

KB 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code: 1888



INTERIM REPORT
2011

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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	2	6,918,697	6,521,286
Cost of sales		(5,510,762)	(4,727,649)
Gross profit		1,407,935	1,793,637
Other income		32,378	23,558
Distribution costs		(145,886)	(134,754)
Administrative costs		(246,063)	(228,301)
Finance costs		(49,798)	(23,194)
Profit before taxation		998,566	1,430,946
Income tax expense	5	(99,106)	(102,119)
Profit for the period		899,460	1,328,827
Profit for the period attributable to:			
Owners of the Company		880,515	1,281,078
Non-controlling interests		18,945	47,749
		899,460	1,328,827
Earnings per share	7		
Basic		HK\$0.294	HK\$0.427
Diluted		HK\$0.293	HK\$0.427

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Profit for the period	<u>899,460</u>	<u>1,328,827</u>
Other comprehensive income:		
Loss on cash flow hedges	(253)	(1,442)
Reclassification adjustments relating to transfer of cash flow hedges	7,590	18,183
Fair value changes on available-for-sale investments	(3,341)	46,502
Exchange differences arising on translation to presentation currency	<u>217,146</u>	<u>70,510</u>
Other comprehensive income for the period	<u>221,142</u>	<u>133,753</u>
Total comprehensive income for the period	<u>1,120,602</u>	<u>1,462,580</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,083,388	1,408,256
Non-controlling interests	<u>37,214</u>	<u>54,324</u>
	<u>1,120,602</u>	<u>1,462,580</u>

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Non-current assets			
Investment properties		78,231	75,624
Properties, plant and equipment	8	5,330,216	5,425,825
Prepaid lease payments		376,559	386,701
Available-for-sale investments		990,410	730,751
Properties held for development		253,635	244,985
Interests in an associate		66,000	–
Non-current deposits		70,433	110,176
Deferred tax assets		8,044	7,671
Goodwill		238	238
		7,173,766	6,981,971
Current assets			
Inventories		2,410,705	2,286,037
Trade and other receivables and prepayments	9	4,426,611	3,592,366
Bills receivables	9	1,199,385	1,126,077
Prepaid lease payments		7,415	7,481
Amounts due from fellow subsidiaries		579,096	456,259
Taxation recoverable		7,063	7,063
Bank balances and cash		2,390,806	1,982,571
		11,021,081	9,457,854
Current liabilities			
Trade and other payables	10	1,343,557	1,243,969
Bills payables	10	345,268	403,417
Amounts due to fellow subsidiaries		29,102	28,012
Derivative financial instruments		2,499	43,331
Taxation payable		306,791	348,243
Bank borrowings – amount due within one year		1,620,338	2,147,486
		3,647,555	4,214,458

