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KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

	FY2010 <i>HK\$'million</i>	FY2009 <i>HK\$'million</i>	Change
Revenue	13,055.2	9,071.0	+44%
EBITDA*	3,304.5	2,776.5	+19%
Profit before tax*	2,480.1	1,939.1	+28%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,124.0	1,793.2	+18%
– Reported net profit	2,280.4	1,648.0	+38%
Basic earnings per share			
– Based on underlying net profit*	HK70.8 cents	HK59.8 cents	+18%
– Based on reported net profit	HK76.0 cents	HK54.9 cents	+38%
Full-year dividend per share	HK34.0 cents	HK28.0 cents	+21%
– Interim dividend per share	HK16.0 cents	HK10.0 cents	+60%
– Proposed final dividend per share	HK18.0 cents	HK18.0 cents	–
Dividend payout ratio	45%	51%	
Net asset value per share	HK\$3.29	HK\$2.78	+18%
Net gearing	14%	10%	

* Excluding:

2010: gain on disposal of available-for-sale investments of HK\$156.4 million

2009: the discount on acquisition of HK\$11.2 million and impairment loss on available-for-sale investments of HK\$156.4 million

The board of directors (the “Board”) of Kingboard Laminates Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

		2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	13,055,205	9,070,983
Cost of sales		<u>(9,875,039)</u>	<u>(6,519,431)</u>
Gross profit		3,180,166	2,551,552
Other income	4	68,717	56,574
Distribution costs		(274,128)	(208,057)
Administrative costs		(446,506)	(405,474)
Discount on acquisition of additional interest in a subsidiary		–	11,189
Gain on disposal of available-for-sale investments		173,463	–
Impairment loss on available-for-sale investments		–	(156,367)
Finance costs	5	<u>(65,245)</u>	<u>(55,477)</u>
Profit before taxation		2,636,467	1,793,940
Income tax expense	7	<u>(269,783)</u>	<u>(128,117)</u>
Profit for the year		<u>2,366,684</u>	<u>1,665,823</u>
Profit for the year attributable to:			
Owners of the Company		2,280,380	1,648,031
Non-controlling interests		<u>86,304</u>	<u>17,792</u>
		<u>2,366,684</u>	<u>1,665,823</u>
Earnings per share	9		
Basic		<u>HK\$0.760</u>	<u>HK\$0.549</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2010*

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	<u>2,366,684</u>	<u>1,665,823</u>
Other comprehensive income:		
Loss on cash flow hedges	(6,517)	(26,407)
Reclassification adjustments relating to transfer of cash flow hedges	29,650	28,709
Fair value gain on properties transferred to investment properties	7,268	–
Fair value gain (loss) on available-for-sale investments	178,337	(156,017)
Release upon disposal of available-for-sale investments	(173,463)	–
Impairment on available-for-sale investments	–	156,367
Exchange difference arising on translation to presentation currency	<u>270,625</u>	<u>9,136</u>
Other comprehensive income for the year	<u>305,900</u>	<u>11,788</u>
Total comprehensive income for the year	<u>2,672,584</u>	<u>1,677,611</u>
Total comprehensive income attributable to:		
Owners of the Company	2,560,648	1,658,767
Non-controlling interests	<u>111,936</u>	<u>18,844</u>
	<u>2,672,584</u>	<u>1,677,611</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Investment properties		75,624	56,873
Properties, plant and equipment		5,425,825	5,348,082
Prepaid lease payments		386,701	296,420
Available-for-sale investments		730,751	403,748
Properties held for development		244,985	–
Non-current deposits		110,176	51,775
Deferred tax assets		7,671	5,964
Goodwill		238	238
		<u>6,981,971</u>	<u>6,163,100</u>
Current assets			
Inventories		2,286,037	1,815,784
Trade and other receivables and prepayments	10	3,592,366	2,619,806
Bills receivables	10	1,126,077	725,691
Prepaid lease payments		7,481	5,542
Amounts due from fellow subsidiaries		456,259	323,070
Taxation recoverable		7,063	7,063
Bank balances and cash		1,982,571	2,039,662
		<u>9,457,854</u>	<u>7,536,618</u>
Current liabilities			
Trade and other payables	11	1,243,969	892,435
Bills payables	11	403,417	270,348
Amounts due to fellow subsidiaries		28,012	20,040
Derivative financial instruments		43,331	11,628
Taxation payable		348,243	264,088
Bank borrowings – amount due within one year		2,147,486	1,030,516
		<u>4,214,458</u>	<u>2,489,055</u>
Net current assets		<u>5,243,396</u>	<u>5,047,563</u>
Total assets less current liabilities		<u>12,225,367</u>	<u>11,210,663</u>
Non-current liabilities			
Deferred tax liabilities		2,566	1,816
Derivative financial instruments		–	32,971
Bank borrowings – amount due after one year		1,369,414	1,963,348
		<u>1,371,980</u>	<u>1,998,135</u>
		<u>10,853,387</u>	<u>9,212,528</u>
Capital and reserves			
Share capital		300,000	300,000
Reserves		9,569,990	8,027,709
Equity attributable to owners of the Company		<u>9,869,990</u>	<u>8,327,709</u>
Non-controlling interests		983,397	884,819
Total equity		<u>10,853,387</u>	<u>9,212,528</u>

