



# 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)**

## INTERIM RESULTS ANNOUNCEMENT

### FINANCIAL HIGHLIGHTS

- Revenue up 9% to exceed HK\$5.2 billion
- Profit attributable to equity holders of the Company increased by 3% to HK\$928.8 million
- Net gearing level stayed healthy at 26%
- Interim dividend per share up 20% to HK12 cents

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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

### Condensed Consolidated Income Statement

		<b>Six months ended 30 June</b>	
		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	2	5,242,267	4,806,290
Cost of sales		<u>(3,896,679)</u>	<u>(3,499,090)</u>
Gross profit		1,345,588	1,307,200
Other income		46,430	46,204
Distribution costs		(99,876)	(89,418)
Administrative costs		(188,378)	(165,670)
Finance costs		<u>(62,821)</u>	<u>(78,218)</u>
Profit before taxation		1,040,943	1,020,098
Income tax expense	4	<u>(67,912)</u>	<u>(73,426)</u>
Profit for the period		<u>973,031</u>	<u>946,672</u>
Attributable to:			
Equity holders of the Company		928,805	903,070
Minority interests		<u>44,226</u>	<u>43,602</u>
		<u>973,031</u>	<u>946,672</u>
Interim dividend	5	<u>360,000</u>	<u>300,000</u>
Earnings per share	6		
Basic		<u>HK\$0.310</u>	<u>HK\$0.301</u>

## Condensed Consolidated Balance Sheet

	<i>Notes</i>	<b>30 June 2008</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2007</b> <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Investment properties		40,537	40,537
Properties, plant and equipment	7	5,918,632	5,152,176
Prepaid lease payments		292,702	193,187
Available-for-sale investments		19,800	19,800
Non-current deposits		154,454	221,589
Deferred tax assets		2,346	1,632
Goodwill		238	238
		<u>6,428,709</u>	<u>5,629,159</u>
<b>Current assets</b>			
Inventories		1,859,532	1,510,586
Trade and other receivables and prepayments	8	3,745,090	3,510,045
Prepaid lease payments		5,179	4,199
Amounts due from fellow subsidiaries		325,823	391,767
Derivative financial instruments		5,974	1,637
Taxation recoverable		–	12,074
Bank balances and cash		1,716,161	1,471,742
		<u>7,657,759</u>	<u>6,902,050</u>
<b>Current liabilities</b>			
Trade and other payables	9	994,111	892,259
Bills payable	9	644,468	600,967
Amounts due to fellow subsidiaries		3,602	4,042
Derivative financial instruments		1,171	1,184
Taxation payable		241,804	228,255
Bank borrowings – amount due within one year		1,073,293	636,634
		<u>2,958,449</u>	<u>2,363,341</u>
Net current assets		<u>4,699,310</u>	<u>4,538,709</u>
Total assets less current liabilities		<u>11,128,019</u>	<u>10,167,868</u>
<b>Non-current liabilities</b>			
Bank borrowings – amount due after one year		2,811,924	2,573,462
		<u>8,316,095</u>	<u>7,594,406</u>
<b>Capital and reserves</b>			
Share capital		300,000	300,000
Share premium and reserves		7,095,589	6,439,745
Equity attributable to equity holders of the Company		<u>7,395,589</u>	<u>6,739,745</u>
Minority interests		920,506	854,661
Total equity		<u>8,316,095</u>	<u>7,594,406</u>

Notes:

## 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and on a basis consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA which are effective for the Group’s financial period beginning on 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

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

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 13	Customers Loyalty Programmes <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

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

The adoption of HKFRS 3 (Revised) may affect the accounting 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 a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

## 2. Business and geographical segments

### *Geographical segments*

The analysis of the Group's revenue by geographical market based on geographical location of customers for each of the period is as follows:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The People's Republic of China	4,745,795	4,381,036
Other Asian countries	415,843	333,013
Europe	50,909	64,008
America	29,720	28,233
	<u>5,242,267</u>	<u>4,806,290</u>

### *Business segments*

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

## 3. Depreciation

During the period, depreciation of approximately HK\$330.0 million (1 January 2007 to 30 June 2007: HK\$266.6 million) was charged in respect of the Group's properties, plant and equipment.

## 4. Income tax expense

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	2,530	–
Taxation arising in other jurisdictions	66,097	72,871
	<u>68,627</u>	<u>72,871</u>
Deferred taxation		
(Credit) charge for the period	<u>(715)</u>	<u>555</u>
	<u>67,912</u>	<u>73,426</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 5. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2008 of HK12 cents (2007: HK10 cents) per share to the shareholders whose names appear on the register of members of the Company on Thursday, 11 September 2008. The dividend warrants will be dispatched on or around Friday, 19 September 2008.

## 6. Earnings per share

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

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of calculating basic earnings per share	<u>928,805</u>	<u>903,070</u>
	<b>Number of shares</b>	
	<b>30 June 2008</b>	<b>30 June 2007</b>
	'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 dilutive potential ordinary shares.

## 7. Additions to properties, plant and equipment

During the period, the Group spent approximately HK\$705.0 million (1 January 2007 to 30 June 2007: HK\$509.6 million) on acquisition of properties, plant and equipment.

## 8. Trade and other receivables and prepayments

	30 June	31 December
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	2,527,979	2,460,430
Bills receivables	593,890	603,108
Other receivables and prepayments	<u>623,221</u>	<u>446,507</u>
	<u>3,745,090</u>	<u>3,510,045</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 balance sheet dates:

	<b>30 June 2008</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2007</b> <i>HK\$'000</i> (Audited)
0-90 days	1,841,440	1,740,770
91-180 days	662,610	699,835
Over 180 days	23,929	19,825
	<u>2,527,979</u>	<u>2,460,430</u>

All bills receivables of the Group are aged within 90 days at the balance sheet dates.