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Net current assets	<u>7,373,526</u>	<u>5,243,396</u>
Total assets less current liabilities	<u>14,547,292</u>	<u>12,225,367</u>
Non-current liabilities		
Deferred tax liabilities	2,794	2,566
Bank borrowings – amount due after one year	<u>3,104,841</u>	<u>1,369,414</u>
	<u>3,107,635</u>	<u>1,371,980</u>
	<u><u>11,439,657</u></u>	<u><u>10,853,387</u></u>
Capital and reserves		
Share capital	300,000	300,000
Reserves	<u>10,126,390</u>	<u>9,569,990</u>
Equity attributable to owners of the Company	<u>10,426,390</u>	<u>9,869,990</u>
Non-controlling interests	<u>1,013,267</u>	<u>983,397</u>
Total equity	<u><u>11,439,657</u></u>	<u><u>10,853,387</u></u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Properties revaluation 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 2011	300,000	1,097,104	-	1,083,259	7,268	5,224	(8,838)	757,689	31,732	1,633	6,595,919	9,689,990	983,397	10,853,387
Profit for the period	-	-	-	-	-	-	-	-	-	-	880,515	880,515	16,945	899,460
Loss on cash flow hedges	-	-	-	-	-	-	(253)	-	-	-	(253)	-	-	(253)
Exchange differences arising on translation to presentation currency	-	-	-	198,877	-	-	-	-	-	-	-	198,877	18,269	217,146
Transfer to profit and loss on cash flow hedges	-	-	-	-	-	-	7,590	-	-	-	-	7,590	-	7,590
Fair value loss on available-for-sale investments	-	-	-	-	-	(3,341)	-	-	-	-	-	(3,341)	-	(3,341)
Total comprehensive income for the period	-	-	-	198,877	-	(3,341)	7,337	-	-	-	880,515	1,083,388	37,214	1,120,602
Recognition of equity-settled share based payments	-	-	13,012	-	-	-	-	-	-	-	-	13,012	-	13,012
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(7,344)	(7,344)
Final dividend paid for the year ended 31 December 2010	-	-	-	-	-	-	-	-	-	-	(540,000)	(540,000)	-	(540,000)
Transfer to reserve	-	-	-	-	-	-	-	3,601	-	-	(3,601)	-	-	-
	-	-	13,012	-	-	-	-	3,601	-	-	(543,601)	(526,988)	(7,344)	(534,332)
Balance at 30 June 2011	300,000	1,097,104	13,012	1,282,136	7,268	1,883	(2,501)	757,689	35,333	1,633	6,932,833	10,426,390	1,013,267	11,439,657
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
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,281,078	1,281,078	47,749	1,328,827
Loss on cash flow hedges	-	-	-	-	-	-	(1,442)	-	-	-	-	(1,442)	-	(1,442)
Exchange differences arising on translation to presentation currency	-	-	-	63,935	-	-	-	-	-	-	-	63,935	6,575	70,510
Transfer to profit and loss on cash flow hedges	-	-	-	-	-	-	18,183	-	-	-	-	18,183	-	18,183
Fair value gain on available-for-sale investments	-	-	-	-	-	46,502	-	-	-	-	-	46,502	-	46,502
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 minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(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

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	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Net cash from operating activities	218,801	546,009
Net cash used in investing activities	(421,704)	(445,867)
Net cash from (used in) financing activities	611,138	(386,740)
Net increase (decrease) in cash and cash equivalents	408,235	(286,598)
Cash and cash equivalents at the beginning of the period	1,982,571	2,039,662
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>2,390,806</u>	<u>1,753,064</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 with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").


The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised standard, amendment and interpretations ("new or revised HKFRSs") issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosure
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

* IFRIC represents the International Financial Reporting Interpretations Committee.



The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

HKFRSs issued but not yet effective

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosures of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹

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

HKFRS 10 replaces the parts of HKAS 27 “Consolidation and Separate Financial Statements” that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The Group has already commenced an assessment of the impact of these new and revised standards but is not yet in a position to state whether these new and revised standards would have a material impact on its results of operations and financial position.

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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of:		
Glass epoxy laminates	4,039,025	3,695,901
Paper laminates	1,324,838	1,433,822
Upstream materials	1,127,770	970,011
Others	427,064	421,552
	<hr/>	<hr/>
	6,918,697	6,521,286
	<hr/> <hr/>	<hr/> <hr/>

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. Operation segments

The Group's operating and reportable segments 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 makers of the Group, in order to allocate resources to segments and to assess their performances.

The executive directors regularly review revenue and overall 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).

Other segment information

The Group principally operates in the PRC (other than Hong Kong) (country of domicile) with revenue and profits derived mainly from its operation in the PRC.

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC (country of domicile)	6,400,818	6,047,788
Other foreign countries:		
Other Asian countries	424,916	370,417
Europe	57,481	68,586
America	35,482	34,495
	<hr/> 6,918,697 <hr/>	<hr/> 6,521,286 <hr/>

Revenue from one of the Group's customers amounting to HK\$1,170,283,000 (six months ended 30 June 2010: HK\$1,473,278,000), which individually accounted for over 10% of the Group's total revenue for the period.

4. Depreciation

During the reporting period, depreciation of approximately HK\$385.8 million (six months ended 30 June 2010: HK\$367.6 million) was charged in respect of the Group's properties, plant and equipment.

5. Income tax expense

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	4,314	–
Taxation arising in the PRC	94,937	102,676
	<hr/> 99,251 <hr/>	<hr/> 102,676 <hr/>
Deferred taxation		
Credit for the period	(145)	(557)
	<hr/> 99,106 <hr/>	<hr/> 102,119 <hr/>

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

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

6. Interim dividend

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2011 of HK10 cents (six months ended 30 June 2010: HK16 cents) per share to the shareholders whose names appear on the register of members of the Company on Monday, 19 September 2011. The dividend warrants will be dispatched on or around Thursday, 22 September 2011.

