KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- Revenue recorded strong growth of 19% to exceed HK$20.0 billion
- Profit attributable to equity holders of the Company was up 20% to a record high of HK$2.6 billion*
- Return on equity attributable to equity holders of the Company stayed healthy at 15.3%*
- Proposed final dividend per share up 84% to HK70 cents

** Excluding:*

2007 – (1) gain on fair value change of conversion and redemption option derivative of HK$182.4 million

(2) loss on disposal and deemed disposal of partial interest in an associate of HK$23.7 million

(3) discount on acquisition of HK$1.0 million

2006 – (1) gain on disposal and deemed disposal of partial interest in a subsidiary of HK$4.8 billion

(2) discount on acquisition of HK$49.7 million

The board of directors (the "Board") of Kingboard Chemical 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	*2*	20,025,112	16,773,348
Cost of sales		(15,178,498)	(12,495,937)
Gross profit		4,846,614	4,277,411
Other income		84,453	50,275
Investment income	*3*	339,102	144,597
Distribution costs		(550,279)	(457,526)
Administrative costs		(1,171,926)	(1,024,102)
Loss on disposal and deemed disposal of partial interest in an associate		(23,658)	–
Gain on fair value change of conversion and redemption option derivative	*4*	182,367	–
Gain on disposal and deemed disposal of partial interest in a subsidiary	*5*	–	4,830,916
Discount on acquisition of an associate		–	48,182
Discount on acquisition of additional interest in a subsidiary		962	1,498
Finance costs	*6*	(287,664)	(313,266)
Share of results of associates		298,283	39,924
Share of results of jointly controlled entities		(1,070)	(1,755)
Profit before taxation		3,717,184	7,596,154
Income tax expense	*8*	(245,030)	(240,435)
Profit for the year		3,472,154	7,355,719
Attributable to:			
Equity holders of the Company		2,778,321	7,068,015
Minority interests		693,833	287,704
		3,472,154	7,355,719
Dividends	*9*	1,084,229	382,648
Earnings per share	*10*		
Basic		HK$3.330	HK$8.904
Diluted		HK$3.232	HK$8.527

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties		1,197,952	40,220
Properties, plant and equipment		13,752,739	10,254,325
Prepaid lease payments		1,265,127	471,727
Goodwill		2,005,658	1,717,519
Investments in associates		741,128	486,929
Available-for-sale investments		564,657	395,150
Convertible bond – loan portion	4	86,188	–
Interests in jointly controlled entities		14,284	15,354
Non-current deposits		993,168	265,430
Intangible assets		725,884	2,185
Deferred tax assets		21,994	19,499
		21,368,779	13,668,338
Current assets			
Inventories		2,648,216	2,498,354
Trade and other receivables and prepayments	11	7,182,019	5,805,993
Prepaid lease payments		28,029	9,513
Conversion and redemption option derivative	4	205,461	–
Derivative financial instruments		2,812	39,183
Taxation recoverable		12,074	2,439
Bank balances and cash		3,494,596	6,097,231
		13,573,207	14,452,713
Current liabilities			
Trade and other payables	12	4,191,715	2,751,777
Bills payable		880,992	653,608
Derivative financial instruments		1,184	195
Taxation payable		362,422	283,583
Bank borrowings – amount due within one year		1,759,340	1,296,421
		7,195,653	4,985,584
Net current assets		6,377,554	9,467,129
Total assets less current liabilities		27,746,333	23,135,467
Non-current liabilities			
Deferred tax liabilities		29,165	36,323
Bank borrowings – amount due after one year		5,490,372	4,086,223
		5,519,537	4,122,546
		22,226,796	19,012,921

	2007	2006
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	83,810	83,280
Share premium and reserves	18,193,893	15,875,645
Equity attributable to equity holders of the Company	18,277,703	15,958,925
Equity component of share option reserve of a subsidiary	12,862	9,764
Minority interests	3,936,231	3,044,232
Total equity	22,226,796	19,012,921

Notes:

1. 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 has had no material effect on how the results and the 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.

