KB

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 2011

FINANCIAL HIGHLIGHTS

	FY2011	**FY2010**	**Change**
	HK$'million	*HK$'million*	
Revenue	13,205.0	13,055.2	+1%
EBITDA*	2,486.2	3,304.5	-25%
Profit before tax*	1,603.5	2,480.1	-35%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,394.0	2,124.0	-34%
– Reported net profit	1,325.0	2,280.4	-42%
Basic earnings per share			
– Based on underlying net profit*	HK46.5 cents	HK70.8 cents	-34%
– Based on reported net profit	HK44.2 cents	HK76.0 cents	-42%
Full-year dividend per share	HK15.0 cents	HK34.0 cents	-56%
– Interim dividend per share	HK10.0 cents	HK16.0 cents	-38%
– Proposed final dividend per share	HK5.0 cents	HK18.0 cents	-72%
Dividend payout ratio	34%	45%	
Net asset value per share	HK$3.58	HK$3.29	+9%
Net gearing	13%	14%	

* *Excluding:*

2011: share-based payments of HK$69.1 million
2010: gain on disposal of available-for-sale investments of HK$156.4 million

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 2011 together with the comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	**2010** *HK$'000*
Revenue	*2*	13,204,979	13,055,205
Cost of sales		(10,944,725)	(9,875,039)
Gross profit		2,260,254	3,180,166
Other income	*4*	134,119	68,717
Distribution costs		(275,727)	(274,128)
Administrative costs		(414,058)	(446,506)
Share-based payments		(69,052)	–
Share of result of an associate		(4,668)	–
(Loss) gain on disposal of available-for-sale investments		(503)	173,463
Impairment loss on available-for-sale investments		(1,919)	–
Finance costs	*5*	(93,958)	(65,245)
Profit before taxation		1,534,488	2,636,467
Income tax expense	*7*	(176,650)	(269,783)
Profit for the year		1,357,838	2,366,684
Profit for the year attributable to:			
Owners of the Company		1,324,958	2,280,380
Non-controlling interests		32,880	86,304
		1,357,838	2,366,684
Earnings per share	*9*		
Basic		HK$0.442	HK$0.760

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011 *HK$'000*	2010 *HK$'000*
Profit for the year	1,357,838	2,366,684
Other comprehensive income:		
Gain (loss) on cash flow hedging instruments	9,838	(6,517)
Reclassification adjustments relating to transfer of cash flow hedges	–	29,650
Fair value gain on properties transferred to investment properties	–	7,268
Fair value (loss) gain on available-for-sale investments	(123,390)	178,337
Release upon disposal of available-for-sale investments	503	(173,463)
Impairment loss on available-for-sale investments	1,919	–
Exchange differences arising on translation to presentation currency	470,659	270,625
Share of other comprehensive loss of an associate	(6)	–
Other comprehensive income for the year	359,523	305,900
Total comprehensive income for the year	1,717,361	2,672,584
Total comprehensive income attributable to:		
Owners of the Company	1,645,944	2,560,648
Non-controlling interests	71,417	111,936
	1,717,361	2,672,584

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties		87,650	75,624
Properties, plant and equipment		5,212,256	5,425,825
Prepaid lease payments		396,987	386,701
Available-for-sale investments		1,060,507	730,751
Held-to-maturity investments		271,434	–
Properties held for development		–	244,985
Non-current deposits		162,139	110,176
Other non-current assets		712,707	–
Deferred tax assets		6,565	7,671
Interest in an associate		82,314	–
Goodwill		238	238
		7,992,797	6,981,971
Current assets			
Inventories		1,390,738	2,286,037
Trade and other receivables and prepayments	10	3,838,121	3,592,366
Bills receivables	10	1,592,009	1,126,077
Properties held for development		248,486	–
Prepaid lease payments		7,758	7,481
Amounts due from fellow subsidiaries		381,817	456,259
Taxation recoverable		7,063	7,063
Bank balances and cash		2,602,674	1,982,571
		10,068,666	9,457,854
Current liabilities			
Trade and other payables	11	1,596,272	1,243,969
Bills payables	11	207,168	403,417
Amounts due to fellow subsidiaries		31,061	28,012
Derivative financial instruments		–	43,331
Taxation payable		288,511	348,243
Bank borrowings – amount due within one year		665,261	2,147,486
		2,788,273	4,214,458
Net current assets		7,280,393	5,243,396
Total assets less current liabilities		15,273,190	12,225,367
Non-current liabilities			
Deferred tax liabilities		3,366	2,566
Bank borrowings – amount due after one year		3,479,172	1,369,414
		3,482,538	1,371,980
		11,790,652	10,853,387
Capital and reserves			
Share capital		300,000	300,000
Reserves		10,444,986	9,569,990
Equity attributable to owners of the Company		10,744,986	9,869,990
Non-controlling interests		1,045,666	983,397
Total equity		11,790,652	10,853,387

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 HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised 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.