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

The following is an aged analysis of trade payables at the balance sheet dates:

	<b>30 June 2008</b> <i>HK\$'000</i> (Unaudited)	<b>31 December 2007</b> <i>HK\$'000</i> (Audited)
0-90 days	396,892	413,504
91-180 days	49,275	33,669
Over 180 days	38,924	20,598
	<u>485,091</u>	<u>467,771</u>

All bills payable of the Group are aged within 90 days at the balance sheet dates.

## BUSINESS REVIEW

On behalf of the Board of Directors, I have great pleasure to report to our shareholders another set of satisfactory results of Kingboard Laminates Holdings Limited (the "Group") for the six months ended 30 June 2008. According to the latest report of Japan Marketing Survey Co., Ltd., the Group maintained the No.1 position in the global laminate market with a market share of 11.8% in 2007. Despite a tough operating landscape in the first half of 2008 with temporary electricity disruption at certain plants located in Lianzhou, Guangdong province for about one week just before Chinese Lunar New Year and volatile commodity prices, our dedicated team persevered and made further advances in the market place. With our leading market position backed by a diverse customer portfolio across broad based applications, we are determined to leverage on our competitive strength to create more value for our shareholders.

## Financial highlights

- Revenue up 9% to exceed HK\$5.2 billion
- Profit attributable to equity holders of the Company increased by 3% to HK\$928.8 million
- Net gearing level stayed healthy at 26%
- Interim dividend per share up 20% to HK12 cents

## Performance

Laminates demand experienced slower growth in the first half of 2008 against the same period last year as weakening economic conditions in both United States and Europe dampened demand for all electronics products. Although lower demand for exports had a knock on effect on export focused economies, the overall effect was mitigated by strong domestic demand in emerging markets including China and other Asian countries.

In the first half of year 2008, laminates business achieved steady growth driven by organic expansion laid down in 2007. Revenue recorded 9% growth to HK\$5,242.3 million while volume sales achieved 8% growth with average monthly shipment reaching 8.0 million square meters. Upstream material capacity was further enhanced to strengthen our vertically integrated business model, as the new glass yarn plant in Qingyuan, Guangdong province and new glass fabric plant in Lianzhou, Guangdong province started trial production in January and June 2008 respectively. Notwithstanding higher material costs and other cost increases including fuel and wages and the start up costs for the two new plants, we attained net profit increase by 3% to HK\$928.8 million in the current reporting period.

Increase in distribution costs by 12 % was in line with higher shipment volume. Finance costs of HK\$62.8 million was mainly related to interest expenses incurred on the 5-year term loan facilities of which HK\$2,735 million had been drawn as of 30 June 2008 and trust receipt loans drawn to fund our working capital requirement. Our effective tax rate was 6.5%, being slightly lower than last year.

## LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position continued to be robust. As at 30 June 2008, net current assets and current ratio of the Group were approximately HK\$4,699.3 million (31 December 2007 – HK\$4,538.7 million) and 2.59 (31 December 2007 – 2.92) respectively.

The net working capital cycle lengthened from 121 days as at 31 December 2007 to 133 days as at 30 June 2008 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 87 days (31 December 2007 – 72 days)
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, reduced to 99 days (31 December 2007 – 100 days)
- Trade and bills payable including amounts due to fellow subsidiaries, in terms of creditors turnover days, increased to 53 days (31 December 2007 – 51 days)

In the first half of 2008, the Group invested HK\$539 million in new production capacities and prepayments for properties, plant and equipment. As a result, the Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) increased marginally to 26% (31 December 2007 – 23%). The proportion of bank borrowings between short term and long term stood at 28%:72% (31 December 2007: 20%:80%). Only 1% of the bank borrowings was denominated in Renminbi and the rest in Hong Kong or US dollars.

The Group continued to adopt a prudent financial management policy. We entered into interest rate swap agreements of notional amount of HK\$2 billion with reputable financial institutions in order to secure lower interest rates for part of our bank borrowings with a weighted average duration and interest rate of 3.3 years and 2.78% respectively at the end of June 2008. 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, Renminbi and US dollars, was fairly matched with the currency requirement of operating expenses.

## **PROSPECTS**

In the second half of 2008, even though global economy is still very much affected by the ongoing credit crunch and inflationary pressure, domestic consumption in emerging markets especially China is expected to maintain robust growth momentum. Leveraging on our sound financial strength, excellent business model and strong operational presence in China, we have unwavering confidence in the growth prospects of the Group.

The Group currently maintains a steady laminate order book. Recent correction in commodity prices should help to facilitate cost control initiatives. Backed by our unrivaled economy of scale and competitive cost structure, we are fully convinced that there are still enormous growth opportunities in the global laminate market. The Group is planning to add new production capacity in our Lianzhou copper foil plant in the second half of 2008. In addition, our glass epoxy laminate plant in Jiangyin, Jiangsu province will increase monthly production capacity by 400,000 sheets in the third quarter of 2008 to enhance our market position in eastern China.

## **HUMAN RESOURCES**

As at 30 June 2008, the Group had a workforce of over 9,500 (31 December 2007: 8,600). The increase in headcount was in line with our ongoing expansion blueprint. In addition to offering competitive salary package, the Group grants discretionary bonuses to eligible employees based on our overall financial achievement and individual performance.

## **APPRECIATION**

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 9 September 2008 to Thursday, 11 September 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders are reminded to ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 8 September 2008.

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

During the six months ended 30 June 2008, 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 (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 2008.

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

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2008.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

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

Hong Kong, 25 August 2008

*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.*