

**KB** 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code : 1888



INTERIM REPORT  
**2012**

## 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 2012 together with the comparative figures for the corresponding period in 2011 as follows:

### Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	2	5,974,303	6,918,697
Cost of sales		(4,955,497)	(5,510,762)
Gross profit		1,018,806	1,407,935
Other income		66,142	32,378
Distribution costs		(132,454)	(145,886)
Administrative costs		(227,569)	(233,051)
Share-based payments		(18,587)	(13,012)
Share of result of an associate		(4,303)	–
Finance costs	4	(40,700)	(49,798)
Profit before taxation		661,335	998,566
Income tax expense	6	(90,733)	(99,106)
Profit for the period		570,602	899,460
Profit for the period attributable to:			
Owners of the Company		566,160	880,515
Non-controlling interests		4,442	18,945
		570,602	899,460
Earnings per share	8		
Basic		HK\$0.189	HK\$0.294
Diluted		HK\$0.189	HK\$0.293



## Condensed Consolidated Statement of Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2012</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>2011</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Profit for the period	<b>570,602</b>	899,460
Other comprehensive income for the period:		
Loss on cash flow hedging instruments	–	(253)
Reclassification adjustments relating to transfer of cash flow hedges	–	7,590
Fair value loss on available-for-sale investments	<b>(13,226)</b>	(3,341)
Exchange differences arising on translation to presentation currency	<b>(16,160)</b>	217,146
Other comprehensive (expense) income for the period	<b>(29,386)</b>	221,142
Total comprehensive income for the period	<b>541,216</b>	1,120,602
Total comprehensive income for the period attributable to:		
Owners of the Company	<b>540,068</b>	1,083,388
Non-controlling interests	<b>1,148</b>	37,214
	<b>541,216</b>	1,120,602

## Condensed Consolidated Statement of Financial Position

	Notes	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		221,325	87,650
Properties, plant and equipment	9	5,570,457	5,212,256
Prepaid lease payments		409,133	396,987
Available-for-sale investments		2,059,156	1,060,507
Held-to-maturity investments		423,177	271,434
Non-current deposits		404,952	162,139
Other non-current assets		712,707	712,707
Deferred tax assets		4,847	6,565
Interest in an associate		–	82,314
Goodwill		238	238
		<b>9,805,992</b>	<b>7,992,797</b>
<b>Current assets</b>			
Inventories		1,328,494	1,390,738
Trade and other receivables and prepayments	10	4,016,660	3,838,121
Bills receivables	10	1,574,932	1,592,009
Properties held for development		479,101	248,486
Prepaid lease payments		8,112	7,758
Amounts due from fellow subsidiaries		581,815	381,817
Taxation recoverable		7,063	7,063
Bank balances and cash		2,252,110	2,602,674
		<b>10,248,287</b>	<b>10,068,666</b>
<b>Current liabilities</b>			
Trade and other payables	11	1,607,663	1,596,272
Bills payables	11	247,887	207,168
Amounts due to fellow subsidiaries		32,537	31,061
Taxation payable		276,307	288,511
Bank borrowings – amount due within one year		615,389	665,261
		<b>2,779,783</b>	<b>2,788,273</b>
<b>Net current assets</b>		<b>7,468,504</b>	<b>7,280,393</b>
<b>Total assets less current liabilities</b>		<b>17,274,496</b>	<b>15,273,190</b>





	<b>30 June 2012 HK\$'000 (Unaudited)</b>	31 December 2011 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	70,289	3,366
Bank borrowings – amount due after one year	4,934,179	3,479,172
	<b>5,004,468</b>	3,482,538
	<b>12,270,028</b>	11,790,652
Capital and reserves		
Share capital	300,000	300,000
Reserves	10,853,643	10,444,986
Equity attributable to owners of the Company	<b>11,153,643</b>	10,744,986
Non-controlling interests	<b>1,116,385</b>	1,045,666
Total equity	<b>12,270,028</b>	11,790,652