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied a number of new and revised Standards, amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for 2010 financial year ends.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

HKAS 27 (as revised in 2008) “Consolidated and separate financial statements”

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group’s accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group’s accounting policies regarding changes in the Group’s ownership interests in its subsidiaries that do not result in loss of control. 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 bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group’s acquisition of additional interest in its subsidiary, Kingboard Copper Foil Holdings Limited, in the current year. The change in policy has resulted in the difference of HK\$1,633,000 between the consideration paid of HK\$1,605,000 and the non-controlling interests recognised of HK\$3,238,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK\$1,633,000. In addition, the cash consideration paid in the current year of HK\$1,605,000 has been included in cash flows used in financing activities.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ²
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters ³
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets ³
HKFRS 9	Financial instruments ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 24 (Revised)	Related party disclosures ⁶
HKAS 32 (Amendments)	Classification of rights issues ⁷
HK(IFRIC*) – INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ²

- ¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
- ² Effective for annual periods beginning on or after 1 July 2010.
- ³ Effective for annual periods beginning on or after 1 July 2011.
- ⁴ Effective for annual periods beginning on or after 1 January 2013.
- ⁵ Effective for annual periods beginning on or after 1 January 2012.
- ⁶ Effective for annual periods beginning on or after 1 January 2011.
- ⁷ Effective for annual periods beginning on or after 1 February 2010.

* IFRIC represents the International Financial Reporting Interpretations Committee.

HKFRS 9 “Financial instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company (the “Directors”) anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the financial year ending 31 December 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of those available-for-sale equity investments which are currently stated at cost less impairment and will be measured at fair value upon adoption.

The amendments to HKAS 12 titled “Deferred tax: Recovery of underlying assets” mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property”. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors anticipate that the application of the amendments to HKAS 12 will not have a significant effect on deferred tax recognised for investment properties that are measured using the fair value model.

HKAS 24 “Related party disclosures” (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled “Classification of rights issues” address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

The Directors anticipate that the application of the other new and revised Standards, amendments or Interpretations will have no material impact on the consolidated financial statements.

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 year is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Sales of:		
Glass epoxy laminates	7,492,013	4,737,268
Paper laminates	2,886,769	2,437,934
Upstream materials	2,068,056	1,141,535
Others	608,367	754,246
	<u>13,055,205</u>	<u>9,070,983</u>

Sales of laminates includes sales of 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. OPERATING SEGMENT

The Group’s operating and reportable segment have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive Directors of the Company, being the chief operating decision maker of the Group, in order to allocate resources to segments and to assess their performances.

The executive Directors regularly review revenue and overall operating results derived from sale of goods and provision of drilling services on an aggregated basis and consider them as one single operating segment (see note 2 for revenue analysis for major products and services).

