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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 2009

FINANCIAL HIGHLIGHTS

	FY2009 <i>HK\$'million</i>	FY2008 <i>HK\$'million</i>	Change
Revenue	9,071.0	10,127.8	-10%
Profit before tax*	1,939.1	1,294.3	+50%
Net profit attributable to shareholders			
– Underlying net profit*	1,793.2	1,177.0	+52%
– Reported net profit	1,648.0	1,203.8	+37%
Basic earnings per share			
– Based on underlying net profit*	HK59.8 cents	HK39.2 cents	+52%
– Based on reported net profit	HK54.9 cents	HK40.1 cents	+37%
Full-year dividend per share	HK28.0 cents	HK22.0 cents	+27%
– Interim dividend per share	HK10.0 cents	HK12.0 cents	-17%
– Proposed final dividend per share	HK18.0 cents	HK10.0 cents	+80%
Dividend payout ratio	51%	55%	
Net asset value per share	HK\$2.78	HK\$2.42	+15%
Net gearing	10%	12%	

* *Excluding:*

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

2008: discount on acquisition of HK\$26.8 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 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	2	9,070,983	10,127,764
Cost of sales		<u>(6,519,431)</u>	<u>(8,149,908)</u>
Gross profit		2,551,552	1,977,856
Other income	4	56,574	48,385
Distribution costs		(208,057)	(187,934)
Administrative costs		(405,474)	(427,918)
Discount on acquisition of additional interest in a subsidiary		11,189	26,800
Impairment loss on available-for-sale investments	5	(156,367)	–
Finance costs	6	<u>(55,477)</u>	<u>(116,053)</u>
Profit before taxation		1,793,940	1,321,136
Income tax expense	8	<u>(128,117)</u>	<u>(70,466)</u>
Profit for the year		<u>1,665,823</u>	<u>1,250,670</u>
Profit for the year attributable to:			
Owners of the Company		1,648,031	1,203,804
Minority interests		<u>17,792</u>	<u>46,866</u>
		<u>1,665,823</u>	<u>1,250,670</u>
Earnings per share	<i>10</i>		
Basic		<u>HK\$0.549</u>	<u>HK\$0.401</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2009*

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year	<u>1,665,823</u>	<u>1,250,670</u>
Other comprehensive income:		
Loss on cash flow hedges	(26,407)	(41,411)
Reclassification adjustments relating to transfer of cash flow hedges	28,709	6,138
Fair value loss on available-for-sale investments	(156,017)	–
Impairment on available-for-sale investments	156,367	–
Exchange differences arising on translation to presentation currency	<u>9,136</u>	<u>368,471</u>
Other comprehensive income for the year	<u>11,788</u>	<u>333,198</u>
Total comprehensive income for the year	<u><u>1,677,611</u></u>	<u><u>1,583,868</u></u>
Total comprehensive income attributable to:		
Owners of the Company	1,658,767	1,489,197
Minority interests	<u>18,844</u>	<u>94,671</u>
	<u><u>1,677,611</u></u>	<u><u>1,583,868</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Investment properties		56,873	42,005
Properties, plant and equipment		5,348,082	5,907,816
Prepaid lease payments		296,420	266,993
Available-for-sale investments		403,748	19,800
Non-current deposits		51,775	78,249
Deferred tax assets		5,964	4,675
Goodwill		238	238
		<u>6,163,100</u>	<u>6,319,776</u>
Current assets			
Inventories		1,815,784	1,668,934
Trade and other receivables and prepayments	<i>11</i>	2,619,806	1,941,997
Bills receivables		725,691	438,944
Prepaid lease payments		5,542	4,712
Amounts due from fellow subsidiaries		323,070	182,406
Derivative financial instruments		–	3,027
Taxation recoverable		7,063	7,063
Bank balances and cash		2,039,662	2,237,499
		<u>7,536,618</u>	<u>6,484,582</u>
Current liabilities			
Trade and other payables	<i>12</i>	892,435	837,719
Bills payables		270,348	319,765
Amounts due to fellow subsidiaries		20,040	10,818
Derivative financial instruments		11,628	255
Taxation payable		264,088	233,673
Bank Borrowings – amount due within one year		1,030,516	1,078,370
		<u>2,489,055</u>	<u>2,480,600</u>
Net current assets		<u>5,047,563</u>	<u>4,003,982</u>
Total assets less current liabilities		<u>11,210,663</u>	<u>10,323,758</u>

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	1,816	316
Derivative financial instruments	32,971	35,273
Bank borrowings – amount due after one year	<u>1,963,348</u>	<u>2,130,024</u>
	<u>1,998,135</u>	<u>2,165,613</u>
	<u>9,212,528</u>	<u>8,158,145</u>
Capital and reserves		
Share capital	300,000	300,000
Reserves	<u>8,027,709</u>	<u>6,968,942</u>
Equity attributable to owners of the Company	8,327,709	7,268,942
Minority interests	<u>884,819</u>	<u>889,203</u>
Total equity	<u>9,212,528</u>	<u>8,158,145</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”).