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

Amendments to HKFRS 7 and HKFRS 9	Disclosures – Transfers of financial assets[1] Disclosures – Offsetting financial assets and financial liabilities[2] Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of financial assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company (the "Directors") anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. The application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments but do not expect the application of HKFRS 9 will have material effect on the financial liabilities and other financial assets of the Group.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK (SIC) – Int 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred tax – Recovery of underlying assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, 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 through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. In the opinion of the Directors, the application of HKAS 12 may result in a decrease in the profit for the year and an increase in the deferred tax liabilities at the end of the reporting period as a result of additional deferred tax provisions on land appreciation taxes in relation to the Group's investment properties located in the People's Republic of China (the "PRC") presuming these investment properties are to be recovered through sales. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The Directors anticipate that the application of the other new and revised standards. amendments or interpretations 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 and licence fee income provided to outside customers, net of discounts, returns and sales related taxes. Analysis for each year is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Sales of:		
Glass epoxy laminates	7,807,483	7,492,013
Paper laminates	2,662,383	2,886,769
Upstream materials	1,881,718	2,068,056
Others	853,395	608,367
	13,204,979	13,055,205

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 service which involves the drilling of holes into the laminates required by customers and sales of specialty resin and other materials and licence fee income.

3. OPERATING SEGMENT

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

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

Other segment information

The Group principally operates in the 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 external customers by geographical location of the customers:

	2011 *HK$'000*	2010 *HK$'000*
PRC (country of domicile)	12,232,709	12,189,695
Other foreign countries:		
Other Asian countries	800,083	677,683
Europe	111,310	112,266
America	60,877	75,561
	13,204,979	13,055,205

Revenue from one of the Group's customer amounting to HK$2,026,694,000 (2010: HK$2,591,093,000), which individually accounted for over 10% of the Group's total revenue for the year.

4. OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Other income includes:		
Rental income	17,036	13,192
Gain on fair value changes of investment properties	9,300	7,550
Gain on disposal of property, plant and equipment	3,632	–
Interest income	27,773	18,230
Interest income from held-to-maturity investments	20,745	–
Net exchange gain	12,521	13,197
Dividend income from available-for-sale investments	19,374	–

5. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Interest on bank borrowings wholly repayable within five years	89,952	43,347
Interest paid in relation to the interest rate swap contracts	10,100	29,650
	100,052	72,997
Less: Amounts capitalised in the cost of qualifying assets	(6,094)	(7,752)
	93,958	65,245

The weighted average capitalisation rate on funds borrowed generally is 2.1% per annum (2010: 2.2% per annum).

6. DEPRECIATION

During the year, depreciation of approximately HK$780.3 million (2010: HK$751.9 million) was charged in respect of the Group's properties, plant and equipment.

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Underprovision in previous years	322	2,313
PRC Enterprise Income Tax		
Charge for the year	174,422	268,427
Deferred taxation		
Charge (credit) for the year	1,906	(957)
	176,650	269,783

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit.

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

	2011	2010
	HK$'000	*HK$'000*
Dividends paid		
Interim dividend for 2011 of HK10 cents (2010: HK16 cents) per ordinary share	300,000	480,000
Final dividend for 2010 of HK18 cents (2009: HK18 cents) per ordinary share	540,000	540,000
	840,000	1,020,000
Dividend proposed		
Proposed final dividend of HK5 cents (2010: HK18 cents) per ordinary share	150,000	540,000

The final dividend of HK5 cents per ordinary share in respect of the year ended 31 December 2011 (2010: final dividend of HK18 cents per ordinary share in respect of the year ended 31 December 2010) 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:

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	1,324,958	2,280,380

	Number of shares	
	2011	2010
	'000	*'000*
Number of ordinary shares for the purpose of calculating basic earnings per share	3,000,000	3,000,000

The calculation of diluted earnings per share does not take into account on the effects of share options granted in 2011 as the exercise price of the outstanding share options of the Group was higher than the average market price during the year.