Other segment information

The Group principally operates in the People's Republic of China (other than Hong Kong) (the "PRC") (country of domicile) with revenue and profits derived mainly from its operations in the PRC.

The following is an analysis of the Group's revenue from external customers by geographical location:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PRC (country of domicile)	12,189,695	8,356,492
Other foreign countries:		
Other Asian countries	677,683	588,559
Europe	112,266	70,256
America	75,561	55,676
	<u>13,055,205</u>	<u>9,070,983</u>

Revenue from one of the Group's customer amounting to HK\$2,591,093,000 (2009: HK\$2,101,289,000) had individually accounted for over 10% of the Group's total revenue for the year.

4. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other income comprises:		
Rental income	13,192	11,616
Gain on fair value changes of investment properties	7,550	9,095
Interest income	18,230	18,223
Net exchange gain	13,197	11,023
Others	16,548	6,617
	<u>68,717</u>	<u>56,574</u>

5. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	43,347	30,232
Release of hedging reserve	29,650	28,709
	<u>72,997</u>	<u>58,941</u>
Less: Amounts capitalised in the cost of qualifying assets	(7,752)	(3,464)
	<u>65,245</u>	<u>55,477</u>

The weighted average capitalisation rate on funds borrowed generally is 2.2% per annum (2009: 0.8% per annum).

6. DEPRECIATION

During the year, depreciation of approximately HK\$751.9 million (2009: HK\$774.9 million) was charged in respect of the Group's properties, plant and equipment.

7. INCOME TAX EXPENSE

	2010 HK\$'000	2009 HK\$'000
The amount comprises:		
Hong Kong Profits Tax		
Underprovision in previous years	2,313	–
Taxation arising in the PRC		
Charge for the year	268,427	129,959
Overprovision in previous years	–	(2,053)
	268,427	127,906
Deferred taxation		
(Credit) Charge for the year	(957)	211
	269,783	128,117

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

8. DIVIDENDS

	2010 HK\$'000	2009 HK\$'000
Dividends paid		
Interim dividend for 2010 of HK16 cents (2009: HK10 cents) per ordinary share	480,000	300,000
Final dividend for 2009 of HK18 cents (2008: HK10 cents) per ordinary share	540,000	300,000
	1,020,000	600,000
Dividend proposed		
Proposed final dividend of HK18 cents (2009: HK18 cents) per ordinary share	540,000	540,000

The final dividend of HK18 cents per ordinary share in respect of the year ended 31 December 2010 (2009: final dividend of HK18 cents per ordinary share in respect of the year ended 31 December 2009) has been proposed by the Directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share	<u>2,280,380</u>	<u>1,648,031</u>
	Number of shares	
	2010 <i>'000</i>	2009 <i>'000</i>
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.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	2,857,375	2,043,899
Advance to suppliers	249,573	280,903
Other receivables and prepayments	<u>485,418</u>	<u>295,004</u>
	<u>3,592,366</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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 90 days	2,023,205	1,548,804
91 – 180 days	804,839	462,551
Over 180 days	<u>29,331</u>	<u>32,544</u>
	<u>2,857,375</u>	<u>2,043,899</u>

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

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2010 HK\$'000	2009 HK\$'000
Trade payables	562,517	457,068
Accrued expenses	193,326	114,230
Payables for purchase of properties, plant and equipment	150,271	61,480
Other payables	337,855	259,657
	<u>1,243,969</u>	<u>892,435</u>

The following is an aged analysis of trade payables at the end of the reporting period:

	2010 HK\$'000	2009 HK\$'000
0 – 90 days	495,735	369,417
91 – 180 days	37,759	54,919
Over 180 days	29,023	32,732
	<u>562,517</u>	<u>457,068</u>

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

BUSINESS REVIEW

On behalf of the Board of Directors, I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (the “Company”) and its subsidiaries (the “Group”) delivered record-breaking revenue and earnings for the financial year ended 31 December 2010. Revenue of the Group grew 44% to HK\$13,055.2 million, while net profit (excluding non-recurring item) increased 18% to HK\$2,124.0 million. Our vertically integrated business model and experienced management team have placed the Group in an advantageous position to ride through any challenges and capture growth opportunities in the market place. Once again the Group delivered excellent returns to our shareholders. The Board proposes a final dividend of HK18 cents per share subject to shareholders’ approval. Together with the interim dividend of HK16 cents per share paid in September 2010, this will constitute a total dividend of HK34 cents per share for the full year, representing a payout ratio of 45%.

