEM") laminates and glass epoxy laminates will increase by 400,000 sheets each under phase one expansion plan of the Jiangyin plant, Jiangsu province. We expect these extra output will be quickly taken up by the enormous demand from customers in eastern China. Total monthly laminate production capacity for the Group is expected to reach 9.2 million sheets by the end of 2010, of which about 42% and 58% is strategically located in eastern and southern China respectively. Furthermore, in line with our laminate capacities expansion in eastern China, the Group plans to set up additional production capacities of glass fabric and glass yarn in eastern China in the next few years. Meanwhile, the Group has made good progress in discussions with local authorities in Shenzhen to explore the feasibility of redeveloping our plant in Longhua, Shenzhen under the "City Renewal Scheme".

Order bookings from high density interconnect ("HDI") printed circuit board customers have achieved encouraging growth in 1H 2010. This clearly demonstrated that our business strategy to develop a diversified product portfolio has paid off. The Group will continue to execute our business strategies to create value and growth while keeping pace with the changing demands in a dynamic market place.

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 reporting period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 September 2010 to Wednesday, 8 September 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving an interim dividend, the Company's shareholders are reminded to ensure all transfers of shares, accompanied by the relevant share certificates and transfer forms, 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, 3 September 2010.



DIRECTORS' INTERESTS IN SHARES

As at 30 June 2010, the interests of the Directors and their associates in the shares, underlying shares or 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	1,539,500	0.051
Mr. Cheung Kwok Keung	Beneficial owner	701,500	0.023
Mr. Cheung Ka Ho	Beneficial owner	89,000	0.003
Ms. Chan Sau Chi	Beneficial owner	60,000	0.002
Mr. Lo Ka Leong	Beneficial owner	50,000	0.002

(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 non-voting deferred 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

None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.



- (c) *Ordinary shares ("KCHL Shares") of HK\$0.10 each of KCHL, the ultimate holding company of the Company*

Name of Director	Capacity	Number of issued KCHL Shares held	Approximate percentage of the issued share capital of KCHL
Mr. Cheung Kwok Wa	Beneficial owner	2,093,900	0.248
Mr. Cheung Kwok Keung	Beneficial owner	1,058,852	0.125
Mr. Cheung Kwok Ping	Beneficial owner	2,468,653	0.292
Mr. Lam Ka Po	Beneficial owner	1,659,734	0.196
Mr. Cheung Ka Ho	Beneficial owner	50,000	0.006
Ms. Chan Sau Chi	Beneficial owner	10,000	0.001

- (d) *Share options of KCHL*

Name of Director	Capacity	Interest in underlying shares of KCHL pursuant to share options
Mr. Cheung Kwok Wa	Beneficial owner	998,600
Mr. Cheung Kwok Keung	Beneficial owner	1,271,600
Mr. Cheung Kwok Ping	Beneficial owner	1,053,600
Mr. Lam Ka Po	Beneficial owner	589,600

- (e) *Warrants of KCHL*

Name of Director	Capacity	Interest in underlying shares of KCHL pursuant to warrants
Mr. Cheung Kwok Wa	Beneficial owner	230,290
Mr. Cheung Kwok Keung	Beneficial owner	215,985
Mr. Cheung Kwok Ping	Beneficial owner	246,865
Mr. Lam Ka Po	Beneficial owner	165,973
Mr. Cheung Ka Ho	Beneficial owner	5,000
Ms. Chan Sau Chi	Beneficial owner	1,000

The interests are by virtue of warrants which entitled the warrant holders to subscribe for KCHL Shares at an exercise price of HK\$40.00 per share during the period from 5 May 2010 and up to 31 October 2012 (both days inclusive).



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

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC
Mr. Cheung Kwok Wa	Beneficial owner	1,254,600	0.67

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 2010.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long position

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

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	1,500,000	0.05
	(b)	Interest of controlled corporations	2,198,900,500	73.30
KCHL		Beneficial owner	60,971,500	2.03
	(c)	Interest of controlled corporations	2,137,929,000	71.27
Jamplan (BVI) Limited ("Jamplan")		Beneficial owner	2,015,000,000	67.17
	(d)	Interest of a controlled corporation	122,929,000	4.10



Notes:

- (a) At 30 June 2010, (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 are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, being Directors, are also directors of Hallgain.
- (b) The interests are held by KCHL directly and indirectly. KCHL is owned as to approximately 31.43% of the entire issued capital of KCHL by Hallgain as at 30 June 2010.
- (c) The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KCHL. Mr. Lam Ka Po, being a Director, is also a director of Jamplan.
- (d) The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.

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 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2010, 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 of the Group for the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") 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 2010, save for the deviation that the non-executive Director and independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.



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"). Following a specific enquiry of all Directors, each of the Directors has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding director's securities transactions adopted by the Company throughout the six months ended 30 June 2010.

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

Hong Kong, 20 August 2010

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