## Condensed Consolidated Statement of Changes in Equity

### Attributable to owners of the Company

	Share capital	Share premium	Translation reserve	Properties revaluation reserve	Investment revaluation reserve	Hedging reserve	Share options reserve	Special reserve	Statutory reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(note a) HK\$'000	(note b) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2012	300,000	1,097,104	1,515,375	7,268	(115,744)	-	69,052	757,689	44,336	1,633	7,088,273	10,744,986	1,045,666	11,790,652
Profit for the period	-	-	-	-	-	-	-	-	-	-	566,160	566,160	4,442	570,602
Exchange differences arising on translation to presentation currency	-	-	(12,866)	-	-	-	-	-	-	-	-	(12,866)	(3,294)	(16,160)
Fair value loss on available-for-sale investments	-	-	-	-	(13,226)	-	-	-	-	-	-	(13,226)	-	(13,226)
Total comprehensive income for the period	-	-	(12,866)	-	(13,226)	-	-	-	-	-	566,160	540,068	1,148	541,216
Recognition of equity-settled share-based payments	-	-	-	-	-	-	18,589	-	-	-	-	18,589	-	18,589
Acquisition of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	69,571	69,571
Final dividend paid for the year ended 31 December 2011	-	-	-	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Transfer to reserve	-	-	-	-	-	-	-	-	2,651	-	(2,651)	-	-	-
	-	-	-	-	-	-	18,589	-	2,651	-	(152,651)	(131,411)	69,571	(61,840)
Balance at 30 June 2012	300,000	1,097,104	1,502,509	7,268	(128,970)	-	87,641	757,689	46,987	1,633	7,481,782	11,153,643	1,116,385	12,270,028
Balance at 1 January 2011	300,000	1,097,104	1,083,259	7,268	5,224	(9,838)	-	757,689	31,732	1,633	6,595,919	9,869,990	983,397	10,853,387
Profit for the period	-	-	-	-	-	-	-	-	-	-	880,515	880,515	18,945	899,460
Loss on cash flow hedging instruments	-	-	-	-	-	(253)	-	-	-	-	-	(253)	-	(253)
Exchange differences arising on translation to presentation currency	-	-	198,877	-	-	-	-	-	-	-	-	198,877	18,269	217,146
Transfer to profit or 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 non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(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	1,282,136	7,268	1,883	(2,501)	13,012	757,689	35,333	1,633	6,992,833	10,426,390	1,013,267	11,439,657

### Notes:

- 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) (the "PRC") under the applicable laws and regulations in the PRC.
- The other reserve represents the difference between the consideration paid for acquisition of additional interests in subsidiaries during 2010 and the adjustments to the non-controlling interests.



## Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2012</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>2011</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Net cash from operating activities	<b>588,364</b>	218,801
Net cash used in investing activities	<b>(2,019,906)</b>	(421,704)
Net cash from financing activities	<b>1,080,978</b>	611,138
Net (decrease) increase in cash and cash equivalents	<b>(350,564)</b>	408,235
Cash and cash equivalents at the beginning of the period	<b>2,602,674</b>	1,982,571
Cash and cash equivalents at the end of the period, representing bank balances and cash	<b>2,252,110</b>	2,390,806

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 condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

## **Business combinations – achieved in stages**

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

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

## **2. Revenue**

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Sales of:		
Glass epoxy laminates	<b>3,409,512</b>	4,039,025
Paper laminates	<b>1,199,630</b>	1,324,838
Upstream materials	<b>907,641</b>	1,127,770
Others	<b>457,520</b>	427,064
	<b>5,974,303</b>	6,918,697

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 and licence fee income.





### 3. Operating segments

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

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

#### Other segment information

The Group principally operates in the PRC (other than Hong Kong) (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 the external customers by geographical location of the customers:

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
PRC (country of domicile)	5,458,679	6,400,818
Other foreign countries:		
Other Asian countries	449,126	424,916
Europe	44,839	57,481
America	21,659	35,482
	5,974,303	6,918,697

Revenue from one of the Group's customers amounted to HK\$881,195,000 (six months ended 30 June 2011: HK\$1,170,283,000), which individually accounted for over 10% of the Group's total revenue for the period.

#### 4. Finance costs

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	43,235	46,851
Interest paid in relation to the interest rate swap contracts	–	5,821
	43,235	52,672
Less: Amounts capitalised in the cost of qualifying assets	(2,535)	(2,874)
	40,700	49,798

The weighted average capitalisation rate on funds borrowed generally is 2.0% per annum (six months ended 30 June 2011: 2.1% per annum).