7. Earnings per share

The calculations of the basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>880,515</u>	<u>1,281,078</u>
	Number of shares	
	30 June	30 June
	2011	2010
Number of ordinary shares for the purpose of calculating basic earnings per share	3,000,000,000	3,000,000,000
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	<u>584,511</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>3,000,584,511</u>	<u>3,000,000,000</u>

8. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$189.4 million (six months ended 30 June 2010: HK\$358.5 million) on acquisition of properties, plant and equipment.

9. Trade and other receivables and prepayments and bills receivables

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Trade receivables	3,415,465	2,857,375
Advance to suppliers	221,647	249,573
Other receivables and prepayments	789,499	485,418
	<hr/> 4,426,611 <hr/>	<hr/> 3,592,366 <hr/>

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 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0-90 days	2,416,365	2,023,205
91-180 days	968,781	804,839
Over 180 days	30,319	29,331
	<hr/> 3,415,465 <hr/>	<hr/> 2,857,375 <hr/>

Included in trade receivables are receivables for sales to a shareholder of ultimate holding company of HK\$203,623,000 (31 December 2010: HK\$19,008,000).

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Trade payables	616,375	562,517
Accrued expenses	175,930	193,326
Payables for purchase of properties, plant and equipment	126,430	150,271
Other payables	424,822	337,855
	<hr/> 1,343,557 <hr/>	<hr/> 1,243,969 <hr/>

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0-90 days	534,331	495,735
91-180 days	44,414	37,759
Over 180 days	37,630	29,023
	<hr/> 616,375 <hr/>	<hr/> 562,517 <hr/>

Included in trade payables are payables for purchases from a shareholder of ultimate holding company of HK\$27,930,000 (31 December 2010: HK\$4,890,000).

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.

Details of the share options granted by the Company pursuant to the Scheme and the share options outstanding as at 30 June 2011 were as follows:

	Number of share options outstanding as at 31 December 2010	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2011	Option grant date	Exercise period	Exercise price HK\$
Directors									
Cheung Kwok Wa (Executive Director)	-	12,500,000	-	-	-	12,500,000	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Cheung Kwok Keung (Executive Director)	-	11,500,000	-	-	-	11,500,000	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Cheung Kwok Ping (Executive Director)	-	10,000,000	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Lam Ka Po (Executive Director)	-	10,000,000	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Cheung Ka Ho (Executive Director)	-	10,000,000	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Chan Sau Chi (Executive Director)	-	10,000,000	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Sub-total	-	64,000,000	-	-	-	64,000,000			
Employees									
Sub-total	-	36,000,000	-	-	-	36,000,000			
Total	-	100,000,000 (Note 2)	-	-	-	100,000,000			

Notes:

- These share options are exercisable only from the date of grant until 17 May 2017 with the maximum number of shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of shares subject to the share options from 21 March 2011 to 17 May 2017 ("Lot 1"); (b) additional 25% of the total number of shares subject to the share options from 21 March 2012 to 17 May 2017 ("Lot 2"); (c) additional 25% of the total number of shares subject to the share options from 21 March 2013 to 17 May 2017 ("Lot 3"); and (d) remaining 25% of the total number of shares subject to the share options from 21 March 2014 to 17 May 2017 ("Lot 4").
- The closing price of the Company's shares quoted on the Stock Exchange immediately before the granting date is HK\$6.30.

The estimated fair value of the share options granted during the period under the Scheme as at the date of grant was HK\$104,092,742, which was calculated using the Black-Scholes option pricing model with the following parameters and assumptions:

	Lot 1	Lot 2	Lot 3	Lot 4
Stock price (HK\$)	6.460	6.460	6.460	6.460
Exercise price (HK\$)	6.540	6.540	6.540	6.540
Risk free rate (%)	1.072	1.283	1.485	1.648
Expected option period (years)	3.081	3.582	4.082	4.582
Expected volatility (%)	34.417	34.417	34.417	34.417
Expected dividend yield (%)	6.529	6.423	5.613	6.374

Risk free rate was based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority. The expected option period was determined with reference to the Scheme and information provided by the Company. The expected volatility was determined by applying the 1-year historical volatility of the Company as input for option pricing model as extracted from Bloomberg. Expected dividend yield was based on dividend payout of the Company estimated by Bloomberg.

