KB

KINGBOARD LAMINATES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- Revenue posted strong growth of 23% to exceed HK$10.4 billion
- Profit attributable to equity holders of the Company was up 11% to a record high of HK$1,813.3 million
- Return on equity attributable to equity holders of the Company stayed healthy at 31.1%
- Solid financial position with net gearing ratio 23%

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 2007 together with the comparative figures for the year ended 31 December 2006 as follows:

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Revenue	*3*	10,426,783	8,472,422
Cost of sales		(7,671,540)	(6,058,390)
Gross profit		2,755,243	2,414,032
Other income	*4*	69,631	77,508
Distribution costs		(178,744)	(155,890)
Administrative costs		(423,159)	(376,062)
Finance costs	*5*	(168,136)	(73,064)
Share of result of an associate		–	(762)
Discount on acquisition of additional interest in a subsidiary		–	1,498
Profit before taxation		2,054,835	1,887,260
Income tax expense	*7*	(129,226)	(145,849)
Profit for the year		1,925,609	1,741,411
Attributable to:			
Equity holders of the Company		1,813,269	1,638,134
Minority interests		112,340	103,277
		1,925,609	1,741,411
Dividends	*8*	300,000	2,277,051
Earnings per share	*9*		
Basic		HK$0.604	HK$0.573

Consolidated Balance Sheet
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties		40,537	40,220
Properties, plant and equipment		5,152,176	4,065,323
Prepaid lease payments		193,187	171,961
Available-for-sale investments		19,800	9,000
Non-current deposits		221,589	15,166
Deferred tax assets		1,632	–
Goodwill		238	–
		5,629,159	4,301,670
Current assets			
Inventories		1,510,586	1,339,463
Trade and other receivables and prepayments	*10*	3,510,045	2,710,257
Prepaid lease payments		4,199	4,015
Amounts due from fellow subsidiaries		391,767	173,181
Derivative financial instruments		1,637	3,704
Taxation recoverable		12,074	266
Bank balances and cash		1,471,742	1,713,324
		6,902,050	5,944,210
Current liabilities			
Trade and other payables	*11*	892,259	729,872
Bills payable		600,967	550,424
Amounts due to fellow subsidiaries		4,042	4,881
Derivative financial instruments		1,184	195
Taxation payable		228,255	245,174
Bank borrowings – amount due within one year		636,634	540,687
		2,363,341	2,071,233
Net current assets		4,538,709	3,872,977
Total assets less current liabilities		10,167,868	8,174,647
Non-current liabilities			
Deferred tax liabilities		–	543
Bank borrowings – amount due after one year		2,573,462	2,535,000
		2,573,462	2,535,543
		7,594,406	5,639,104
Capital and reserves			
Share capital		300,000	300,000
Share premium and reserves		6,439,745	4,638,168
Equity attributable to equity holders of the Company		6,739,745	4,938,168
Minority interests		854,661	700,936
Total equity		7,594,406	5,639,104

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 10 May 2006, and its shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 7 December 2006. Its ultimate holding company is Kingboard Chemical Holdings Limited ("KCHL"), an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on the main board of the Stock Exchange.

Through a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the companies comprising the Group. Details of the Group Reorganisation are more fully explained in the paragraph headed "Corporate Reorganization" in Appendix VI to the prospectus of the Company dated 24 November 2006.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2006 have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 December 2006 or since their respective dates of incorporation, whichever is the shorter period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment

The adoption of these new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions[2]
HK(IFRIC)-INT 12	Service concession arrangements[3]
HK(IFRIC)-INT 13	Customer loyalty programmes[4]
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company ("Directors") anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments

The analysis of the Group's revenue by geographical market, based on geographical location of customers, for each of the years is as follows:

	2007 *HK$'000*	**2006** *HK$'000*
The People's Republic of China (the "PRC")	9,566,919	7,649,605
Other Asian countries	675,821	585,531
Europe	128,319	179,095
America	55,724	58,191
	10,426,783	8,472,422

Business segments

No business segment analysis is shown as more than 90% of the Group's principal business activities is the sale of laminates and related products.

4. OTHER INCOME

	2007 *HK$'000*	**2006** *HK$'000*
Other income comprises:		
Dividends from available-for-sale investments	–	901
Rental income	7,738	6,014
Gain on fair value changes of investment properties	317	7,163
Gain on fair value changes of foreign currency forward contracts	86	23
Interest income on bank deposits	30,559	23,068
Management fee income from fellow subsidiaries	–	22,610
Net exchange gain	29,547	9,091
Others	1,384	8,638
	69,631	77,508

5. FINANCE COSTS

	2007 *HK$'000*	**2006** *HK$'000*
Interest on bank borrowings wholly repayable within five years	169,025	74,926
Interest expense to holding companies and fellow subsidiaries	–	45,701
Other finance charges	3,177	5,944
	172,202	126,571
Fair value changes of interest rate swap	(1,054)	(50,463)
	171,148	76,108
Less: Interest capitalised	(3,012)	(3,044)
	168,136	73,064

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5% for 2007 (2006: 5%) to expenditures on qualifying assets.

