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## KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1888)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

#### FINANCIAL HIGHLIGHTS

	<b>FY2012</b> <i>HK\$'million</i>	<b>FY2011</b> <i>HK\$'million</i>	<b>Change</b>
<b>Revenue</b>	12,483.2	13,205.0	-5%
<b>EBITDA</b>	2,161.1	2,417.1	-11%
<b>Profit before tax</b>	1,345.4	1,534.5	-12%
<b>Net profit attributable to owners of the Company</b>	1,163.9	1,325.0	-12%
<b>Basic earnings per share</b>	HK38.8 cents	HK44.2 cents	-12%
<b>Full-year dividend per share</b>	HK17.0 cents	HK15.0 cents	+13%
– Interim dividend per share	HK5.0 cents	HK10.0 cents	-50%
– Proposed final dividend per share	HK12.0 cents	HK5.0 cents	+140%
<b>Dividend payout ratio</b>	44%	34%	
<b>Net asset value per share</b>	HK\$3.94	HK\$3.58	+10%
<b>Net gearing</b>	16%	13%	

The board of directors (the “Board”) of Kingboard Laminates Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2012*

		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	12,483,227	13,204,979
Cost of sales		<u>(10,564,936)</u>	<u>(10,944,725)</u>
Gross profit		1,918,291	2,260,254
Other income, gains and losses	4	127,034	134,119
Distribution costs		(276,179)	(275,727)
Administrative costs		(419,619)	(414,058)
Share-based payments		(30,847)	(69,052)
Share of result of an associate		2,248	(4,668)
Gain on deemed disposal of an associate		30,377	–
Gain (loss) on disposal of available-for-sale investments		64,438	(503)
Gain on disposal of held-to-maturity investments		23,728	–
Impairment loss on available-for-sale investments		–	(1,919)
Finance costs	5	<u>(94,025)</u>	<u>(93,958)</u>
Profit before taxation		1,345,446	1,534,488
Income tax expense	7	<u>(179,505)</u>	<u>(176,650)</u>
Profit for the year		<u>1,165,941</u>	<u>1,357,838</u>
Profit for the year attributable to:			
Owners of the Company		1,163,941	1,324,958
Non-controlling interests		<u>2,000</u>	<u>32,880</u>
		<u>1,165,941</u>	<u>1,357,838</u>
Earnings per share	9		
Basic		<u>HK\$0.388</u>	<u>HK\$0.442</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2012*

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Profit for the year	<u>1,165,941</u>	<u>1,357,838</u>
Other comprehensive income:		
Gain on cash flow hedging instruments	–	9,838
Fair value gain (loss) on available-for-sale investments	227,389	(123,390)
Release upon disposal of available-for-sale investments	(64,438)	503
Impairment loss on available-for-sale investments	–	1,919
Exchange differences arising on translation to presentation currency	7,237	470,659
Share of other comprehensive income (expense) of an associate	<u>429</u>	<u>(6)</u>
Other comprehensive income for the year	<u>170,617</u>	<u>359,523</u>
Total comprehensive income for the year	<u><b>1,336,558</b></u>	<u><b>1,717,361</b></u>
Total comprehensive income attributable to:		
Owners of the Company	1,332,332	1,645,944
Non-controlling interests	<u>4,226</u>	<u>71,417</u>
	<u><b>1,336,558</b></u>	<u><b>1,717,361</b></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2012*

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Non-current assets			
Investment properties		913,829	87,650
Properties, plant and equipment		5,492,448	5,212,256
Prepaid lease payments		499,267	396,987
Available-for-sale investments		1,063,506	1,060,507
Held-to-maturity investments		–	271,434
Non-current deposits		79,867	162,139
Other non-current assets		–	712,707
Deferred tax assets		4,111	6,565
Interest in an associate		–	82,314
Goodwill		238	238
		<u>8,053,266</u>	<u>7,992,797</u>
Current assets			
Inventories		1,259,151	1,390,738
Trade and other receivables and prepayments	10	4,638,708	3,838,121
Bills receivables	10	1,250,298	1,592,009
Properties held for development		575,374	248,486
Other current assets		712,531	–
Prepaid lease payments		11,841	7,758
Amounts due from fellow subsidiaries		437,397	381,817
Taxation recoverable		7,063	7,063
Bank balances and cash		2,328,204	2,602,674
		<u>11,220,567</u>	<u>10,068,666</u>
Current liabilities			
Trade and other payables	11	1,488,561	1,596,272
Bills payables	11	109,518	207,168
Amounts due to fellow subsidiaries		32,447	31,061
Taxation payable		302,000	288,511
Bank borrowings – amount due within one year		1,310,796	665,261
		<u>3,243,322</u>	<u>2,788,273</u>
Net current assets		<u>7,977,245</u>	<u>7,280,393</u>
Total assets less current liabilities		<u>16,030,511</u>	<u>15,273,190</u>