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments (see Note 3).

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs affecting the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the current year, borrowing costs of HK\$3,464,000 were capitalised as part of the cost of a manufacturing plant. Profit for the year ended 31 December 2009 has therefore been increased by HK\$3,464,000.

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)	Amendment to HKFRS 5 as part of improvements to HKFRSs in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosure ⁶
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of right issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁷
HK(IFRIC*) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

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

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 July 2010.

⁶ Effective for annual periods beginning on or after 1 January 2011.

⁷ Effective for annual periods beginning on or after 1 January 2013.

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary.

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.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 has no effect on the classification and measurement of the Group's leasehold land.

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 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Sales of:		
Glass epoxy laminates	4,737,268	5,369,600
Paper laminates	2,437,934	2,625,700
Upstream materials	1,141,535	1,223,700
Others	754,246	908,764
	<u>9,070,983</u>	<u>10,127,764</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. BUSINESS SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and return approach. In the past, the Group’s operating activity is attributable to a single reporting segment focusing on sales of laminates and related products and provision of drilling services. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segment as compared with the primary reportable segment determined in accordance with HKAS 14.

The reportable segment has 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 CODM of the Group.

Segment revenue and results

The executive directors regularly review revenue and operating result derived from sales 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).

The following is a reconciliation of segment profit to profit for the year as disclosed in the consolidated income statement:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Segment profit	1,811,001	1,223,870
Discount on acquisition of additional interest in a subsidiary	11,189	26,800
Impairment loss on available-for-sale investments	<u>(156,367)</u>	<u>–</u>
Profit for the year	<u>1,665,823</u>	<u>1,250,670</u>

Segment profit represents the profit earned without allocation of discount on acquisition of additional interest in a subsidiary and impairment loss on available-for-sale investments. This is the measure reported to the executive directors for the purpose of resource allocation and performance assessment.

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
PRC (country of domicile)	8,356,492	9,555,219
Other foreign countries:		
Other Asian countries	588,559	423,839
Europe	70,256	98,562
America	<u>55,676</u>	<u>50,144</u>
	<u>9,070,983</u>	<u>10,127,764</u>

Revenue from one of the Group's customers amounting to HK\$2,101,289,000 (2008: HK\$2,302,441,000) had individually accounted for over 10% of the Group's revenue for the year.

4. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other income comprises:		
Rental income	11,616	12,147
Gain on fair value changes of investment properties	9,095	1,468
Gain on fair value changes of foreign currency forward contracts	–	318
Interest income	18,223	21,871
Net exchange gain	11,023	9,157
Others	6,617	3,424
	<u>56,574</u>	<u>48,385</u>

5. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 December 2009, impairment loss on available-for-sale investments of HK\$156,367,000 (2008: Nil) was recognised as a result of significant or prolonged decline in the fair values of certain of the Group's listed equity investments below their costs.

6. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	30,232	109,915
Release of hedging reserve	28,709	6,138
	<u>58,941</u>	<u>116,053</u>
<i>Less: Amounts capitalised in the cost of qualifying assets</i>	<u>(3,464)</u>	<u>–</u>
	<u>55,477</u>	<u>116,053</u>

The weighted average capitalisation rate on funds borrowed generally is 0.8% per annum (2008:nil).

7. DEPRECIATION

During the year, depreciation of approximately HK\$774.9 million (2008: HK\$719.1 million) was charged in respect of the Group's properties, plant and equipment.