2. SEGMENT INFORMATION

For management purposes, the Group is currently organised into four operating divisions – laminates, printed circuit boards ("PCBs"), chemicals and others. These divisions are the basis on which the Group reports its primary segment information.

	Laminates *HK$'000*	PCBs *HK$'000*	Chemicals *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2007						
Segment revenue						
External sales	7,590,476	7,601,201	3,806,630	1,026,805	–	20,025,112
Inter-segment sales	2,685,747	–	1,619,058	277,527	(4,582,332)	–
Total	10,276,223	7,601,201	5,425,688	1,304,332	(4,582,332)	20,025,112
Result						
Segment result	2,126,782	578,574	658,061	90,891	–	3,454,308
Loss on disposal and deemed disposal of partial interest in an associate	–	(23,658)	–	–	–	(23,658)
Discount on acquisition of additional interest in a subsidiary	–	–	–	962	–	962
Gain on fair value change of conversion and redemption option derivative						182,367
Unallocated corporate income						349,673
Unallocated corporate expenses						(256,017)
Finance costs						(287,664)
Share of results of associates	–	2,182	296,101	–	–	298,283
Share of results of jointly controlled entities	–	–	–	(1,070)	–	(1,070)
Profit before taxation						3,717,184
Income tax expense						(245,030)
Profit for the year						3,472,154

Inter-segment sales are charged by reference to market prices.

	Laminates *HK$'000*	PCBs *HK$'000*	Chemicals *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2006						
Segment revenue						
External sales	6,288,922	6,649,997	2,725,653	1,108,776	–	16,773,348
Inter-segment sales	1,954,390	–	1,285,722	15,571	(3,255,683)	–
Total	8,243,312	6,649,997	4,011,375	1,124,347	(3,255,683)	16,773,348
Result						
Segment result	1,807,375	686,182	342,027	80,248	–	2,915,832
Gain on disposal and deemed disposal of partial interest in a subsidiary	4,830,916	–	–	–	–	4,830,916
Discount on acquisition of an associate	–	48,182	–	–	–	48,182
Discount on acquisition of additional interest in a subsidiary	1,498	–	–	–	–	1,498
Unallocated corporate income						156,853
Unallocated corporate expenses						(82,030)
Finance costs						(313,266)
Share of results of associates	–	90	39,834	–	–	39,924
Share of results of jointly controlled entities	–	–	–	(1,755)	–	(1,755)
Profit before taxation						7,596,154
Income tax expense						(240,435)
Profit for the year						7,355,719

Inter-segment sales are charged by reference to market prices.

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")	15,574,595	12,506,931
Other Asian countries	2,735,260	2,556,456
Europe	1,290,959	1,222,052
America	424,298	487,909
	20,025,112	16,773,348

3. INVESTMENT INCOME

	2007 *HK$'000*	2006 *HK$'000*
Dividends from available-for-sale investments	15,092	1,002
Interest income on listed debt security classified as available-for-sale investments	32,263	–
Gain on disposal of available-for-sale investments		
– listed equity securities	81,063	6,876
– listed debt security	4,601	–
Imputed interest income on convertible bond	1,282	–
Gain on disposal of investments held for trading	107,296	85,197
Gain on fair value changes of foreign currency forward contracts	86	23
Interest income on bank deposits	97,419	51,499
	339,102	144,597

4. CONVERTIBLE BOND

	2007 HK$'000	2006 HK$'000
Unlisted convertible bond		
– loan portion	86,188	–
– conversion and redemption option derivative – fair value	205,461	–
	291,649	–

During the year ended 31 December 2007, the Group subscribed a three-year zero coupon convertible bond with a principal amount of HK$108,000,000 from G-Prop (Holdings) Limited ("G-Prop"), an associate of the Group. The convertible bond can be converted in whole or in part into new ordinary shares of G-Prop at any time from the issue date (i.e. 25 October 2007) to the maturity date (i.e. 24 October 2010) at a conversion price of HK$0.162 per share.