The estimated fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

The Group recognised the total expense of approximately HK\$13,012,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$Nil) in relation to the share options granted by the Company.

12. Capital commitments

Capital expenditure contracted for but not provided in the condensed consolidated financial statements for:

- acquisition of properties, plant and equipment
- capital injection in an unlisted equity investment

30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
101,250	492,540
<u>18,917</u>	<u>18,917</u>

13. Related party transactions

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

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
(i) Sales of goods and drilling services provided to fellow subsidiaries	<u>1,170,283</u>	<u>1,473,278</u>
(ii) Purchases of goods from fellow subsidiaries	<u>357,228</u>	<u>257,409</u>
(iii) Sales of laminates and copper to a shareholder of ultimate holding company	<u>337,289</u>	<u>58,080</u>
(iv) Purchases of machineries and drill bits from a shareholder of ultimate holding company	<u>61,629</u>	<u>7,173</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 satisfactory results for the six months ended 30 June 2011 (“1H 2011”). Our Group continued to improve operational efficiency and upgrade the product mix to retain our leading position in the laminate market. In 2010, according to the latest report from Prismark Partners LLC, the Group maintained its No.1 position in the world for the sixth consecutive year with a global market share of 14.3%. The mainland China domestic market remained buoyant during the period under review enabling the Group to strategically expand its market share there, with Renminbi (“RMB”) revenue contribution jumping substantially to 44% in 1H 2011 from 35% in the first half of 2010 (“1H 2010”). Group revenue also increased by 6% to HK\$6,918.7 million. As a result of raw materials and operation cost increases, coupled with the disruption of the electronics supply chain caused by Japan earthquake in March 2011, net profit dropped 31% to HK\$880.5 million. On the back of a positive operating cash inflow during the period under review, the Board resolved to declare an interim dividend of HK10 cents per share to reward our shareholders.

Financial Highlights

	Six months ended 30 June		
	2011 HK\$'Million	2010 HK\$'Million	Change
Revenue	6,918.7	6,521.3	+6%
EBITDA	1,438.4	1,824.8	-21%
Profit before tax	998.6	1,430.9	-30%
Net profit attributable to owners of the Company	880.5	1,281.1	-31%
Basic earnings per share	HK29.4 cents	HK42.7 cents	-31%
Interim dividend per share	HK10.0 cents	HK16.0 cents	-38%
Dividend payout ratio	34%	37%	
Net asset value per share	HK\$3.48	HK\$3.07	+13%
Net gearing	20%	14%	



PERFORMANCE

Demand for laminates during the first quarter of 2011 rebounded from the last quarter of 2010. As the copper price increased against the first quarter of last year, average selling price (“ASP”) for laminates, especially glass epoxy laminates (“FR4”), showed an uptrend. In the second quarter of this year, as the electronics supply chain was impacted badly by the Japan earthquake leading to a shortage of certain key electronic components, electronics manufacturers adjusted their production volume. Against a backdrop of slower global economic growth and commodity price volatility, printed circuit board (“PCB”) customers made inventory adjustments which in turn dampened the demand for laminates. During 1H 2011, our overall laminate shipment volume decreased 9%, to an average monthly shipment of 8 million square meters. Meanwhile, the Group has been steadily working on enhancing our product portfolio. As a result, revenue from composite epoxy material laminates (“CEM”) and FR4 contributed 59% of Group revenue while paper laminates sales accounted for only 19% in 1H 2011. The balance was contributed by sales of upstream materials and others. Despite a tough business operating environment during the reporting period, the Group managed to achieve 6% growth in revenue to HK\$6,918.7 million.

In spite of increase in laminate product ASP against the previous year, margin of the Group was under pressure owing to rising raw materials and operation costs as well as the lower capacity utilisation rate in the second quarter. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were down to HK\$1,438.4 million with net profit at HK\$880.5 million.


