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建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code: 1888

INTERIM REPORT 2013



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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	6,311,226	5,974,303
Cost of sales		(5,299,691)	(4,955,497)
Gross profit		1,011,535	1,018,806
Other income, gains and losses	5	79,853	66,142
Distribution costs		(139,695)	(132,454)
Administrative costs		(222,366)	(227,569)
Share-based payments		(8,019)	(18,587)
Share of result of an associate		–	(4,303)
Finance costs	6	(65,612)	(40,700)
Profit before taxation		655,701	661,335
Income tax expense	8	(84,528)	(90,733)
Profit for the period		571,173	570,602
Profit for the period attributable to:			
Owners of the Company		569,683	566,160
Non-controlling interests		1,490	4,442
		571,173	570,602
Earnings per share	10		
Basic		HK\$0.190	HK\$0.189





Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit for the period	571,173	570,602
Other comprehensive income (expense) for the period:		
Items that may be subsequently reclassified to profit or loss:		
Fair value loss on available-for-sale investments	(81,465)	(13,226)
Exchange differences arising on translation to presentation currency	214,841	(16,160)
Other comprehensive income (expense) for the period	133,376	(29,386)
Total comprehensive income for the period	704,549	541,216
Total comprehensive income for the period attributable to:		
Owners of the Company	691,590	540,068
Non-controlling interests	12,959	1,148
	704,549	541,216

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets			
Investment properties		1,178,038	913,829
Properties, plant and equipment	11	5,401,062	5,492,448
Prepaid lease payments		430,349	499,267
Available-for-sale investments		1,882,826	1,063,506
Non-current deposits		122,212	79,867
Deferred tax assets		3,709	4,111
Goodwill		238	238
		9,018,434	8,053,266
Current assets			
Inventories		1,312,993	1,259,151
Trade and other receivables and prepayments	12	4,337,843	4,638,708
Bills receivables	12	946,844	1,250,298
Properties held for development		2,770,847	575,374
Other current assets		712,531	712,531
Prepaid lease payments		10,300	11,841
Amounts due from fellow subsidiaries		433,257	437,397
Taxation recoverable		7,063	7,063
Bank balances and cash		1,825,738	2,328,204
		12,357,416	11,220,567
Current liabilities			
Trade and other payables	13	1,609,851	1,488,561
Bills payables	13	275,062	109,518
Amounts due to fellow subsidiaries		34,397	32,447
Taxation payable		302,193	302,000
Bank borrowings – amount due within one year		1,537,782	1,310,796
		3,759,285	3,243,322
Net current assets		8,598,131	7,977,245
Total assets less current liabilities		17,616,565	16,030,511





	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	98,159	98,144
Bank borrowings – amount due after one year	4,281,637	3,041,681
	4,379,796	3,139,825
	13,236,769	12,890,686
Capital and reserves		
Share capital	300,000	300,000
Reserves	11,847,774	11,508,165
Equity attributable to owners of the Company	12,147,774	11,808,165
Non-controlling interests	1,088,995	1,082,521
Total equity	13,236,769	12,890,686

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	Share options reserve	Special reserve	Statutory reserve	Other reserve	Retained 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
Balance at 1 January 2013	300,000	1,097,104	1,520,615	7,268	47,207	99,899	757,689	46,963	1,633	7,929,567	11,808,165	1,062,521	12,890,686
Profit for the period	-	-	-	-	-	-	-	-	-	569,683	569,683	1,490	571,173
Exchange differences arising on translation to presentation currency	-	-	203,372	-	-	-	-	-	-	-	203,372	11,469	214,841
Fair value loss on available-for-sale investments	-	-	-	-	(81,465)	-	-	-	-	-	(81,465)	-	(81,465)
Total comprehensive income for the period	-	-	203,372	-	(81,465)	-	-	-	-	569,683	691,590	12,959	704,549
Recognition of equity-settled share-based payments	-	-	-	-	-	8,019	-	-	-	-	8,019	-	8,019
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3,985)	(3,985)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
Final dividend paid for the year ended 31 December 2012	-	-	-	-	-	-	-	-	-	(360,000)	(360,000)	-	(360,000)
Transfer to reserve	-	-	-	-	-	-	-	3,326	-	(3,326)	-	-	-
	-	-	-	-	-	8,019	-	3,326	-	(363,326)	(351,991)	(6,485)	(358,466)
Balance at 30 June 2013	300,000	1,097,104	1,724,187	7,268	(34,258)	107,918	757,689	50,309	1,633	8,135,924	12,147,774	1,088,995	13,236,769
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	7,068,273	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	46,967	1,633	7,481,792	11,153,643	1,116,385	12,270,028