The convertible bond cannot be redeemed by G-Prop prior to the maturity date and the Group may request G-Prop to redeem the convertible bond at its face value, at any time during the period from the day immediately after the second anniversary of the issue date and expiring on the maturity date.

The convertible bond comprised of two components – (i) loan portion and (ii) conversion and redemption option. Since the economic characteristics and risks of the conversion and redemption option are not closely related to the host contract, it is separately from the host contract as conversion and redemption option derivative on initial recognition.

On application of HKAS 39, the fair value of the convertible bond – loan portion is determined based on an effective interest rate of 8.35% per annum on initial recognition and the fair value of the conversion and redemption option derivative is determined by using Black-Scholes Option Pricing Model.

During the year ended 31 December 2007, the gain arising from the change in fair value of the conversion and redemption option derivative amounted to approximately HK$182,367,000 (2006: Nil).

5. GAIN ON DISPOSAL AND DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

During the year ended 31 December 2006, the Group spun off its interests in Kingboard Laminates Holdings Limited ("KLHL"), a subsidiary of the Company principally engaged in the manufacture and sale of laminates and laminate-related products, for a separate listing (the "Spin-off") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group disposed of 675,000,000 shares in KLHL to the public investors at a price of HK$7.73 per share in KLHL, giving a total consideration of approximately HK$5,217,750,000 before expenses, which amounted to approximately HK$231,841,000. It resulted in a gain on disposal of partial interest in KLHL of approximately HK$4,166,273,000, including a gain on release of translation reserve of approximately HK$59,460,000.

In addition, KLHL also issued a total of 150,000,000 new shares to the public investors at an issue price of HK$7.73 per share in KLHL, resulting in a gain on deemed disposal of partial interest in KLHL by the Group of approximately HK$664,643,000.

As a result of the Spin-off, the Group's interest in KLHL was reduced from 100% to 72.5%.

6. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank borrowings wholly repayable within five years	289,932	382,622
Interest on bank borrowings not wholly repayable within five years	4,203	–
Other finance charges	3,177	36,637
	297,312	419,259
Release of hedging reserve	–	(43,823)
Fair value changes of interest rate swap	(6,636)	(59,126)
	290,676	316,310
Less: Interests capitalised	(3,012)	(3,044)
	287,664	313,266

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.

7. DEPRECIATION

During the year, depreciation of approximately HK$1,169.7 million (2006: HK$1,031.2 million) was charged in respect of the Group's properties, plant and equipment.

8. INCOME TAX EXPENSE

	2007 *HK$'000*	**2006** *HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	94,330	16,310
Overprovision in previous years	(4,558)	(8,433)
	89,772	7,877
Taxation arising in other jurisdictions		
Charge for the year	167,258	246,190
(Over)underprovision in previous years	(3,544)	4,404
	163,714	250,594
Deferred taxation		
Credit for the year	(9,622)	(18,036)
Attributable to a change in tax rate	1,166	–
	(8,456)	(18,036)
	245,030	240,435

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years. 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 rate for certain subsidiaries of the Group from current tax rates ranging from 15% to 33% to 25% starting from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

9. DIVIDENDS

	2007 *HK$'000*	**2006** *HK$'000*
Dividends paid		
Interim dividend for 2007 of HK30 cents (2006: HK20 cents) per ordinary share	251,430	162,721
Final dividend for 2006 of HK38 cents (2006: final dividend for 2005 of HK28 cents) per ordinary share	316,464	219,735
Special dividend for 2006 of HK62 cents (2006: no special dividend for 2005) per ordinary share	516,335	–
Additional dividend paid in respect of the previous period as a result of new shares issued subsequent to the approval of the previous period's consolidated financial statements	–	192
	1,084,229	382,648