No diluted earnings per share had been presented as the Company did not have any potential ordinary shares in 2010.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	3,026,009	2,857,375
Advance to suppliers	264,441	249,573
Dividend income receivables	11,438	–
Interest income receivables	19,377	6,753
Prepayments and deposits	107,936	97,534
Value-added tax ("VAT") recoverable	313,373	319,157
Other receivables	95,547	61,974
	3,838,121	3,592,366

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:

	2011	2010
	HK$'000	*HK$'000*
0–90 days	2,036,420	2,023,205
91–180 days	942,227	804,839
Over 180 days	47,362	29,331
	3,026,009	2,857,375

Bills receivables of the Group are aged within 90 days (2010: 90 days) at the end of the reporting period.

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	966,122	562,517
Accrued expenses	176,298	193,326
Payables for acquisition of properties, plant and equipment	37,877	150,271
Receipts in advance	101,223	42,091
Other tax payables	146,323	108,428
VAT payables	114,794	81,748
Other payables	53,635	105,588
	1,596,272	1,243,969

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

	2011	2010
	HK$'000	*HK$'000*
0–90 days	767,426	495,735
91–180 days	157,324	37,759
Over 180 days	41,372	29,023
	966,122	562,517

Bills payables of the Group are aged within 90 days (2010: 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 2011. Revenue of the Group grew marginally by 1% to HK$13,205.0 million. The Group faced an extremely tough operating environment during the year. Impacted by the Japanese earthquake as well as the severe flooding in Thailand during the year against a backdrop of the European sovereign debt crisis, global economy was clouded over with uncertainty. The only bright spot of growth was in the domestic China market. During the year, the Group enjoyed remarkable market share gain in China's domestic market with sales denominated in Renminbi ("RMB") increasing by around 13% against last year to account for 47% of total revenue.

Raw material input costs and other operating expenses continued to rise during 2011. Furthermore, the Thailand flooding in the last quarter of 2011 caused serious component shortages in the electronic supply chain. Hence, both shipment volume and capacity utilization of our laminate production facilities were seriously affected in FY11 Q4 as our customers adjusted their inventory. This translated into weaker margins for the Group in the second half of 2011. Despite this downturn in market demand, the Group continued to maintain a robust balance sheet and delivered profitable results with net profit (excluding non-recurring item) decreasing 34% to HK$1,394.0 million.

The Board proposes a final dividend of HK5 cents per share subject to shareholders' approval. Together with the interim dividend of HK10 cents per share paid in September 2011, this will constitute a total dividend of HK15 cents per share for the full year, representing a payout ratio of 34%.

Financial Highlights

	FY2011 *HK$'million*	**FY2010** *HK$'million*	**Change**
Revenue	13,205.0	13,055.2	+1%
EBITDA*	2,486.2	3,304.5	-25%
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Basic earnings per share			
– Based on underlying net profit*	HK46.5 cents	HK70.8 cents	-34%
– Based on reported net profit	HK44.2 cents	HK76.0 cents	-42%
Full-year dividend per share	HK15.0 cents	HK34.0 cents	-56%
– Interim dividend per share	HK10.0 cents	HK16.0 cents	-38%
– Proposed final dividend per share	HK5.0 cents	HK18.0 cents	-72%
Dividend payout ratio	34%	45%	
Net asset value per share	HK$3.58	HK$3.29	+9%
Net gearing	13%	14%	

* *Excluding:*

2011: share-based payments of HK$69.1 million
2010: gain on disposal of available-for-sale investments of HK$156.4 million

Performance

Laminates shipment volume in the third quarter of 2011 ("FY11 Q3") improved against that of the previous quarter as the impact of the Japanese earthquake began to subside at the start of FY11 Q3. However, the European sovereign debt crisis showed signs of deterioration towards the end of September. Commodity prices fell sharply as global markets anticipated a dampening effect on global economic growth. In addition, the severe flooding in Thailand in FY11 Q4 also caused significant disruption of component supply along the electronic supply chain which resulted in aggressive inventory adjustment by electronic products producers. This in turn translated into weaker demand for laminate products in the last quarter of 2011. Hence, shipment volume, capacity utilization and average selling prices of laminates fell in FY11 Q4 and resulted in weaker margins for the Group. Consolidated revenue of the Group was HK$13,205.0 million. Volume sales decreased around 9% against the previous year with average monthly shipment of 7.88 million square meters. Despite a net increase in the average selling price of laminates against the previous year, continuous raw material and operating costs increase in 2011 as well as lower capacity utilization in FY11 Q4 impacted our margin, gross profit declined to 17% from 24% in 2011. Earnings before interest, tax, depreciation and amortisation ("EBITDA") (excluding non-recurring item) decreased by 25% to HK$2,486.2 million.