Notes:

- (a) Statutory reserve comprises statutory fund, which is non-distributable, represents capitalisation of retained profits of certain subsidiaries established in People's Republic of China ("PRC") for capital re-investment in these subsidiaries and funds shall be used to (i) make up prior year losses or (ii) expand production operations.
- (b) 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 interest.





Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(277,803)	588,364
Net cash used in investing activities	(1,263,493)	(2,019,906)
Net cash from financing activities	1,038,830	1,080,978
Net decrease in cash and cash equivalents	(502,466)	(350,564)
Cash and cash equivalents at the beginning of the period	2,328,204	2,602,674
Cash and cash equivalents at the end of the period, representing bank balances and cash	1,825,738	2,252,110

Notes:

1. Basis of preparation

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").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and 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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvement to HKFRSs 2009–2011 cycle
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income; and
HK(IFRIC)*– Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretation Committee.

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





3. Revenue

Revenue represents the amounts received and receivable by the Group from the sales of goods, provision of 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 period is as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Sales of glass epoxy laminates	3,597,229	3,409,512
Sales of paper laminates	1,271,198	1,199,630
Sales of upstream materials	914,004	907,641
Others	468,231	457,520
Income from property investment	60,564	–
	6,311,226	5,974,303

Sales of laminates includes 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 services, which involve 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 includes rental income from leasing of investment properties, income from hotel accommodation and income from food and beverage and other ancillary services of the hotel operation.

4. Segment information

The Group's operating and reportable segments have been identified on the basis of internal management reports prepared in accordance with the 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 corresponding period in 2012, the executive directors only reviewed the revenue and overall operating results derived from the sales of goods and provisions of drilling services on an aggregated basis and considered them as one single operating segment. Therefore, other than analysis on revenue (see note 3), no information on segment revenue and results was presented.

Upon acquisition of Linkfit Investment Holdings Limited, which is primarily involved in hotel ownership and operation, and the continuing expansion of the property development and investment operation, 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 and other material, drilling services and licence fee income.
- Property development and investment (“Properties”) – development of properties held for sale and property investments, generating income from property investment as described in note 3.

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 (income tax expense, 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:

Six months ended 30 June 2013	Laminates <i>HK\$'000</i> <i>(Unaudited)</i>	Properties <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
Segment revenue	6,250,662	60,564	6,311,226
Segment result	679,396	13,510	692,906
Share-based payments			(8,019)
Unallocated corporate income			76,213
Unallocated corporate expenses			(39,787)
Finance costs			(65,612)
Profit before taxation			655,701

Revenue from one of the Group’s customers amounted to HK\$897,494,000 (six months ended 30 June 2012: HK\$881,195,000), which individually accounted for over 10% of the Group’s total revenue for the period.

5. Other income, gains and losses

	Six months ended 30 June	
	2013 <i>HK\$'000</i> <i>(Unaudited)</i>	2012 <i>HK\$'000</i> <i>(Unaudited)</i>
Other income, gains and losses include:		
Dividend income from available-for-sale investments	7,160	10,556
Interest income from available-for-sale investments	59,859	16,382
Interest income from held-to-maturity investments	–	18,960





6. Finance costs

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on bank borrowing wholly repayable within five years	68,488	43,235
Less: Amounts capitalised in the construction in progress	(2,876)	(2,535)
	65,612	40,700

The weighted average capitalisation rate on funds borrowed generally is 2.1% per annum (six months ended 30 June 2012: 2.0% per annum).