6. DEPRECIATION

During the year, depreciation of HK$564.6 million (2006: HK$458.5 million) was charged in respect of the Group's properties, plant and equipment.

7. INCOME TAX EXPENSE

	2007 *HK$'000*	**2006** *HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	1,644	3,472
Overprovision in previous years	–	(9,461)
	1,644	(5,989)
Taxation arising in other jurisdictions		
Charge for the year	134,315	159,781
(Over)underprovision in previous years	(4,558)	4,216
	129,757	163,997
Deferred taxation		
Credit for the year	(2,175)	(12,159)
	129,226	145,849

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rates for certain subsidiaries from current tax rate 33% to 25% starting from 1 January 2008.

8. DIVIDENDS

	2007 *HK$'000*	**2006** *HK$'000*
Dividends paid		
Interim dividend for 2007 of HK10 cents per ordinary share	300,000	–
Dividends paid by the Company and certain subsidiaries prior to the Group Reorganisation to:		
– KCHL and its subsidiaries	–	2,257,666
– Minority shareholders of subsidiaries	–	19,385
	300,000	2,277,051
Dividend proposed		
Proposed final dividend for 2007 of HK20 cents (2006: Nil) per ordinary share	600,000	–

The final dividend of HK20 cents per ordinary share has been proposed by the Directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

During the year ended 31 December 2006, dividends of HK$2,277,051,000 was paid by the Company and certain subsidiaries to KCHL and its subsidiaries and the minority shareholders of subsidiaries prior to the Group Reorganisation.

9. EARNINGS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic earnings per share	1,813,269	1,638,134

	Number of shares	
	2007	2006
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	3,000,000	2,859,863

No diluted earnings per share has been presented as the Company does not have any dilutive potential ordinary shares.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	2,460,430	2,147,557
Bills receivables	603,108	322,087
Other receivables and prepayments	446,507	240,613
	3,510,045	2,710,257

The Group allows credit periods of up to 120 days, depending on the products sold, to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	1,740,770	1,681,537
91 – 180 days	699,835	463,176
Over 180 days	19,825	2,844
	2,460,430	2,147,557

All bills receivables are aged within 90 days at the balance sheet dates.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$467,771,000 (2006: HK$392,810,000). The following is an aged analysis of trade payables at the balance sheet dates:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	413,504	327,433
91 – 180 days	33,669	43,929
Over 180 days	20,598	21,448
	467,771	392,810

BUSINESS REVIEW

On behalf of the Board of Directors, I am delighted to share with our shareholders that Kingboard Laminates Holdings Limited ("the Company") and its subsidiaries ("the Group") achieved both record revenue and net profit for the financial year ended 31 December 2007. Our excellent achievement was made possible by careful phase by phase planning of our organic expansion and meticulous execution by the dedicated management team. In light of the Group's strong underlying performance and subject to shareholders' approval, the Board proposes a final dividend of HK20 cents per share to reward our shareholders. Together with the interim dividend of HK10 cents per share paid in September 2007, this will constitute a total dividend of HK30 cents per share for the full year or dividend payout ratio of 50% which is higher than our target of not less than 30% dividend payout ratio.

Financial highlights

- Revenue posted strong growth of 23% to exceed HK$10.4 billion
- Profit attributable to equity holders of the Company was up 11% to a record high of HK$1,813.3 million
- Return on equity attributable to equity holders of the Company stayed healthy at 31.1%
- Solid financial position with net gearing ratio 23%

PERFORMANCE

The general economic environment continued its positive momentum in 2007 in spite of modest inventory adjustment in the electronics supply chain in the first quarter and late 2007. The Group has been persistently focusing on capacity expansion and capability upgrading in the past few years so as to ride on the business opportunities as they arise. Being the largest global laminate producer backed by the reliable support of our successful vertically integrated business model with competitive cost structure, the Group has captured additional market share in the global laminate market and achieved higher than industry average growth year-on-year.

Consolidated revenue of the Group was up 23% from fiscal year 2006 to HK$10,426.8 million. Earnings before interest and tax ("EBIT") increased by 13% to HK$2,223.0 million over previous year. Volume sales were up around 14% with average monthly shipment reaching 7.7 million square meters. Revenue growth outpaced volume growth largely due to the faster sales growth of glass epoxy laminates which commanded higher selling price than paper laminates. Average selling price ("ASP") of laminate increased over previous year for both paper and glass epoxy laminates as a result of high raw material costs during the year.

The new glass epoxy laminate plant in Jiangyin, Jiangsu province commenced production in April 2007 and reached monthly output of 600,000 sheets by end of 2007. Our glass epoxy laminate manufacturing facility in Fogang, Guangdong province also increased its output by 400,000 sheets per month in 2007. Subsequent to these expansion initiatives, total monthly glass epoxy laminate production capacity for the Group increased by 1 million sheets against the previous year. This was in line with our strategy to reinforce our presence in PCB manufacturing hubs in both southern and eastern China so as to serve our customers with timely delivery of quality laminate products. To bolster our level of vertical integration, production capacity of other upstream materials, such as copper foil, bleached kraft paper and epoxy resin was also increased during the year.