8. INCOME TAX EXPENSE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	–	8,254
Underprovision in previous years	–	368
	<u>–</u>	<u>8,622</u>
Taxation arising in other jurisdictions		
Charge for the year	129,959	66,025
Overprovision in previous years	(2,053)	(1,454)
	<u>127,906</u>	<u>64,571</u>
Deferred taxation		
Charge (Credit) for the year	211	(2,820)
Attributable to change in tax rate	–	93
	<u>211</u>	<u>(2,727)</u>
	<u>128,117</u>	<u>70,466</u>

Hong Kong Profits Tax is calculated at 16.5% (2008:16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Dividends paid		
Interim dividend of HK10 cents (2008: HK12 cents) per ordinary share	300,000	360,000
Final dividend for 2008 of HK10 cents (2007: HK20 cents) per ordinary share	300,000	600,000
	<u>600,000</u>	<u>960,000</u>
Dividend proposed		
Proposed final dividend of HK18 cents (2008: HK10 cents) per ordinary share	540,000	300,000
	<u>540,000</u>	<u>300,000</u>

The final dividend of HK18 cents in respect of the year ended 31 December 2009 (2008: final dividend of HK10 cents in respect of the year ended 31 December 2008) per ordinary share has been proposed by the Directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share	<u>1,648,031</u>	<u>1,203,804</u>
	Number of shares	
	2009 <i>'000</i>	2008 <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.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	2,043,899	1,762,339
Advance to suppliers	280,903	18,674
Other receivables and prepayments	<u>295,004</u>	<u>160,984</u>
	<u>2,619,806</u>	<u>1,941,997</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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 90 days	1,548,804	1,016,067
91 – 180 days	462,551	717,130
Over 180 days	<u>32,544</u>	<u>29,142</u>
	<u>2,043,899</u>	<u>1,762,339</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$457,068,000 (2008: HK\$389,502,000). The following is an aged analysis of trade payables at the end of the reporting period:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 90 days	369,417	299,958
91 – 180 days	54,919	59,123
Over 180 days	32,732	30,421
	<hr/>	<hr/>
	457,068	389,502
	<hr/>	<hr/>

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 another set of remarkable results for the financial year ended 31 December 2009. Operating landscape for laminate business improved from second quarter of 2009 due to massive stimulus packages implemented by governments worldwide. Growing signs of global economic stabilization from the third quarter of 2009 helped to lift our sales volume and profitability with remarkable improvement. Boosted by favourable government policies, domestic demand for consumer products in China saw impressive growth at rates well ahead of the rest of the world during the year. The Group, benefited from the persistent focus on the PRC market, has consistently advanced our domestic market share in China. China is now our single largest market with domestic sales denominated in Renminbi (“RMB”) reaching approximately 40% of Group revenue in 2009. Our disciplined operational execution and competitive cost structure, coupled with diversified product portfolio enabled the Group to sail through the financial crisis with outstanding performance. To reward our shareholders, the Board proposes a final dividend of HK18 cents per share subject to shareholders’ approval. Together with the interim dividend of HK10 cents per share paid in September 2009, this will constitute a total dividend of HK28 cents per share for the full year.

Financial Highlights

	FY2009 <i>HK\$'million</i>	FY2008 <i>HK\$'million</i>	Change
Revenue	9,071.0	10,127.8	-10%
Profit before tax*	1,939.1	1,294.3	+50%
Net profit attributable to shareholders			
– Underlying net profit*	1,793.2	1,177.0	+52%
– Reported net profit	1,648.0	1,203.8	+37%
Basic earnings per share			
– Based on underlying net profit*	HK59.8 cents	HK39.2 cents	+52%
– Based on reported net profit	HK54.9 cents	HK40.1 cents	+37%
Full-year dividend per share	HK28.0 cents	HK22.0 cents	+27%
– Interim dividend per share	HK10.0 cents	HK12.0 cents	-17%
– Proposed final dividend per share	HK18.0 cents	HK10.0 cents	+80%
Dividend payout ratio	51%	55%	
Net asset value per share	HK\$2.78	HK\$2.42	+15%
Net gearing	10%	12%	

* *Excluding:*

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

2008: discount on acquisition of HK\$26.8 million

PERFORMANCE

With better than expected export demand and buoyant domestic China market, sales revenue rebounded with strong momentum in the second half of 2009 (“2H 2009”). Consumption of electronic products was stimulated by the implementation of the “home appliances to the country side” subsidy programme by the PRC government in 2009 which in turn boosted demand for paper laminates. As a result, paper laminates contributed over 15% of Group earnings while overall laminates shipment volume in 2H 2009 was up 25% against first half of 2009 (“1H 2009”). Utilization rates of our laminate plants capacities reached over 90% since the third quarter 2009 (“Q3 2009”). Due to lower average selling prices of laminate products in 2009 than the previous year, consolidated revenue of the Group declined 10% to HK\$9,071.0 million. Underlying earnings before interest and tax (“EBIT”) (excluding non-recurring items) increased substantially by 41% to HK\$1,994.6 million. Volume sales increased around 5% against the previous year with average monthly shipment reaching 7.6 million square meters.