	2007	2006
	HK$'000	*HK$'000*
Dividend proposed		
Proposed final dividend for 2007 of HK70 cents (2006: HK38 cents) per ordinary share	586,669	316,464
Proposed special dividend for 2007: Nil (2006: HK62 cents) per ordinary share	–	516,335
	586,669	832,799

The final dividend of HK70 cents per ordinary share has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to equity holders of the Company are based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purposes of calculating basic and diluted earnings per share	2,778,321	7,068,015

	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	834,294,662	793,798,250
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	25,207,611	29,654,784
– outstanding warrants	–	5,422,518
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	859,502,273	828,875,552

The effect of dilutive potential shares on share of results of a non wholly-owned subsidiary, Elec & Eltek International Company Limited ("EEIC"), based on the dilution of its earnings per share for both years are insignificant.

Additional information on adjusted earnings per share:

	2007	2006
	HK$	*HK$*
Basic	3.139	2.756
Diluted	3.047	2.639

Additional information on adjusted basic and diluted earnings per share figures have also been presented, based on the profit for the year attributable to equity holders of the Company less any non-recurring items, which are calculated as follows:

	2007 *HK$'000*	2006 *HK$'000*
Profit for the year attributable to equity holders of the Company	2,778,321	7,068,015
Non-recurring items:		
Add: Loss on disposal and deemed disposal of partial interest in an associate	23,658	–
Less: Gain on fair value change of conversion and redemption option derivative	(182,367)	–
Gain on disposal and deemed disposal of partial interest in a subsidiary	–	(4,830,916)
Discount on acquisition of an associate	–	(48,182)
Discount on acquisition of additional interest in a subsidiary	(962)	(1,498)
Earnings for the purposes of calculating adjusted basic and diluted earnings per share	2,618,650	2,187,419

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2007 *HK$'000*	2006 *HK$'000*
Trade receivables	4,925,821	4,456,464
Bills receivables	857,508	466,178
Other receivables and prepayments	1,398,690	883,351
	7,182,019	5,805,993

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 *HK$'000*	2006 *HK$'000*
0 – 90 days	3,935,709	3,664,990
91 – 180 days	939,195	750,160
Over 180 days	50,917	41,314
	4,925,821	4,456,464

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

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$2,049,030,000 (2006: HK$1,865,874,000). The following is an aged analysis of the trade payables at the balance sheet dates:

	2007 *HK$'000*	2006 *HK$'000*
0 – 90 days	1,657,401	1,468,344
91 – 180 days	289,407	303,117
Over 180 days	102,222	94,413
	2,049,030	1,865,874

BUSINESS REVIEW

Having rallied as a team against a challenging business environment, I am pleased to report that Kingboard Chemical Holdings Limited (the "Group") concluded another landmark performance for the financial year ended 31 December 2007 with both record-breaking revenue and profit. During the year, we have further strengthened the growth platform across our core businesses and scaled up our production capabilities. Our relentless efforts resulted in encouraging payoffs. On the back of strong revenue of HK$20.0 billion, the Group posted a new record of HK$2,618.7 million net profit, representing an increase of 20% over 2006 (excluding one-off exceptional items* in both financial years). The strong results are a solid testament to our persistent focus on sustainable growth following the successful implementation of our business model of vertical integration and diverse revenue sources.

Leveraging on the premier position in the market place, our laminate and printed circuit board ("PCB") divisions continued to advance market share and make positive contributions to the Group. In addition, the Group's chemical division posted impressive growth of 150% in earnings contribution over 2006 after accounting for the share of profits of our Hainan methanol joint venture. This clearly demonstrates that our chemical investments have started to bring in excellent returns. We have unwavering confidence in the Group's ability to shape the future as we have all the right ingredients in place to drive long-term sustainable growth and create ever increasing value for our shareholders.