#### 5. Depreciation

During the reporting period, depreciation of approximately HK\$373.8 million (six months ended 30 June 2011: HK\$385.8 million) was charged in respect of the Group's properties, plant and equipment.

#### 6. Income tax expense

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	–	4,314
Taxation arising in other jurisdictions	92,451	94,937
	92,451	99,251
Deferred taxation		
Credit for the period	(1,718)	(145)
	90,733	99,106

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



## 7. Interim dividend

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2012 of HK5 cents (six months ended 30 June 2011: HK10 cents) per share to the shareholders whose names appear on the register of members of the Company on Thursday, 20 September 2012. The dividend warrants will be dispatched on or around Wednesday, 26 September 2012.

## 8. 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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	566,160	880,515

	Number of shares	
	30 June 2012	30 June 2011
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 related to outstanding share options issued by the Company	–	584,511
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	3,000,000,000	3,000,584,511

No diluted earnings per share for the six months ended 30 June 2012 has been presented in respect of the Company's share options because the exercise price of the Company's share options was higher than the average market price of the Company's shares during the period.

## 9. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$183.0 million (six months ended 30 June 2011: HK\$189.4 million) on acquisition of properties, plant and equipment.

## 10. Trade and other receivables and prepayments and bills receivables

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade receivables	3,194,402	3,026,009
Advance to suppliers	205,878	264,441
Dividend income receivables	–	11,438
Interest income receivables	21,473	19,377
Prepayments and deposit	161,914	107,936
Value-added tax ("VAT") recoverable	334,195	313,373
Other receivables	98,798	95,547
	4,016,660	3,838,121

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 based on invoice date at the end of the reporting period:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0-90 days	2,157,859	2,036,420
91-180 days	980,714	942,227
Over 180 days	55,829	47,362
	<b>3,194,402</b>	<b>3,026,009</b>

Bills receivables of the Group are aged within 90 days (31 December 2011: 90 days) at the end of the reporting period.

#### 11. Trade and other payables and bills payables

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade payables	985,132	966,122
Accrued expenses	165,776	176,298
Payables for acquisition of properties, plant and equipment	43,985	37,877
Receipts in advance	106,758	101,223
Other tax payables	136,743	146,323
VAT payables	116,103	114,794
Other payables	53,166	53,635
	<b>1,607,663</b>	<b>1,596,272</b>

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

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0-90 days	781,860	767,426
91-180 days	160,606	157,324
Over 180 days	42,666	41,372
	<b>985,132</b>	<b>966,122</b>

Bills payables of the Group are aged within 90 days (31 December 2011: 90 days) at the end of the reporting period.





## 12. 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 (excluding, for this purpose, options lapsed in accordance with the terms of the Scheme) is 300,000,000 shares being 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.

A summary of the movements of the share options under the Scheme for the period is as follows:

	Number of share options outstanding as at 31 December 2011	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 2012	Option granted date	Exercise period	Exercise price HK\$
<b>Directors</b>									
Cheung Kwok Wa <i>(Executive Director)</i>	12,500,000	-	-	-	-	12,500,000	21 March 2011	21 March 2011 to 17 May 2017 <i>(Note)</i>	6.54
Cheung Kwok Keung <i>(Executive Director)</i>	11,500,000	-	-	-	-	11,500,000	21 March 2011	21 March 2011 to 17 May 2017 <i>(Note)</i>	6.54
Cheung Kwok Ping <i>(Executive Director)</i>	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 <i>(Note)</i>	6.54
Lam Ka Po <i>(Executive Director)</i>	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 <i>(Note)</i>	6.54
Cheung Ka Ho <i>(Executive Director)</i>	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 <i>(Note)</i>	6.54
Chan Sau Chi <i>(Executive Director)</i>	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017 <i>(Note)</i>	6.54
Sub-total	64,000,000	-	-	-	-	64,000,000			
<b>Employees</b>									
Sub-total	36,000,000	-	-	-	-	36,000,000			
Total	100,000,000	-	-	-	-	100,000,000			



*Note:* The share options under the Scheme were granted on 21 March 2011 at an exercise price of HK\$6.54 per share. 25% of the total share options are vested immediately at the date of grant. The remaining 75% will be split into three lots and will be vested on 21 March 2012, 2013 and 2014 respectively. The closing price of the Company's shares immediately before the date of grant was HK\$6.3.