Backed by the global economic recovery, demand growth for electronic products was robust which translated into strong rebound in exports sales for the Group in the current year. Bolstered by favourable policies implemented by the Chinese government to boost domestic consumption, domestic demand for consumer products shown significant growth. The Group continued to gain growth momentum in China as a result of our strategic focus on expanding the domestic market, which has enormous growth potential. During the year under review, the Group enjoyed remarkable business growth in China’s domestic market. Sales denominated in Renminbi (“RMB”) soared by around 48% to account for 42% of total revenue.

Financial Highlights

	FY2010 <i>HK\$'million</i>	FY2009 <i>HK\$'million</i>	Change
Revenue	13,055.2	9,071.0	+44%
EBITDA*	3,304.5	2,776.5	+19%
Profit before tax*	2,480.1	1,939.1	+28%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,124.0	1,793.2	+18%
– Reported net profit	2,280.4	1,648.0	+38%
Basic earnings per share			
– Based on underlying net profit*	HK70.8 cents	HK59.8 cents	+18%
– Based on reported net profit	HK76.0 cents	HK54.9 cents	+38%
Full-year dividend per share	HK34.0 cents	HK28.0 cents	+21%
– Interim dividend per share	HK16.0 cents	HK10.0 cents	+60%
– Proposed final dividend per share	HK18.0 cents	HK18.0 cents	–
Dividend payout ratio	45%	51%	
Net asset value per share	HK\$3.29	HK\$2.78	+18%
Net gearing	14%	10%	

* *Excluding:*

2010: gain on disposal of available-for-sale investments of HK\$156.4 million

2009: the discount on acquisition of HK\$11.2 million and impairment loss on available-for-sale investments of HK\$156.4 million

Performance

Driven by favourable market conditions for electronic products in 2010, robust demand for tablet PCs, smartphones and high-end communication devices translated into strong demand for laminate products, laminate shipment volume experienced significant growth. On the back of higher copper prices in the current year, average selling price (“ASP”) of laminates experienced an uptrend. Meanwhile, supply of glass yarn and glass fabric remained tight, pushing the ASP of glass epoxy laminates even higher. Hence, the Group upgraded certain paper laminates production lines to composite epoxy material (“CEM”) laminates and glass epoxy laminates capacities in order to improve our product mix in the current year. Phase II production capacity of the laminate plant in Jiangyin, Jiangsu province was expanded successfully during the year under review, the monthly production capacities of both CEM laminates and glass epoxy laminates increased progressively in line with market demand. In addition, 400,000 sheets per month of paper laminates production capacity was added in Fogang plant, Guangdong province. Total laminates production capacity for the Group reached more than 9.8 million square metres per month at the end of 2010.

Consolidated revenue of the Group grew 44% to HK\$13,055.2 million, while earnings before interest, tax, depreciation and amortisation (“EBITDA”) (excluding non-recurring item) surged by 19% to HK\$3,304.5 million. Volume sales increased around 13% against the previous year with average monthly shipment of 8.6 million square metres. However, due to continuous raw materials costs increase in the second half of 2010 and lower capacity utilisation initially for newly added capacities in Jiangyin and Fogang plants together with pre-operating expenses written off for both plants, gross profit margin declined to 24% from 28% in 2009.

As shipment volume increased, distribution costs increased 32% against last year. Administrative costs rose 10% while finance costs increased by 18%. Effective tax rate increased to 10% as PRC tax holiday for certain subsidiaries of the Group expired in the current year.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position remained robust with strong operating cash inflow. As at 31 December 2010, net current assets and current ratio of the Group were approximately HK\$5,243.4 million (31 December 2009 – HK\$5,047.6 million) and 2.24 (31 December 2009 – 3.03) respectively.