7. Depreciation

During the period, depreciation of approximately HK\$356.7 million (six months ended 30 June 2012: HK\$373.8 million) was charged in respect of the Group's properties, plant and equipment.

8. Income tax expense

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	1,403	–
PRC Enterprise Income Tax	82,723	92,451
	84,126	92,451
Deferred taxation		
Charge (credit) for the period	402	(1,718)
	84,528	90,733

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits.

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% from 1 January 2008 onwards.

9. Interim dividend

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2013 of HK5 cents (six months ended 30 June 2012: HK5 cents) per share to the shareholders whose names appear on the register of members of the Company on Thursday, 19 September 2013. The dividend warrants will be dispatched on or around Thursday, 26 September 2013.

10. Earnings per share

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

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	569,683	566,160

	Number of shares	
	30 June 2013	30 June 2012
Number of ordinary shares for the purpose of calculating basic earnings per share	3,000,000,000	3,000,000,000

No diluted earnings per share has been presented for the six months ended 30 June 2013 and 2012 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 period.

11. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$191.8 million (six months ended 30 June 2012: HK\$183.0 million) on acquisition of properties, plant and equipment.

12. Trade and other receivables and prepayments and bills receivables

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade receivables	3,281,343	3,091,149
Advance to suppliers	480,061	484,114
Deposits for acquisition of land use right for development of properties held for sale	–	558,228
Interest income receivables	33,559	6,854
Prepaid expenses and deposits	142,394	145,038
Value-added tax ("VAT") recoverable	247,364	253,532
Other receivables	153,122	99,793
	4,337,843	4,638,708





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:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0-90 days	2,131,101	2,004,334
91-180 days	1,088,079	1,030,254
Over 180 days	62,163	56,561
	3,281,343	3,091,149

Bills receivables of the Group are aged within 90 days (31 December 2012: 90 days) at the end of the reporting period.

13. Trade and other payables and bills payables

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade payables	906,890	822,925
Accrued expenses	152,811	178,609
Payables for acquisition of properties, plant and equipment	92,010	47,542
Receipts in advance	182,797	144,176
Other tax payables	77,268	132,866
VAT payables	109,077	104,798
Other payables	88,998	57,645
	1,609,851	1,488,561

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0-90 days	721,466	629,534
91-180 days	140,012	156,957
Over 180 days	45,412	36,434
	906,890	822,925

Bills payables of the Group are aged within 90 days (31 December 2012: 90 days) at the end of the reporting period.

14. Share options

The existing 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 is 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.

An 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 and 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 and any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares of the Company issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the share capital of the Company then in issue unless approved by the shareholders of the Company and KCHL in general meetings.





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 1 January 2013	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 2013	Options grant date	Exercise period (Note)	Exercise price HK\$
Executive Directors									
Cheung Kwok Wa	12,500,000	-	-	-	-	12,500,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
Cheung Kwok Keung	11,500,000	-	-	-	-	11,500,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
Cheung Kwok Ping	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
Lam Ka Po	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
Cheung Ka Ho	10,000,000	-	-	-	-	10,000,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
Sub-total	54,000,000	-	-	-	-	54,000,000			
Employees									
Sub-total	46,000,000	-	-	-	-	46,000,000			
Total	100,000,000	-	-	-	-	100,000,000			

Note: 25% of the total share options are vested immediately at the date of grant. The remaining 75% will be split evenly into three equal lots and will be vested from 21 March 2012, 2013 and 2014 respectively. As at 30 June 2013, 75,000,000 (31 December 2012: 50,000,000) were exercisable. The closing price of the Company's shares immediately before the date of grant was HK\$6.3.

The Group recognised the total expense of approximately HK\$8,019,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$18,587,000) in relation to the share options granted by the Company.