As at the date of this interim report, the total number of shares available for issue under the Scheme is 100,000,000 shares, representing approximately 3.33% of the issued share capital.

The Group recognised the total expense of approximately HK\$18,587,000 (six months ended 30 June 2011: HK\$13,012,000) for the six months ended 30 June 2012 in relation to share options granted by the Company.

### 13. Capital commitments

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements for the:		
– acquisition of properties, plant and equipment	93,043	87,399
– capital injection in an unlisted equity investment	6,240	12,458
Capital expenditure in respect of acquisition of properties, plant and equipment authorised but not contract for	–	2,319

### 14. Contingent liabilities

During the year ended 31 December 2011, the Group and KBCF have been named as defendants in the Supreme Court of Bermuda in respect of an allegation of the affairs of KBCF have been and or are being conducted in a manner which is oppressive or unfairly prejudicial to the minority interests of KBCF. The petitioner is seeking an order to the Group to purchase all of the KBCF's shares held by petitioner at the price to be fixed by a valuer or Supreme Court of Bermuda. As at 30 June 2012, the Company and its Bermuda lawyers are of the view that the allegations are baseless and the petition is misconceived and without merit. The case is still on-going and the Company will take any and all appropriate steps to oppose the petition. Accordingly, no provision for liability has been made in connection with this claim.

## 15. Related party transactions

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

<b>Six months ended 30 June</b>		
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(i) Sales of goods and drilling services provided to fellow subsidiaries	<b>881,195</b>	1,170,283
(ii) Purchase of goods from fellow subsidiaries	<b>422,749</b>	357,228
(iii) Sales of laminates and copper to a substantial shareholder of ultimate holding company	<b>483,776</b>	337,289
(iv) Purchase of drill bits and machineries from a substantial shareholder of ultimate holding company	<b>76,559</b>	61,629





## 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 2012 ("1H 2012"). The Group continued to maintain the No.1 position in the world for the seventh consecutive year with a global market share of 14.2% in 2011 according to the latest report from Prismaark Partners LLC. Against the strong headwind caused by the European sovereign debt crisis and the slow US economic recovery, global demand for electronic products showed signs of weakness in 1H 2012. In addition, copper prices dropped against the same period last year. Hence, group turnover in 1H 2012 decreased by 14% to HK\$5,974.3 million with Renminbi ("RMB") revenue contribution accounting for 48% of our turnover. Net profit dropped 36% to HK\$566.2 million. The Group continued to deliver profitable results against an extremely challenging operating environment validating the ability of our experienced management team to react quickly in a volatile market. The Board resolved to declare an interim dividend of HK5 cents per share.

## Financial Highlights

	Six months ended 30 June		
	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>	Change
<b>Revenue</b>	<b>5,974.3</b>	6,918.7	-14%
<b>EBITDA</b>	<b>1,078.8</b>	1,438.4	-25%
<b>Profit before tax</b>	<b>661.3</b>	998.6	-34%
<b>Net profit attributable to owners of the Company</b>	<b>566.2</b>	880.5	-36%
<b>Basic earnings per share</b>	<b>HK18.9 cents</b>	HK29.4 cents	-36%
<b>Interim dividend per share</b>	<b>HK5.0 cents</b>	HK10.0 cents	-50%
<b>Dividend payout ratio</b>	<b>26%</b>	34%	
<b>Net asset value per share</b>	<b>HK\$3.72</b>	HK\$3.48	+7%
<b>Net gearing</b>	<b>27%</b>	20%	

## PERFORMANCE

Against a backdrop of slowing global economic recovery, customers made inventory adjustments which in turn impacted the demand for laminates. As copper prices decreased against the same period last year, average selling price ("ASP") of laminates, especially glass epoxy laminates ("FR4"), showed a downward trend. During 1H 2012, group laminate shipment volume decreased 3%, to an average monthly shipment volume of 7.8 million square metres. Revenue from composite epoxy material laminates ("CEM") and FR4 accounted for 57% of Group turnover while paper laminates sales accounted for 20% in 1H 2012. The balance mainly comprised sales of upstream materials and others. Group revenue was HK\$5,974.3 million.