The increase in distribution costs by 15% was in line with the increased product shipment. Compared to the magnitude of the revenue growth, administrative expenses increased by only 13% as a result of better operating leverage. Finance cost amounted to HK$168.1 million, mainly relating to the interest expenses incurred on the 5-year term loan facility of HK$2.5 billion drawn in December 2006 and trust receipt loans drawn to fund our working capital.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position continued to be strong. As at 31 December 2007, net current assets and current ratio of the Group were approximately HK$4,538.7 million (31 December 2006 – HK$3,873.0 million) and 2.92 (31 December 2006 – 2.87), respectively.

The net working capital cycle improved slightly to 121 days as at 31 December 2007 from 124 days as at 31 December 2006 on the following key metrics:

– Inventories, in terms of stock turnover days, decreased to 72 days (31 December 2006 – 81 days)

– Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, stayed unchanged at 100 days (31 December 2006 – 100 days)

– Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, decreased to 51 days (31 December 2006 – 57 days)

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) improved marginally to 23% (31 December 2006 – 24%) as a result of our positive operating cash inflow after funding working capital requirement, payment of interest and tax and capital expenditure during the reporting year. In 2007, the Group invested HK$1,364 million in new production capacity and made deposits for properties, plant and equipment of HK$222 million. We also paid interim dividend of HK$300 million in September 2007 in respect of the year ended 31 December 2007.

The proportion of bank borrowings between short term and long term was 20%:80% (31 December 2006: 18%:82%). As of 31 December 2007, the Group had committed bank lines of HK$565 million. Together with cash on hand of HK$1.4 billion, the Group is in a strong financial position to invest in future earnings growth. Only 1% of the bank borrowings was denominated in Renminbi and the rest in Hong Kong or US dollars.

The Group continued to adopt a prudent financial management policy. Subsequent to the 2007 year end, we have entered interest rate swap agreements of notional amount of HK$1.5 billion with reputable financial institutions in order to secure lower interest rates for part of our bank borrowings in the next few years. There was no material foreign exchange exposure to the Group during the year under review. The Group's revenue, mostly dominated in Hong Kong dollars, Renminbi and US dollars, was fairly matched with the currency requirement of operating expenses.

PROSPECTS

With an excellent growth track record, we are confident that the competitive advantages gained in the past will enable the Group to seize new opportunities and continue to invest for sustainable growth. Although the recent slow down in the US economy has posted a challenge to the entire manufacturing sector, we believe, in light of our financial strength and solid business fundamentals, the Group will continue to create shareholders value and, similar to other downturns in the past, make further advancement against our competitors.

Demand for laminates at the start of 2008 experienced brief softness due to seasonal effect of Chinese Lunar New Year. The power shortage and logistic bottleneck caused by the snowstorm in eastern and southern China provinces had caused temporary disruption to certain production facilities located in the north of Guangdong province for about one week. The affected operations have since then resumed full production. In view of fast growing PCB demand in emerging markets including China , we will continue capacity expansion at our laminate plants in Fogang, Guangdong province and Jiangyin, Jiangsu province to bring total laminate monthly production capacity to 10.6 million square meters, up 10% by the end of 2008. Our new glass yarn plant in Qingyuan, Guangdong province was slightly behind schedule as bad weather in the second half of 2007 had caused delay in the construction work. Nevertheless, trial production had commenced towards end January 2008 and monthly output will reach 2,500 tonnes once the plant is fully ramp up. Glass fabric and copper foil production capacity will also expand in the new financial year in order to secure a stable supply of critical upstream materials to support our expansion blueprint. To capitalise on our broad customer base with diverse product requirements, the Group is continuously developing high end laminate products including thin and high performance laminates.

HUMAN RESOURCES

As at 31 December 2007, the Group had a workforce of over 8,600 (31 December 2006: 7,200). The increase in headcount was in line with our ongoing expansion blueprint. In addition to offering competitive salary package, the Group grants discretionary bonuses to eligible employees based on our overall financial achievement and their individual performance.

APPRECIATION

Finally, 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 year.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK20 cents per ordinary share for the financial year ended 31 December 2007 to be payable on or around 8 May 2008 to the Company's shareholders whose names appear on the register of members of the Company on 5 May 2008 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 April 2008 to Monday, 5 May 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving the final dividend, the Company's shareholders are reminded to ensure that all share transfers, 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, 28 April 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2007.

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"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

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.

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 2007.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 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, 17 March 2008

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 Charnwut Bernard, Chan Yue Kwong, Michael, Leung Tai Chiu and Mok Yiu Keung, Peter, being the independent non-executive Directors.

"Please also refer to the published version of this announcement in The Standard."