The net working capital cycle shortened to 140 days as at 31 December 2010 from 155 days as at 31 December 2009 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 84 days as the Group consumed lower costs inventories strategically stocked up in 2009 with higher shipment volume in the current year (31 December 2009 – 102 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, were 93 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 37 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%). In 2010, the Group invested HK\$730.5 million in new production capacities. The proportion of bank borrowings between short term and long term stood at 61%:39% (31 December 2009: 34%:66%). Less than 2% of the bank borrowings was denominated in RMB and the rest in Hong Kong or US dollars. As at 31 December 2010, the Group has successfully arranged refinancing for the syndicated loan, which will fall due within 2011, with outstanding amount around HK\$1,623.1 million.

The Group continued to adopt a prudent financial management policy including the use of interest rate swap contracts to minimise its exposure to fluctuation in interest rates. As at the end of 2010, the notional outstanding amount for interest rate swap agreements stood approximately at HK\$900 million with a weighted average duration of 0.4 year and interest rate of 2.7%. 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\$33.5 million as at 31 December 2010. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into any other material derivative financial instruments throughout the year of 2010. There was no material foreign exchange exposure to the Group during the year 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 31 December 2010, the Group had a workforce of approximately 8,800 (31 December 2009: 8,800). Group headcount was similar to last year despite shipment volume increase against last year as a result of more efficient human resources management initiatives implemented by the Group. In addition to offering competitive salary packages, the Group grants discretionary bonuses to eligible employees based on its overall financial achievement and their individual performance.

PROSPECTS

With global economic recovery momentum remains on track, export demand for electronic products is expected to be excellent. Hence, the Group is confident of the positive business outlook for the laminate business. On the back of China's buoyant economy, rising disposable income for the consumers in China is likely to further drive up the penetration rate of household appliances and demand growth for electronic consumer products, which in turn should be a positive driver for laminate demand. With increasing popularity of high technology products including smartphones, mobile hand-held devices and tablet PCs, the Group has focused on expanding our capabilities in the production of thin and high performance laminates. The Group has successfully penetrated the thin laminates market in eastern China. We are moving ahead to break into the southern China market with a plan to build additional thin and high performance laminates capacity in our Jiangmen laminate plant in Guangdong province in order to meet the strong demand from our multilayer and high density interconnects ("HDI") PCB customers.

With tight market supply, raw materials costs for laminates remained high in the first two months of 2011. As a result, ASP of laminates products continued to show an uptrend. Facing the headwinds in a dynamic market environment, the Group will focus on effective cost control and efficiency improvement initiatives as well as ongoing investment to upgrade our product mix to pave a concrete foundation for future revenue growth and reinforce our competitive edge in the laminate market. To further strengthen the Group's vertically integrated business model, preparation is currently underway to build a new glass fabric plant and a glass yarn plant in Changzhou, Jiangsu province over the next two years to secure the supply of key upstream materials for the laminates division in eastern China. The Group has made good progress in discussions with local authorities in Shenzhen to explore the feasibility of redeveloping our existing plant in Lunghua, Shenzhen.

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 past financial year.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK18 cents per ordinary share for the financial year ended 31 December 2010 to be payable on or around 11 May 2011 to the Company's shareholders whose names appear on the register of members of the Company on 3 May 2011 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 28 April 2011 to Tuesday, 3 May 2011 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the final dividend, the Company's shareholders are reminded to ensure that 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 Wednesday, 27 April 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

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 year ended 31 December 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 of the Listing Rules (the "Model Code"). Following a specific enquiry, each Director has confirmed 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 year ended 31 December 2010.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 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 of Hong Kong Limited.

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 audited annual financial statements of the Group for the year ended 31 December 2010.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 7 March 2011

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho, Chan Sau Chi, Liu Min and Zhou Pei Feng, being the executive Directors, Mr. Lo Ka Leong, being the non-executive Director, and Messrs. Chan Charnwut Bernard, Chan Yue Kwong, Michael, Leung Tai Chiu and Mok Yiu Keung, Peter, being the independent non-executive Directors.