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	98,144	3,366
Bank borrowings – amount due after one year	<u>3,041,681</u>	<u>3,479,172</u>
	<u>3,139,825</u>	<u>3,482,538</u>
	<u>12,890,686</u>	<u>11,790,652</u>
Capital and reserves		
Share capital	300,000	300,000
Reserves	<u>11,508,165</u>	<u>10,444,986</u>
Equity attributable to owners of the Company	11,808,165	10,744,986
Non-controlling interests	<u>1,082,521</u>	<u>1,045,666</u>
Total equity	<u>12,890,686</u>	<u>11,790,652</u>

*Notes:*

**1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to HKAS 12 Deferred tax: Recovery of underlying assets**

The Group has applied for the first time the amendments to HKAS 12 “Deferred tax: Recovery of underlying assets” in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property” are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company (“Directors”) reviewed the Group’s investment property portfolios and concluded that the investment properties located in Hong Kong and United Kingdom of carrying amount of approximately HK\$27,520,000 and HK\$686,340,000 at 31 December 2012 (2011 located in Hong Kong of approximately: HK\$25,780,000) have been presumed to be recovered through sales for the purpose of measuring deferred tax liabilities in respect of such properties.

However, the Group has rebutted the presumption that the Group’s investment properties located in the People’s Republic of China (“PRC”) of carrying amount of approximately HK\$199,969,000 at 31 December 2012 (2011: HK\$61,870,000) as such properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the adoption of amendments to HKAS 12 has no impact on the deferred tax liabilities in respect of properties located in the PRC.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively. However, in view of the insignificant increase in fair value changes in the Group’s investment properties located in Hong Kong and United Kingdom as of 31 December 2011 and during the year ended 31 December 2011 and 2012, no restated financial statements and financial effects of the Group’s financial performance and position are presented for prior year. Accordingly, no deferred tax will be recognised for the fair value changes of investment properties located in Hong Kong and United Kingdom for the year ended 31 December 2012.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 2. REVENUE

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

	2012 HK\$'000	2011 HK\$'000
Sales of goods:		
Glass epoxy laminates	7,186,224	7,807,483
Paper laminates	2,487,842	2,662,383
Upstream materials	1,816,204	1,881,718
Others	919,421	853,395
Income from property investment	73,536	–
	<u>12,483,227</u>	<u>13,204,979</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. Income from property investment mainly includes rental income derived.

## 3. OPERATING 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 maker ("CODM") of the Group, in order to allocate resources to segments and to assess their performances.

In the previous years, the executive directors only review the revenue and overall operating results derived from the sales of goods and provisions of drilling services on an aggregated basis and consider them as one single operating segment. Therefore, other than analysis on revenue (see note 2), no information on segment revenue and results was presented.

Upon acquisition of Linkfit Investment Holdings Limited ("Linkfit") which primarily involved in hotel ownership and operation, and the continuing expansion of the property development and investment operation in the current year, the Group's operations have been organised based on two operating divisions as described below. Similarly, the information reported to the CODM is also prepared on such basis. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The operating segments of the Group are as follows:

- Laminates operations ("Laminates") – manufacturing and sales of laminates and upstream materials, drilling services and licence fee income;
- Property development and investment ("Properties") – development of properties held for sale and property investment (including the hotel property and operation), including rental income, income from hotel accommodation and income from food and beverage of the hotel business.

The executive directors assess segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (share of result of an associate, gain on disposal of available-for-sale investments and held-to-maturity investments, impairment loss on available-for-sale investments, gain on deemed disposal of an associate, income tax expenses, finance costs, share-based payments and unallocated corporate income and expenses).

## Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

### Year ended 31 December 2012

	<b>Laminates</b> <i>HK\$'000</i>	<b>Properties</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue	<u>12,409,691</u>	<u>73,536</u>	<u>12,483,227</u>
Segment results	<u>1,318,868</u>	<u>4,850</u>	1,323,718
Share of result of an associate			2,248
Gain on deemed disposal of an associate			30,377
Gain on disposal of available-for-sale investments			64,438
Gain on disposal of held-to-maturity investments			23,728
Share-based payments			(30,847)
Finance costs			(94,025)
Unallocated corporate income			112,176
Unallocated corporate expenses			<u>(86,367)</u>
Profit before taxation			<u>1,345,446</u>

### 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:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
PRC (country of domicile)	11,482,874	12,232,709
Other foreign countries:		
Other Asian countries	870,581	800,083
Europe	76,623	111,310
America	<u>53,149</u>	<u>60,877</u>
	<u>12,483,227</u>	<u>13,204,979</u>

Revenue from one of the Group's customers amounted to HK\$1,618,568,000 (2011: HK\$2,026,694,000), which individually accounted for over 10% of the Group's total revenue for the year.



#### 4. OTHER INCOME, GAINS AND LOSSES

	2012 HK\$'000	2011 HK\$'000
Other income, gains and losses includes:		
Dividend income from available-for-sale investments	28,480	19,374
Gain on disposal of property, plant and equipment	–	3,632
Gain on fair value changes of investment properties	1,840	9,300
Interest income from available-for-sale investments	47,596	19,338
Interest income from held-to-maturity investments ( <i>Note</i> )	22,788	20,745
Other interest income	7,898	8,435
Net exchange gain	6,872	12,521

*Note:* Included in interest income for the year ended 31 December 2012 is the gain on amortisation of discount of held-to-maturity investments of HK\$1,052,000 (2011: loss on amortisation of premium of HK\$116,000).

#### 5. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on bank borrowings wholly repayable within five years	99,141	89,952
Interest paid in relation to the interest rate swap contracts	–	10,100
	99,141	100,052
<i>Less:</i> Amounts capitalised in the construction in progress	(5,116)	(6,094)
	94,025	93,958

The weighted average capitalisation rate on funds borrowed generally is 2.2% per annum (2011: 2.1% per annum).

#### 6. DEPRECIATION

During the year, depreciation of approximately HK\$709.0 million (2011: HK\$780.3 million) was charged in respect of the Group's properties, plant and equipment.

## 7. INCOME TAX EXPENSE

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
The amount comprises:		
Hong Kong Profits Tax		
Underprovision in previous years	496	322
PRC Enterprise Income Tax		
Charge for the year	176,555	174,422
Deferred taxation		
Charge for the year	2,454	1,906
	<u>179,505</u>	<u>176,650</u>

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

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%.

## 8. DIVIDENDS

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Dividends paid:		
Interim dividend for the year ended 31 December 2012 of HK5 cents (for the year ended 31 December 2011: HK10 cents) per ordinary share	150,000	300,000
Final dividend for the year ended 31 December 2011 of HK5 cents (for the year ended 31 December 2010: HK18 cents) per ordinary share	150,000	540,000
	<u>300,000</u>	<u>840,000</u>
Dividend proposed:		
Proposed final dividend of HK12 cents (for the year ended 31 December 2011: HK5 cents) per ordinary share	360,000	150,000

The final dividend of HK12 cents per ordinary share in respect of the year ended 31 December 2012 (2011: final dividend of HK5 cents per ordinary share in respect of the year ended 31 December 2011) has been proposed by the Directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>1,163,941</u>	<u>1,324,958</u>
	<b>Number of shares</b>	
	<b>2012</b> <i>'000</i>	<b>2011</b> <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,000,000</u>	<u>3,000,000</u>

No diluted earnings per share had been presented for the years ended 31 December 2012 and 2011 in respect of the assumed effects of share options granted in 2011 as the exercise price of the share options of the Group was higher than the average market price during the respective years.