Due to a tough business operating environment during the reporting period, profit of the Group was under pressure due to lower capacity utilisation compared with the same period last year. Earnings before interest, taxes, depreciation and amortisation ('EBITDA') were down to HK\$1,078.8 million with a net profit of HK\$566.2 million.

Due to lower shipment volume and strict cost control during 1H 2012, distribution costs and administrative costs decreased by 9% and 2% respectively. Finance costs were down 18% as a result of lower average bank borrowings during the reporting period against last year. With tax incentives for some of the subsidiaries expiring during the period, the effective tax rate rose to 13.7%.

## LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position stayed robust during the period. As at 30 June 2012, net current assets and current ratio of the Group were approximately HK\$7,468.5 million (31 December 2011 – HK\$7,280.4 million) and 3.69 (31 December 2011 – 3.61) respectively.

The net working capital cycle increased to 118 days as at 30 June 2012 from 100 days as at 31 December 2011 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 49 days (31 December 2011 – 46 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, increased to 115 days (31 December 2011 – 94 days).
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, increased to 46 days (31 December 2011 – 40 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was 27% (31 December 2011 – 13%). The proportion of bank borrowings between short term and long term was 11%:89% (31 December 2011: 16%:84%). The Group successfully secured a HK\$3 billion 4-year term syndicated loan in May this year which gives the Group additional financial strength to capture future business opportunities in the market.

The Group continued to adopt a prudent financial management policy. The Group had not entered into any type of derivative financial instruments throughout the six months of 2012. There was no material foreign exchange exposure to the Group during the period under review. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirement of operating expenses.





## HUMAN RESOURCES

As at 30 June 2012, the Group had a workforce of about 9,000 (31 December 2011 – 8,700). The increase in headcount was in line with business development of the Group. 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.

## PROSPECTS

The outlook for the global economy remains uncertain. Nevertheless, as a result of the Chinese government's policy toward encouraging domestic consumption, the domestic economy is expected to sustain growth at a steady pace. Order intake has shown a positive trend in the first two months of the third quarter of 2012. Capacity utilisation also improved against the previous quarter.

Management is confident of the prospects of the laminate business. In light of the volatile market ahead, our excellent management team will continue to sharpen the Group's competitive advantage by implementing prudent financial objectives, efficiency improvement and strict cost control initiatives. Furthermore, the Group will continue to advance market share by ongoing product mix enhancement and customer base expansion. Construction work at the Jiangmen laminate plant expansion in Guangdong province have been completed and trial production is scheduled for the end of this year. Preparation is also underway to expand production capacity at our Jiangyin plant in Jiangsu province to meet customer demand for high performance laminates.

## APPRECIATION

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

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 September 2012 to Thursday, 20 September 2012 (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 Monday, 17 September 2012.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, the interests of the Directors (including the Managing Director of the Company) in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### Long Position

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

Name of Director	Capacity	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheung Kwok Wa <sup>1</sup>	Beneficial owner	3,227,500	0.108
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 <sup>2</sup>	Beneficial owner	200,000	0.007

Notes:

1. 75,000 Shares were held by his spouse.
2. 200,000 Shares were held by his spouse.

#### (b) Share options of the Company

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 (Note)
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

Note:

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, the ultimate holding company of the Company**

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of KCHL
Mr. Cheung Kwok Wa <sup>1</sup>	Beneficial owner	5,092,000	0.596
Mr. Cheung Kwok Keung	Beneficial owner	1,967,352	0.230
Mr. Cheung Kwok Ping <sup>2</sup>	Beneficial owner	2,918,653	0.341
Mr. Lam Ka Po	Beneficial owner	2,431,634	0.285
Mr. Cheung Ka Ho	Beneficial owner	290,000	0.034
Ms. Chan Sau Chi <sup>3</sup>	Beneficial owner	2,940,000	0.344
Mr. Liu Min <sup>4</sup>	Beneficial owner	111,500	0.013
Mr. Mok Yiu Keung <sup>5</sup>	Beneficial owner	15,000	0.002

Notes:

1. 12,000 KCHL's shares were held by his spouse.
2. 30,000 KCHL's shares were held by his spouse.
3. 2,830,000 KCHL's shares were held by her spouse.
4. 111,500 KCHL's shares were held by his spouse.
5. 15,000 KCHL's shares were held by his spouse.

