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KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

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

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

		Six months ended 30 June	
		2012	2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	2	5,974,303	6,918,697
Cost of sales		<u>(4,955,497)</u>	<u>(5,510,762)</u>
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	<u>(40,700)</u>	<u>(49,798)</u>
Profit before taxation		661,335	998,566
Income tax expense	6	<u>(90,733)</u>	<u>(99,106)</u>
Profit for the period		<u>570,602</u>	<u>899,460</u>
Profit for the period attributable to:			
Owners of the Company		566,160	880,515
Non-controlling interests		<u>4,442</u>	<u>18,945</u>
		<u>570,602</u>	<u>899,460</u>
Earnings per share	8		
Basic		<u>HK\$0.189</u>	<u>HK\$0.294</u>
Diluted		<u>HK\$0.189</u>	<u>HK\$0.293</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>570,602</u>	<u>899,460</u>
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	(13,226)	(3,341)
Exchange differences arising on translation to presentation currency	<u>(16,160)</u>	<u>217,146</u>
Other comprehensive (expense) income for the period	<u>(29,386)</u>	<u>221,142</u>
Total comprehensive income for the period	<u>541,216</u>	<u>1,120,602</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	540,068	1,083,388
Non-controlling interests	<u>1,148</u>	<u>37,214</u>
	<u>541,216</u>	<u>1,120,602</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012	31 December 2011
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
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
		<u>9,805,992</u>	<u>7,992,797</u>
Current assets			
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
		<u>10,248,287</u>	<u>10,068,666</u>
Current liabilities			
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
		<u>2,779,783</u>	<u>2,788,273</u>
Net current assets		<u>7,468,504</u>	<u>7,280,393</u>
Total assets less current liabilities		<u>17,274,496</u>	<u>15,273,190</u>
Non-current liabilities			
Deferred tax liabilities		70,289	3,366
Bank borrowings – amount due after one year		4,934,179	3,479,172
		<u>5,004,468</u>	<u>3,482,538</u>
		<u>12,270,028</u>	<u>11,790,652</u>
Capital and reserves			
Share capital		300,000	300,000
Reserves		10,853,643	10,444,986
Equity attributable to owners of the Company		<u>11,153,643</u>	<u>10,744,986</u>
Non-controlling interests		<u>1,116,385</u>	<u>1,045,666</u>
Total equity		<u>12,270,028</u>	<u>11,790,652</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 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 acquire 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 acquire 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 were 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:

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

Sales of laminates includes sales of glass epoxy laminates and paper laminates manufactured according to specifications required by customers. Sales of upstream materials includes sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. Others comprise drilling service which involves the drilling of holes into the laminates required by customers and sales of specialty resin and other materials and licence fee income.

3. OPERATING SEGMENT

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

The executive directors regularly review revenue and overall operating 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 People's Republic of China (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	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(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
	<u>5,974,303</u>	<u>6,918,697</u>

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	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(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
	<hr/>	<hr/>
	43,235	52,672
Less: Amounts capitalised in the cost of qualifying assets	(2,535)	(2,874)
	<hr/>	<hr/>
	40,700	49,798
	<hr/>	<hr/>

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	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	—	4,314
Taxation arising in other jurisdictions	92,451	94,937
	<hr/>	<hr/>
	92,451	99,251
Deferred taxation		
Credit for the period	(1,718)	(145)
	<hr/>	<hr/>
	90,733	99,106
	<hr/>	<hr/>

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	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	<u>566,160</u>	<u>880,515</u>
	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	<u>—</u>	<u>584,511</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>3,000,000,000</u>	<u>3,000,584,511</u>

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	31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	3,194,402	3,026,009
Advance to suppliers	205,878	264,441
Other receivables and prepayments	<u>616,380</u>	<u>547,671</u>
	<u>4,016,660</u>	<u>3,838,121</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 based on invoice date at the end of the reporting period:

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

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	31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	985,132	966,122
Accrued expenses	165,776	176,298
Other payables	456,755	453,852
	<u>1,607,663</u>	<u>1,596,272</u>

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

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

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

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 Prismark 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		Change
	2012 <i>HK\$'Million</i>	2011 <i>HK\$'Million</i>	
Revenue	5,974.3	6,918.7	-14%
EBITDA	1,078.8	1,438.4	-25%
Profit before tax	661.3	998.6	-34%
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Basic earnings per share	HK18.9 cents	HK29.4 cents	-36%
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Dividend payout ratio	26%	34%	
Net asset value per share	HK\$3.72	HK\$3.48	+7%
Net gearing	27%	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.

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

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 Yue Kwong, Michael, Leung Tai Chiu, Mok Yiu Keung, Peter and Ip Shu Kwan, Stephen, being the independent non-executive Directors.