Financial highlights

- Revenue recorded strong growth of 19% to exceed HK$20.0 billion
- Profit attributable to equity holders of the Company was up 20% to a record high of HK$2.6 billion *
- Return on equity attributable to equity holders of the Company stayed healthy at 15.3%*
- Proposed final dividend per share up 84% to HK70 cents

* *Excluding:*

2007 – (1) gain on fair value change of conversion and redemption option derivative of HK$182.4 million

(2) loss on disposal and deemed disposal of interest in an associate of HK$23.7 million

(3) discount on acquisition of HK$1.0 million

2006 – (1) gain on disposal and deemed disposal of partial interest in a subsidiary of HK$4.8 billion

(2) discount on acquisition of HK$49.7 million

PERFORMANCE

To capitalize on the thriving demand for our quality laminate products, the Group continued to expand the laminate division in both southern and eastern parts of China in 2007. Being the largest global laminate supplier backed by the reliable support from upstream material production capabilities, the Group was able to make further penetration into both existing and new customers. As a result, revenue (including inter-segment sales) for the laminate division recorded a 25% growth to HK$10,276.2 million. Earnings before interest and tax ("EBIT") was up 18% to HK$2,126.8 million over the previous year. Volume sales were up around 13% with the average monthly shipment reaching 8.3 million sq. meters. Revenue growth outpaced volume growth largely due to faster sales growth of glass epoxy laminates which commanded higher selling price than paper laminates. The capacity expansion in the new glass epoxy laminate plant in Jiangyin, Jiangsu province on top of our existing foothold at Kunshan, Jiangsu province has reinforced our presence in eastern China which accommodates an enlarging electronic industry cluster.

With regard to PCB division, we encountered some softening demand in the computer and peripherals segment in the first half of 2007. However, the computer market rebounded sharply in the second half. Together with steadily growing automotive and consumer electronic sectors, revenue for PCB division was up 14% to HK$7,601.2 million. However, EBIT slipped by 16% to HK$578.6 million from the previous financial year owing to (a) high volatility in raw materials prices; (b) under performance of Kaiping plants of Elec & Eltek; and (c) soft pricing environment in the first half of the year.

The chemical division continued to reap the benefits from a series of investments made in the past few years and achieved remarkable results in 2007. Revenue soared 35% to approximately HK$5,425.7 million and EBIT increased by 92% to HK$658.1 million in 2007. The coke/methanol plant in Hebei province excelled in its performance with EBIT surging 102% against 2006 because the ongoing coke industry consolidation in China has created a favourable operating environment for suppliers. Meanwhile, our new natural gas based methanol plant in Chongqing which commenced production in September 2007 contributed positively to the Group after some initial teething problems. The caustic soda plant in Hengyang, Hunan province also saw substantial earnings growth as a result of robust domestic demand. The new phenol/acetone plant in Huizhou, Guangdong province which started production in December 2007 created another growth dimension to our expanding chemical division. Our joint venture with China BlueChemical Limited yielded excellent return to our investment in spite of temporary disruption of natural gas supply in late 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our 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$6,377.6 million (31 December 2006 – HK$9,467.1 million) and 1.89 (31 December 2006 – 2.90) respectively.

The net working capital cycle shortened from 96 days as at 31 December 2006 to 84 days as at 31 December 2007 on the following key metrics:

– Inventories, in terms of stock turnover days, reduced to 64 days (31 December 2006 – 73 days)

– Trade receivables, in terms of debtors turnover days, improved to 90 days (31 December 2006 – 97 days)

– Trade and bills payables, in terms of creditors turnover days, decreased to 70 days (31 December 2006 – 74 days)

In 2007, the Group invested HK$4 billion in new production capacity and made deposits of HK$993.2 million for properties, plant and equipment. The Group also invested HK$1,084.5 million in investment properties so as to generate an inflow of steady and recurrent rental income. Furthermore, during the year, we paid the final and special dividend for the year ended 31 December 2006 of HK$832.8 million in May 2007 and interim dividend for the year ended 31 December 2007 of HK$251.4 million in September 2007 respectively. As a result, the Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 17%. Net gearing ratio of the retained group (excluding Kingboard Laminates Holdings Limited and Elec & Eltek International Company Limited) was approximately 7%.