Although shipment volume decreased, distribution costs increased marginally by 1% against last year owing to increases in fuel costs and other operating expenses. Administrative costs were HK$414.1 million, down 7% against previous year as a result of operational efficiency improvement as well as strict cost control. Finance costs increased by 44% as a result of higher outstanding bank borrowings during the year. Effective tax rate increased to 11.5% from 10.2% 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 with strong operating cash inflow. As at 31 December 2011, net current assets and current ratio of the Group were approximately HK$7,280.4 million (31 December 2010 – HK$5,243.4 million) and 3.61 (31 December 2010 – 2.24) respectively.

The net working capital cycle shortened to 100 days as at 31 December 2011 from 140 days as at 31 December 2010 on the following key metrics:

– Inventories, in terms of stock turnover days, decreased to 46 days. Total inventory amount decreased by 39% against last year as the Group tightened control over inventory and reclassified HK$712.7 million of copper foil inventory to other non-current assets in line with the licensing arrangement with an independent third party as announced in the announcement released by our subsidiary Kingboard Copper Foil Holdings Limited on 3 August 2011 (31 December 2010 – 84 days).

– Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, increased marginally to 94 days (31 December 2010 – 93 days).

– Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, increased to 40 days (31 December 2010 – 37 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) decreased to 13% (31 December 2010 – 14%). In 2011, the Group invested HK$435.2 million in new production capacities. The ratio of bank borrowings between short term and long term stood at 16%:84% (31 December 2010: 61%:39%). About 10% 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 including the use of interest rate swap contracts to minimise its exposure to fluctuation in interest rates. All outstanding contracts were closed during the year. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into any other type of derivative financial instruments throughout the year of 2011. 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 2011, the Group had a workforce of approximately 8,700 (31 December 2010: 8,800). 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

Customer orders showed signs of improvement after the Chinese Lunar New Year holidays in 2012. Laminates prices also showed an uptrend as commodity prices recovered against the end of last year. Hence, shipment volume and laminates production utilization improved in February 2012. Export demand for electronic products is expected to be soft for the short term against a back drop of sluggish global economic recovery. Management is confident of the future growth prospects of the China domestic market. With the gradual loosening of the tight monetary policies in China, we expect to see improvement in the operating environment as we progress further into 2012. On the back of China's policy push to encourage domestic consumption and continuous improvement of living standards for Chinese citizens, demand for electronic products, especially smart phones and computer related products, are expected to maintain robust growth as disposable income for Chinese consumers continues to increase. This would definitely be a positive driver for laminate demand. The Group will allocate more resources into product mix enhancement and business development in the domestic China market in order to further advance our market share.

The Group continues to invest and expand our production capacities and has successfully penetrated the thin laminates market in eastern China. Monthly production capacity at our Jiangyin laminates plant, Jiangsu province is currently about 1.68 million square meters per month. Construction work for the new Jiangmen laminate plant, Guangdong province is almost complete. The Group plans to expand the high-performance laminates production capacity of both the Jiangyin and Jiangmen laminates plants further within the current year in order to capture business opportunities for thin and high-performance laminates.

The plan to build a new glass fabric plant and a glass yarn plant in Changzhou, Jiangsu province has been postponed due to softer than expected laminate demand last year. Management will monitor the market situation closely before rescheduling the project time-table. Against the headwinds of a volatile market, management is considering certain acquisition opportunities in the industry. We are confident that leveraging on our successful vertically integrated business model, the Group will be able to achieve further market share gain through these potential expansion opportunities.

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 HK5 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, 28 May 2012 ("2012 AGM"), is to be payable on Friday, 8 June 2012 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 5 June 2012.

CLOSURE OF REGISTER OF MEMBERS

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

(i) From Thursday, 24 May 2012 to Monday, 28 May 2012, 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 2012 AGM. In order to be eligible to attend and vote at the 2012 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 Wednesday, 23 May 2012; and

(ii) From Friday, 1 June 2012 to Tuesday, 5 June 2012, 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, 31 May 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Kong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011, 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 of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following a specific enquiry, each Director has confirmed 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 2011.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent for the purposes of Rule 3.13 of the Listing Rules.

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 2011.

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 2011 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, 29 March 2012

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho, Chan Sau Chi, Liu Min and Zhou Pei Feng, being the executive Directors, Mr. Lo Ka Leong, being the non-executive Director, and Messrs. Chan Yue Kwong, Michael, Leung Tai Chiu, Mok Yiu Keung, Peter and Ip Shu Kwan, Stephen, being the independent non-executive Directors.