As at 30 June 2013, the total number of shares in respect of which options had been granted and remained outstanding was 100,000,000 (31 December 2012: 100,000,000) representing 3.33% (31 December 2012: 3.33%) of the issued shares of the Company on that date.

15. Capital and other commitments

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition of properties, plant and equipment	55,322	130,513
– capital injection in an unlisted equity investment	6,308	6,308
Other expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition of other expenditure relating to properties held for development	–	1,488,102

16. Contingent liabilities

During the year ended 31 December 2011, the Company and certain subsidiaries (the “Defendants”) were named as respondents in certain proceedings before the Supreme Court of Bermuda in respect of allegations that of the affairs of Kingboard Copper Foil Holdings Limited (“KBCF”) had been and or were being conducted in a manner which is oppressive or unfairly prejudicial to the minority interests of KBCF. The petitioner is seeking an order for the Defendants to repurchase all of the shares in KBCF which are held by petitioner at the price to be fixed by a valuer or the Supreme Court of Bermuda. As at 30 June 2013, the pleadings have been finalised and the parties are engaged in the discovery of documents. No provision for liability has been made by the Group in connection with this claim.

17. Related party transactions

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

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
(i) Sales of goods and drilling services provided to fellow subsidiaries	897,494	881,195
(ii) Purchase of goods from fellow subsidiaries	481,497	422,749
(iii) Sales of laminates and copper to subsidiaries of a shareholder with significant influence over the ultimate holding company	485,702	483,776
(iv) Purchase of drill bits and machineries from subsidiaries of a shareholder with significant influence over the ultimate holding company	107,823	76,559





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 satisfactory results for the six months ended 30 June 2013 (“1H 2013”). According to the latest report from Prismaark Partners LLC, the Group continued to maintain the No.1 position in the world for the eighth consecutive year with a global market share of 13.6% in 2012. During the reporting period, US economic data indicated a positive trend while Euro-zone economy continued to stabilise. In China, the central government was dedicated to promote domestic consumption which contributed to a steady and sustained growth in the domestic economy. Global electronics demand has been driven by high technology products. In line with this shift in market trend, our management team optimised our product mix with diversified product offerings to capture business opportunities in the market. Group revenue increased by 6% to HK\$6,311.2 million with Renminbi (“RMB”) sales accounting for around 57% of total revenue. Net profit attributable to owners of the Company increased by 1% to HK\$569.7 million. The Board resolved to declare an interim dividend of HK5 cents per share.

Financial Highlights

	Six months ended 30 June		
	2013 <i>HK\$ Million</i>	2012 <i>HK\$ Million</i>	Change
Revenue	6,311.2	5,974.3	+6%
EBITDA	1,084.4	1,078.8	+1%
Profit before tax	655.7	661.3	-1%
Net profit attributable to owners of the Company	569.7	566.2	+1%
Basic earnings per share	HK19.0 cents	HK18.9 cents	+1%
Interim dividend per share	HK5.0 cents	HK5.0 cents	–
Dividend payout ratio	26%	26%	–
Net asset value per share	HK\$4.05	HK\$3.72	+9%
Net gearing	30%	27%	

PERFORMANCE

As 3G and 4G telecommunication technology started to roll out in China, demand for high-end electronic products such as smart-phones and tablet computer remained robust. Meanwhile domestic automotive market and demand for LED-related products were buoyant which boosted the domestic demand for laminates. The Group increased output of high-performance laminates in order to secure greater share in these market sectors.

Capacity utilisation improved in 1H 2013. Overall laminate shipment volume was up 8%, to an average monthly shipment of 8.5 million square meters in 1H 2013. Revenue from composite epoxy material laminates (“CEM”) and glass epoxy laminates (“FR4”) accounted for 57% of Group turnover, while paper laminates sales accounted for 20%. The balance mainly comprised sales of upstream material and others. On the other hand, average selling price (“ASP”) of laminates, especially FR4 laminates showed a downward trend due to lower copper prices against same period last year.