The proportion of bank borrowings between short term and long term stood at 24%: 76% (31 December 2006: 24%: 76%). In December 2007, we successfully arranged a HK$4 billion 5-year term loan of which HK$500 million was drawn as of 31 December 2007. Together with other bank facilities around HK$1 billion plus cash on hand of HK$3.5 billion, the Group is in a strong financial position to invest in future earnings growth. Only 7% 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$3.5 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

2008 marks the 20th anniversary of the Group and 15th anniversary of its listing in Hong Kong. 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 well balanced business portfolio, 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 11.3 million sq. meters, up 9.3% by the end of 2008. To capitalize on our broad customer base with diverse product requirements, the Group is continuously developing high end laminate products including thin and high performance laminates.

For the PCB division, the Group, similar to the laminate division, began the year with softening orders. Nevertheless, the rationalization efforts undertaken last year by Elec & Eltek which accounted for about 57% of total PCB division's turnover have laid down a concrete foundation for performance improvement. Moreover, our major expansion focus in the current year will be two high density interconnect ("HDI") PCB plants currently under construction in Kaiping, Guangdong province and Kunshan, Jiangsu province. Both plants are expected to be fully operational by year end of 2008. These new production facilities will address our untapped segments and hence add new momentum to the growth for the PCB division in due course.

Chemical division continues to be the strongest growth driver for the Group in coming years. The methanol demand in China is expected to grow robustly in the near future as the central government is interested in clean and alternative fuel to reduce pollution and reliance on crude oil import. The Group gains valuable know-how and experience from our successful coke / methanol project in Hebei. We will complete three more coal based methanol projects with total new monthly capacity of 34,800 tonnes during 2008, namely, phase two of the coke / methanol plant in Hebei province and the two joint venture coke gas based methanol projects in Shanxi province. Furthermore, in the first half of 2008, phase three of the caustic soda plant in Hengyang, Hunan province will commence operation, providing 8,300 tonnes new monthly capacity each of caustic soda and polyvinylchloride ("PVC").

Pursuant to a sale and purchase agreement dated 1 February 2008, the Group sold its entire holding of 740,518,325 shares in G-Prop (Holdings) Limited (" G-Prop "), a company listed on the main board of the Stock Exchange, to Mass Rise Limited, an indirect wholly-owned subsidiary of Chinese Estates Holdings Limited at a consideration of HK$120,777,422.96. As a result, the Group no longer holds any shares in G-Prop.

HUMAN RESOURCES

As at 31 December 2007, the Group had a global workforce of over 47,200 (31 December 2006: 42,900). The increase in headcount was in line with our ongoing expansion plan. In addition to offering competitive salary package, the Group grants share options and 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 HK70 cents per ordinary share for the financial year ended 31 December 2007 to be payable on or around 9 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 transfers of shares will be registered. In order to qualify for receiving the final dividend, the Company's shareholders are reminded to ensure that 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 Secretaries 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 THE 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 (the "Code") 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, save for the deviation that the 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 independent non-executive Directors) are subject to retirements by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association.

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 Chemical Holdings Limited
CHEUNG Kwok Wing
Chairman

Hong Kong, 17 March 2008

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chan Wing Kwan, Cheung Kwong Kwan, Chang Wing Yiu, Ho Yin Sang, Cheung Wai Lin, Stephanie and Mok Cham Hung, Chadwick, being the executive Directors, and Messrs. Cheng Ming Fun, Paul, Cheng Wai Chee, Christropher, Henry Tan and Tse Kam Hung, being the independent non-executive Directors.

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