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Trade receivables	3,091,149	3,026,009
Advance to suppliers	484,114	264,441
Dividend income receivables	–	11,438
Deposit for acquisition of land use right for development of properties held for sale	558,228	–
Interest income receivables	6,854	19,377
Prepaid expenses and deposits	145,038	107,936
Value-added tax (“VAT”) recoverable	253,532	313,373
Other receivables	<u>99,793</u>	<u>95,547</u>
	<u>4,638,708</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, which approximated the respective revenue recognition date.

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
0–90 days	2,004,334	2,036,420
91–180 days	1,030,254	942,227
Over 180 days	<u>56,561</u>	<u>47,362</u>
	<u>3,091,149</u>	<u>3,026,009</u>

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

# **11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES**

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Trade payables	822,925	966,122
Accrued expenses	178,609	176,298
Payables for acquisition of properties, plant and equipment	47,542	37,877
Receipts in advance	144,176	101,223
Other tax payables	132,866	146,323
VAT payables	104,798	114,794
Other payables	57,645	53,635
	<u>1,488,561</u>	<u>1,596,272</u>

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
0–90 days	629,534	767,426
91–180 days	156,957	157,324
Over 180 days	36,434	41,372
	<u>822,925</u>	<u>966,122</u>

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

## BUSINESS REVIEW

On behalf of the Board of Directors, I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (“the Company”) and its subsidiaries (“the Group”) delivered resilient results for the financial year ended 31 December 2012. The business operating environment was highly competitive during the year. Against the strong headwind caused by the European sovereign debt crisis and slow US economic recovery, overall demand for electronics products was soft during the year. In addition, copper prices fell against those of the previous year which caused a decline in the average selling price for laminates. The encouraging growth was in the domestic China market. During the year, the Group enjoyed a remarkable market share gain in the China domestic market. Group revenue marginally decreased by 5% to HK\$12,483 million with sales denominated in Renminbi (“RMB”) sales accounting for around 50% of total revenue.

Although shipment volume and laminate capacity utilization improved in the second half of 2012 against first half of the year, production capacity was still not fully utilized. Rising operating costs impacted the Group’s operating margin. Despite these circumstances, the Group continued to maintain a robust balance sheet and delivered profitable results with net profit down 12% to HK\$1,163.9 million.

In addition, the Group acquired a commercial property – 90 Fenchurch Street in London, England in October 2012. With an aggregate gross floor area (“GFA”) of 8,000 square metres, the property enjoying 100% occupancy rate, annual rental income generated from this property will be around HK\$40 million. At end of 2012, the Group owned a land bank with gross floor area of approximately 1.3 million square metres located at prime locations in cities such as Kunshan and Jiangyin in China.

The Board proposes a final dividend of HK12 cents per share subject to shareholders’ approval. Together with the interim dividend of HK5 cents per share paid in September 2012, this will constitute a total dividend of HK17 cents per share for the full year, representing a payout ratio of 44%.

## Financial Highlights

	<b>FY2012</b> <i>HK\$’million</i>	<b>FY2011</b> <i>HK\$’million</i>	<b>Change</b>
<b>Revenue</b>	12,483.2	13,205.0	-5%
<b>EBITDA</b>	2,161.1	2,417.1	-11%
<b>Profit before tax</b>	1,345.4	1,534.5	-12%
<b>Net profit attributable to owners of the Company</b>	1,163.9	1,325.0	-12%
<b>Basic earnings per share</b>	HK38.8 cents	HK44.2 cents	-12%
<b>Full-year dividend per share</b>	HK17.0 cents	HK15.0 cents	+13%
– Interim dividend per share	HK5.0 cents	HK10.0 cents	-50%
– Proposed final dividend per share	HK12.0 cents	HK5.0 cents	+140%
<b>Dividend payout ratio</b>	44%	34%	
<b>Net asset value per share</b>	HK\$3.94	HK\$3.58	+10%
<b>Net gearing</b>	16%	13%	

## PERFORMANCE

Laminates shipment volume and capacity utilization improved in 2012 against 2011, but average selling prices showed a downtrend against the previous year. Consolidated revenue of the Group was HK\$12,483 million. Sales volume increased 3% against last year with average monthly shipment of 8.09 million square metres. Revenue from composite epoxy material laminates (“CEM”) and glass epoxy laminates (“FR4”) accounted for 58% of Group turnover while paper laminates sales accounted for 20% in 2012. The balance mainly comprised sales of upstream material and others. Against a backdrop of fierce market competition in 2012, decline in copper price caused a drop in the average selling price of laminates. Furthermore, operating cost increases with under utilization of capacity during the year have impacted our margin. Gross profit margin declined to 15.4%. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) decreased by 11% to HK\$2,161.1 million.