Distribution costs increased 11% due to higher shipment volume. Administrative expenses decreased 5% as a result of strict cost control initiatives. Finance costs substantially decreased to HK\$55.5 million mainly attributable to lower interest rates on bank borrowings. Effective tax rate was 7%, being slightly higher than last year.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position stayed robust with strong cash inflow. As at 31 December 2009, net current assets and current ratio of the Group were approximately HK\$5,047.6 million (31 December 2008 – HK\$4,004.0 million) and 3.03 (31 December 2008 – 2.61), respectively.

The net working capital cycle extended to 155 days as at 31 December 2009 from 113 days as at 31 December 2008 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 102 days (31 December 2008 – 75 days) as the Group strategically stocked up key raw materials in anticipation of rising commodity prices.
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, increased to 95 days (31 December 2008 – 70 days), as a result of higher sales revenue in the second half of 2009.
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, increased to 42 days (31 December 2008 – 32 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) decreased to 10% (31 December 2008 – 12%). In 2009, the Group invested HK\$303.2 million in new production capacities. The proportion of bank borrowings between short term and long term stood at 34%:66% (31 December 2008 – 34%:66%). Less than 3% of the bank borrowings was denominated in RMB and the rest 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 2009, we had entered into interest rate swap agreements of notional amount of HK\$1.2 billion with reputable financial institutions for a weighted average duration of 0.9 years and interest rate of 2.69%. The Group also entered into commodity forward contracts to manage the Group's exposure to fluctuation in commodities prices. The fair value of these contracts amounted to HK\$11.6 million as at 31 December 2009. 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 2009. 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 2009, the Group had a workforce of over 8,800 (31 December 2008 – 8,000). The increase in headcount was in line with improved capacity utilization 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 their individual performance.

PROSPECTS

Global economy is expected to remain stable in year 2010 with positive growth prospects in emerging markets especially China. Recent economic data indicated widespread rebound in global manufacturing activities as well as improving trend for export demand in US and Europe, which is a clear sign of continued economic recovery. Looking ahead, the Chinese government will continue to implement the subsidy policy of household appliances and automobile purchases in 2010. These measures will definitely have a positive impact on domestic consumption of electronic products which will translate into strong demand for laminate products. Business momentum for electronic products in the first two months of 2010 reflected a sequential upturn against the last quarter of 2009. On the back of higher commodities prices and robust market demand, average selling prices of laminates experienced an uptrend in the first two months of 2010 against the previous quarter. Supply of glass yarn and glass fabric remained tight recently. Benefiting from our vertically integrated business model with a stable supply of upstream materials, the Group definitely has a competitive advantage over our peers in the industry.

Given our dominant market position and diverse product range stretching from mass demand to high performance laminates, the Group is in an unrivaled position to benefit from opportunities arising from growth in the key markets. To reinforce our leading position in the global laminates market, the Group will scale up production capability of paper laminates by 400,000 sheets per month in Fogang, Guangdong province in the first half of 2010. Additional monthly capacity of 400,000 sheets each of paper and glass epoxy laminates will be increased in the laminate plant in Jiangyin, Jiangsu province in the second half of 2010, which will facilitate further penetration of printed circuit board (“PCB”) customer base in eastern China. By the end of 2010, our monthly laminate capacity is expected to reach 9.2 million sheets, up 15% against the previous year.

Furthermore, the Group is well positioned to reap the benefit from developing thin and high performance laminates. We experienced increasing laminate sales to high density interconnect PCB (“HDI”) customers. The greater need for consumer electronics with networking capabilities supported the development of more compact hand-held devices such as smart phones and mobile computers, utilizing HDI technology. The Group expects demand for laminates used in HDI manufacturing will grow in the next few years. We will continue to invest in upgrading our product mix in order to capture this growing business segment. To promote economic growth and achieve sustainable urban development, the Chinese government has initiated a new pilot scheme for the redevelopment of “Three Olds” – old towns, old villages and old factory buildings in Guangdong province. The Group has been in active discussions with local authorities in Shenzhen to explore the feasibility of redeveloping our plant in Longhua, 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 2009 to be payable on or around 3 May 2010 to the Company's shareholders whose names appear on the register of members of the Company on 26 April 2010 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, 22 April 2010 to Monday, 26 April 2010 (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, 21 April 2010.

COMPLIANCE WITH 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 of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009, 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 Director 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 year ended 31 December 2009.

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 2009.

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 2009 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, 1 March 2010

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.