(e) **Share options of KCHL**

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in underlying shares of KCHL pursuant to share options</b>
Mr. Cheung Kwok Keung	Beneficial owner	2,440,000
Ms. Chan Sau Chi <sup>1</sup>	Beneficial owner	2,600,000

*Note:*

1. 2,600,000 share options of KCHL were held by her spouse.

(f) **Warrants of KCHL**

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in underlying shares of KCHL pursuant to warrants<sup>1</sup></b>
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 <sup>2</sup>	Beneficial owner	182,000
Mr. Liu Min <sup>3</sup>	Beneficial owner	9,000

*Notes:*

1. The interests are by virtue of warrants which entitled the warrant holders to subscribe for KCHL's 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).
2. 181,000 warrants were held by her spouse.
3. 9,000 warrants were held by his spouse.



**(g) Ordinary shares (“EEIC Shares”) in Elec & Eltek International Company Limited (“EEIC”), a fellow subsidiary of the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued EEIC Shares held</b>	<b>Approximate percentage of the issued share capital of EEIC</b>
Mr. Cheung Kwok Wa	Beneficial owner	706,200	0.377
Mr. Cheung Kwok Ping	Beneficial owner	500,000	0.267
Mr. Lam Ka Po	Beneficial owner	486,600	0.260
Ms. Chan Sau Chi <sup>1</sup>	Beneficial owner	1,120,200	0.599

*Note:*

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

Other than as disclosed above, none of the Directors (including the Managing Director of the Company) had any interests or short position 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 2012.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors (including the Managing Director of the Company), the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

### Long position

#### Shares

<b>Name of shareholder</b>	<i>Notes</i>	<b>Nature of interest</b>	<b>Number of issued Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Hallgain Management Limited (“Hallgain”)	(a) & (b)	Interest of controlled corporations	2,032,578,000	67.75
KCHL	(c)	Beneficial owner	113,845,000	3.79
		Interest of controlled corporations	1,918,733,000	63.96
Jamplan (BV) Limited (“Jamplan”)	(d)	Beneficial owner	1,790,000,000	59.67
		Interest of controlled corporation	128,733,000	4.29
Capital Research and Management Company		Investment manager	177,205,851	5.91

Notes:

- (a) At 30 June 2012, (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 were not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, being Directors, are also directors of Hallgain.
- (b) The interests are held by KCHL directly and indirectly. KCHL is owned as to approximately 32.76% of the entire issued capital of KCHL by Hallgain as at 30 June 2012.
- (c) The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KCHL. Mr. Lam Ka Po, being a Director, is also a director of Jamplan.
- (d) The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions which fall to be disclosed to the Company under Section 336 of the SFO in the issued share capital of the Company as at 30 June 2012.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2012, 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 2012.


## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As disclosed in the Corporate Governance Report contained in the Company's 2011 annual report, the Company has applied the principles under the Code on Corporate Governance Practices as in force for the period ended 31 December 2011 (the "Former Code") and has been in compliance with relevant provisions of the Former Code for that financial period.

The Stock Exchange has made various amendments to the Former Code set out in Appendix 14 of the Listing Rules, and the revised code, namely the "Corporate Governance Code and Corporate Governance Report" (the "Revised Code"), became effective on 1 April 2012. In the opinion of the Directors, the Company has been in compliance with relevant provisions of the Former Code from 1 January 2012 to 31 March 2012 and the Revised Code from 1 April 2012 to 30 June 2012, 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 Former Code and the Revised Code (as the case may be). 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 Former Code and the Revised Code (as the case may be).







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, each Directors has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding director's securities transactions adopted by the Company throughout the six months ended 30 June 2012.

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

Hong Kong, 31 August 2012

### **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