Despite operating costs increases during the year, distribution cost was maintained at a similar level as last year as a result of operational efficiency improvement and strict costs control. Administrative costs were HK\$419.6 million, marginally up 1% against previous year. Finance costs remained level with 2011 at around HK\$94 million. Effective tax rate increased to 13.3% from 11.5% last year as PRC tax holiday for certain subsidiaries of the Group expired in the current year.

## LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position remained robust. As at 31 December 2012, net current assets and current ratio of the Group were approximately HK\$7,977.2 million (31 December 2011 – HK\$7,280.4 million) and 3.46 (31 December 2011 – 3.61) respectively.

The net working capital cycle increased to 114 days as at 31 December 2012 from 100 days as at 31 December 2011 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 44 days as the Group tightened control over inventory – inventory value decreased by 9% against last year end (31 December 2011 – 46 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, increased to 103 days (31 December 2011 – 94 days).
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days decreased to 33 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) increased to 16% (31 December 2011 – 13%). In 2012, the Group invested HK\$544 million in new production capacities and HK\$1,012 million in its property business. With an experienced professional management team and a solid business foundation with sound financial strength, the Group is confident that these investments will deliver attractive returns to shareholders in future. The ratio of bank borrowings between short term and long term stood at 30%:70% (31 December 2011: 16%:84%). The Group successfully arranged a HK\$3 billion 4-year term syndicated loan in May 2012 which gives the Group additional financial strength to capture future business opportunities in the market. About 6% of the bank borrowings was denominated in RMB and the rest in Hong Kong or US dollars.

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

## **HUMAN RESOURCES**

As at 31 December 2012, the Group had a workforce of approximately 8,900 (31 December 2011: 8,700). In addition to offering competitive salary packages, the Group grants discretionary bonuses to eligible employees based on its overall financial achievement and their individual performance.

## **PROSPECTS**

Customer order intake showed signs of strong momentum at the onset of 2013. Management is confident of the growth prospects of the domestic market in China. The Chinese government will continue to re-engineer domestic economic growth by encouraging urbanization with the aim of narrowing the living standard gap between rural and urban residents. Demand for electronic products, especially smart phones and high-end consumer products, is expected to maintain robust growth as the disposable income of Chinese consumers continues to rise. This would definitely be a positive driver for laminate demand. The Group will allocate more resources into business development in the domestic China market in order to further advance our market share.

The Group continues to invest in production capacities expansion. Currently monthly capacity of the Group has reached 10 million square metres. We will continue to invest in product mix enhancement to expand our customer base. Construction work for the Jiangmen laminates plant, Guangdong province has been completed. The Group also plans to expand the production capacity of Jiangyin laminates plant further within the current year. In order to capture business opportunities for thin and high-performance laminates, the Group will continue to expand production capacity for thin laminates in southern and eastern China.

The Group's first residential project, Jiangyin Kingboard Yu Garden Phase I in Jiangsu Province has made good progress in its pre-sale. The project is scheduled for completion in 2014. Our key investment properties in China and London will continue to generate stable rental income stream for the Group.

## **APPRECIATION**

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

## **FINAL DIVIDEND**

The proposed final dividend of HK12 cents per share, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 6 May 2013 ("2013 AGM"), is to be payable on Tuesday, 21 May 2013 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 14 May 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of the Members of the Company will be closed during the following periods:

- (i) From Friday, 3 May 2013 to Monday, 6 May 2013, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 AGM. In order to be eligible to attend and vote at the 2013 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 2 May 2013; and
- (ii) From Friday, 10 May 2013 to Tuesday, 14 May 2013, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 9 May 2013.

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

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (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 31 December 2012, save for the deviation that the non-executive Directors 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 Directors 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 year ended 31 December 2012.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange of Hong Kong Limited.



## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual financial statements of the Group for the year ended 31 December 2012.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 8 March 2013

*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, 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.*