Consolidated revenue of the Group was HK\$6,311.2 million, up 6% against the same period last year. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were HK\$1,084.4 million with a net profit of HK\$569.7 million. As shipment volume increased, distribution costs increased by 5%. Financing costs were up 61% as a result of higher average bank borrowings during the reporting period against last year.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position remained robust. As at 30 June 2013, net current assets and current ratio of the Group were approximately HK\$8,598.1 million (31 December 2012 – HK\$7,977.2 million) and 3.29 (31 December 2012 – 3.46) respectively.

The net working capital cycle decreased to 110 days as at 30 June 2013 from 114 days as at 31 December 2012 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 45 days (31 December 2012 – 44 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, increased to 107 days (31 December 2012 – 103 days).
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, increased to 42 days (31 December 2012 – 33 days).

The Group’s net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) increased to 30% (31 December 2012 – 16%) mainly due to the payment of outstanding land premium of HK\$1.6 billion for land acquired in 2012. The ratio of bank borrowings between short term and long term stood at 26%:74% (31 December 2012: 30%:70%).

The Group continued to adopt a prudent financial management policy. The Group did not enter into any type of derivative financial instruments throughout 1H 2013. There was no material foreign exchange exposure for 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 2013, the Group had a workforce of approximately 9,500 (31 December 2012: 8,900). In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on its overall financial achievement and their individual performance.

PROSPECTS

Looking ahead, the global business operating environment remains positive. The Chinese government continues to encourage domestic consumption and push ahead with restructuring the economic growth model by accelerating urbanisation. Demand for electronic products, automobiles as well as LED-related products is expected to maintain strong growth momentum. This would in turn translate into a positive driver for laminates demand. The Group will focus on business development in the domestic China market in order to further advance our market share.

In the second half of 2013, the Group will continue to increase laminates production capacity. Trial production of our Jiangmen laminate plant in Guangdong province has been completed and the Jiangyin plant in Jiangsu province will continue to expand with further product mix upgrades. The Group's first residential project, Jiangyin Kingboard Yu Garden phase I in Jiangsu Province has made good progress with its pre-sale. The project is scheduled for completion in 2014.

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 the members of the Company will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013 (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, 16 September 2013.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, the interests of the Directors and chief executive 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 (“Share”)

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company %
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	6,535,500	0.218
Mr. Cheung Ka Ho	Beneficial owner	89,000	0.003
Mr. Mok Yiu Keung, Peter	Interest of spouse	200,000	0.007

Note:

1. 75,000 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

(c) Non-voting deferred shares of HK\$1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company

Name of Director	Capacity	Number of non-voting deferred shares held
Mr. Cheung Kwok Wa	Beneficial owner	1,058,000
Mr. Cheung Kwok Keung	Beneficial owner	529,000
Mr. Cheung Kwok Ping	Beneficial owner	952,200
Mr. Lam Ka Po	Beneficial owner	581,900

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 ¹	Beneficial owner/ Interest of spouse	6,891,900	0.672
Mr. Cheung Kwok Keung	Beneficial owner	732,422	0.071
Mr. Cheung Kwok Ping ²	Beneficial owner/ Interest of spouse	3,382,383	0.330
Mr. Lam Ka Po	Beneficial owner	2,917,360	0.284
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.037
Mr. Liu Min ³	Beneficial owner/ Interest of spouse	331,800	0.032
Mr. Mok Yiu Keung	Interest of spouse	18,000	0.002

Notes:

1. 74,400 KCHL's shares were held by his spouse.
2. 36,000 KCHL's shares were held by his spouse.
3. 211,800 KCHL's shares were held by his spouse.