Driven by crude oil price and operating cost increases, distribution costs and administrative costs both increased by around 8%. Finance costs were up 115% as a consequence of higher bank borrowings. With tax incentives for some of the subsidiaries expiring during the period, the effective tax rate rose to 10%.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position stayed robust with strong operating cash inflow. As at 30 June 2011, net current assets and current ratio of the Group were approximately HK\$7,373.5 million (31 December 2010 – HK\$5,243.4 million) and 3.02 (31 December 2010 – 2.24) respectively.

The net working capital cycle increased to 151 days as at 30 June 2011 from 140 days as at 31 December 2010 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 79 days as the Group adjusted the raw materials inventory level according to the market situation in the second quarter of 2011 (31 December 2010 – 84 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, increased to 105 days (31 December 2010 – 93 days).
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, decreased to 33 days (31 December 2010 – 37 days).



The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was 20% (31 December 2010 – 14%). The proportion of bank borrowings between short term and long term was 34%:66% (31 December 2010: 61%:39%). As at 30 June 2011, the Group has successfully arranged refinancing for the syndicated loan which will fall due within 2011, with outstanding amount around HK\$960 million.

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 2011, notional amount for interest rate swap agreement stood approximately at HK\$260 million with a weighted average duration of 0.2 year and interest rate of 2.7%. 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 first six months of 2011. There was no material foreign exchange rate 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 2011, the Group had a workforce of about 9,400 (31 December 2010 – 8,800). The increase in headcount was in line with increased production capacity. In addition to offering a competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and their individual performance.

PROSPECT

In light of the continued uncertainty in the global economy, export orders may be affected. Nevertheless, as a result of the Chinese government policy towards encouraging domestic consumption, the domestic economy is expected to sustain healthy growth on a firmer footing in the long run. Underpinned by an ongoing improvement in the product mix, the Group will continue to develop the domestic market to increase its market share in China. Laminates order intake and ASP have shown an uptrend at the beginning of the third quarter of 2011.

At our Jiangyin plant in Jiangsu province, new monthly production capacities of 400,000 sheets for CEM and FR4 were already in mass production by the second quarter of this year. Additional monthly production capacities of 400,000 sheets of CEM and FR4 are expected to start trial production early next year. Proliferation of high end electronic products such as smartphones and tablet PCs will fuel the demand for the high density interconnect ("HDI") PCB. In view of this, the Group has successfully expanded our plant in Jiangmen, Guangdong province, and plans to ramp up monthly production capacity of the high performance laminates to seize HDI PCB business opportunities in China market. Furthermore, plans for new glass fabric and glass yarn plants in Changzhou, Jiangsu province, are also underway. Trial production schedule will be fixed in due course in accordance with market demand.

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 Thursday, 15 September 2011 to Monday, 19 September 2011 (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 Wednesday, 14 September 2011.

DIRECTORS' INTERESTS

As at 30 June 2011, the interests of the Directors, chief executive and their respective 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")), which (1) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position which they were taken or deemed to have under such provisions of the SFO); (2) were recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (3) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), 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	354,000	0.012
Mr. Cheung Ka Ho	Beneficial owner	89,000	0.003
Ms. Chan Sau Chi	Beneficial owner	60,000	0.002
Mr. Mok Yiu Keung, Peter (<i>Note</i>)	Beneficial owner	150,000	0.005

Note: 150,000 Shares were held by his spouse.

(b) *Share options of the Company ("Share Options")*

Name of Director	Capacity	Interest in underlying Shares pursuant to Share Options
Mr. Cheung Kwok Wa	Beneficial owner	12,500,000
Mr. Cheung Kwok Keung	Beneficial owner	11,500,000
Mr. Cheung Kwok Ping	Beneficial owner	10,000,000
Mr. Lam Ka Po	Beneficial owner	10,000,000
Mr. Cheung Ka Ho	Beneficial owner	10,000,000
Ms. Chan Sau Chi	Beneficial owner	10,000,000

(c) *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.

(d) *Ordinary shares of HK\$0.10 each of KCHL ("KCHL Shares"), 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	2,317,000	0.271
Mr. Cheung Kwok Keung	Beneficial owner	1,567,352	0.183
Mr. Cheung Kwok Ping	Beneficial owner	2,738,653	0.320
Mr. Lam Ka Po	Beneficial owner	2,231,634	0.261
Mr. Cheung Ka Ho	Beneficial owner	290,000	0.034
Ms. Chan Sau Chi (Note 1)	Beneficial owner	2,940,000	0.344
Mr. Liu Min (Note 2)	Beneficial owner	97,500	0.011

Notes: (1) 2,830,000 KCHL Shares were held by her spouse.

(2) 97,500 KCHL Shares were held by his spouse.

(e) *Share options of KCHL ("KCHL Options")*

Name of Director	Capacity	Interest in underlying KCHL Shares pursuant to KCHL Options
Mr. Cheung Kwok Keung	Beneficial owner	2,440,000
Ms. Chan Sau Chi (<i>Note</i>)	Beneficial owner	2,600,000

Note: 2,600,000 KCHL Options were held by her spouse.

The interests are by virtue of KCHL Options which entitled the KCHL Options holders to subscribe for KCHL Shares at an exercise price of HK\$40.70 per share. These KCHL Options shall be exercisable only from the date of grant until 22 March 2019 with the maximum number of KCHL Shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of KCHL Shares subject to the KCHL Options from 21 March 2011 to 22 March 2019; (b) additional 25% of the total number of KCHL Shares subject to the KCHL Options from 21 March 2012 to 22 March 2019; (c) additional 25% of the total number of KCHL Shares subject to the KCHL Options from 21 March 2013 to 22 March 2019; and (d) remaining 25% of the total number of KCHL Shares subject to the KCHL Options from 21 March 2014 to 22 March 2019.

(f) *Warrants of KCHL ("Warrants")*

Name of Director	Capacity	Interest in underlying KCHL Shares pursuant to Warrants
Mr. Cheung Kwok Wa	Beneficial owner	124,700
Mr. Cheung Kwok Keung	Beneficial owner	215,985
Mr. Cheung Kwok Ping	Beneficial owner	246,865
Mr. Lam Ka Po	Beneficial owner	159,973
Mr. Cheung Ka Ho	Beneficial owner	5,000
Ms. Chan Sau Chi (<i>Note 1</i>)	Beneficial owner	182,000
Mr. Liu Min (<i>Note 2</i>)	Beneficial owner	9,000

Notes: (1) 181,000 Warrants were held by her spouse.

(2) 9,000 Warrants were held by his spouse.

The interests are by virtue of Warrants which entitle 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).

- (g) 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	694,600	0.372
Mr. Cheung Kwok Ping	Beneficial owner	486,000	0.260
Mr. Lam Ka Po	Beneficial owner	486,600	0.260
Ms. Chan Sau Chi (Note)	Beneficial owner	1,120,200	0.600

Note: 1,120,200 EEIC Shares were held by her spouse.

Other than as disclosed above, none of the Directors, chief executive 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 2011 which (1) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position they were taken or deemed to have under such provisions of SFO); (2) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (3) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Directors or chief executive of the Company, as at 30 June 2011, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:


Long position

The 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")	(1)	Beneficial owner	1,500,000	0.05
	(2)	Interest of controlled corporations	1,992,472,500	66.42
KCHL		Beneficial owner	77,823,500	2.60
	(3)	Interest of controlled corporations	1,914,649,000	63.82
Jamplan (BVI) Limited ("Jamplan")		Beneficial owner	1,790,000,000	59.66
	(4)	Interest of a controlled corporation	124,649,000	4.16
Capital Research and Management Company		Beneficial owner	212,493,851	7.08

Notes:

- (1) At 30 June 2011, (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, all of whom are Directors, are also directors of Hallgain.
- (2) The interests are held by KCHL directly and indirectly. KCHL is owned as to approximately 31.18% of the entire issued capital of KCHL by Hallgain as at 30 June 2011.
- (3) 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.
- (4) 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 2011 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES


During the six months ended 30 June 2011, 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 2011.

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 2011, 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 of the Model Code. Following a specific enquiry, each 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 six months ended 30 June 2011.

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

Hong Kong, 29 August 2011

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 Yue Kwong, Michael
Mr. Leung Tai Chiu
Mr. Mok Yiu Keung, Peter
Mr. Ip Shu Kwan, Stephen