(e) Share options of KCHL

Name of Director	Capacity	Interest in underlying shares of KCHL pursuant to share options
Mr. Cheung Kwok Keung	Beneficial owner	2,928,000

(f) Ordinary shares ("EEIC Shares") in Elec & Eltek International Company Limited ("EEIC"), a fellow subsidiary of the Company

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC %
Mr. Cheung Kwok Wa	Beneficial owner	706,200	0.378
Mr. Cheung Kwok Ping	Beneficial owner	500,000	0.267
Mr. Lam Ka Po	Beneficial owner	486,600	0.260

Other than as disclosed above, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2013.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Shares

Name of shareholder	Notes	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company %
Hallgain Management Limited ("Hallgain")	(a) & (b)	Interest of controlled corporations	2,197,983,500(L)	73.27
KCHL	(c)	Beneficial owner	117,783,500(L)	3.93
		Interest of controlled corporations	2,080,200,000(L)	69.34
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner	1,790,000,000(L)	59.67
		Interest of controlled corporation	290,200,000(L)	9.67
Capital Research and Management Company		Investment Manager	177,205,851(L)	5.91
Citigroup Inc.	(e)	Investment Manager	174,619,675(L)	5.82
			415,366(S)	0.01
			19,952,342(P)	0.67
Cheah Cheng Hye		Beneficial owner	1,250,000(L)	0.04
		Founder of a discretionary trust	151,952,500(L)	5.07
To Hau Yin		Interest of spouse	153,202,500(L)	5.11
Value Partners Group Limited	(f)	Investment Manager	151,952,500(L)	5.07

(L) The letter "L" denotes a long position.

(S) The letter "S" denotes a short position.

(P) The letter "P" denotes interest in a lending pool.





Notes:

- (a) At 30 June 2013, (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its Directors are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.
- (b) The interests are held by KCHL directly and indirectly. KCHL is owned as to approximately 34.28% of the entire issued capital of KCHL by Hallgain as at 30 June 2013.
- (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.
- (e) Citigroup Inc. wholly controlled (a) Citigroup Holdings Inc., a company wholly controlled Citibank N.A.. Citibank N.A. was interested in a long position of 19,952,342 Shares as a beneficial owner; (b) Citigroup Global Markets Holdings Inc., a company wholly controlled Citigroup Financial Products Inc..

Umbrella Asset Services Hong Kong Limited, which was interested in a long position of 25,678,500 Shares and a short position of 6,333 Shares as a beneficial owner, was wholly controlled by Citigroup Financial Products Inc..

Citigroup Global Markets Inc., which was interested in a long position of 51,386,000 Shares as a beneficial owner, was wholly controlled by Citigroup Financial Products Inc.

Citigroup Financial Products Inc. wholly controlled Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG. Citigroup Global Markets Limited, which was interested in a long position of 77,596,833 Shares and a short position of 409,033 Shares as a beneficial owner, was wholly controlled by Citigroup Global Markets Europe Limited, which was 64.67% controlled by Citigroup Financial Products Inc., 35.22% controlled by Citigroup Global Markets International LLC and 0.11% controlled by Citigroup Global Markets (International) Financial AG.

Citigroup Financial Products Inc. wholly controlled Citigroup Global Markets Switzerland Holding GmbH. Citigroup Global Markets Overseas Finance Limited, which was 51.86% controlled by Citigroup Global Markets (International) Finance AG and 48.14% controlled by Citigroup Global Markets Switzerland Holding GmbH, wholly controlled Citigroup Global Markets Hong Kong Holdings Limited. Citigroup Global Markets Asia Limited, which was interested in a long position of 6,000 Shares as a beneficial owner, was wholly controlled by Citigroup Global Markets Hong Kong Holdings Limited.

- (f) Value Partners Limited was wholly controlled by Value Partners Hong Kong Limited, a company wholly controlled by Value Partners Group Limited. Value Partners Group Limited is a company listed in Hong Kong and was controlled as to 28.47% by Cheah Capital Management Limited. Cheah Capital Management Limited was wholly controlled by Cheah Company Limited, a company wholly controlled by Hang Seng Bank Trustee International Limited in the capacity as a trustee of a trust.

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 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2013, 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 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has been in compliance with relevant provisions of the Code on Corporate Governance (the "Code") throughout the period ended 30 June 2013, save for the deviation that the non-executive Director and independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.





The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard 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 2013.

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

Hong Kong, 16 August 2013

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
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