KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

	FY 2008 *HK$'million*	**FY 2007** *HK$'million*	**Change**
Revenue	23,681.4	20,025.1	+18%
Underlying profit before tax*	2,723.3	3,557.5	-23%
Net profit attributable to shareholders			
– Underlying net profit*	2,103.6	2,618.7	-20%
– Reported net profit	1,705.9	2,778.3	-39%
Basic earnings per share			
– Based on underlying net profit*	HK249.9 cents	HK313.9 cents	-20%
– Based on reported net profit	HK202.6 cents	HK333.0 cents	-39%
Full-year dividend per share	HK70.0 cents	HK100.0 cents	-30%
– Interim dividend per share	HK40.0 cents	HK30.0 cents	+33%
– Proposed final dividend per share	HK30.0 cents	HK70.0 cents	-57%
Dividend payout ratio	35%	30%	
Net asset value per share	HK$23.1	HK$21.8	+6%
Net gearing	23%	17%	

* *Excluding:*

2008 – (1) loss on disposal of convertible bond and interest in an associate of HK$189.7 million

(2) impairment loss on available-for-sale investments of HK$253.2 million

(3) discount on acquisition of HK$45.1 million

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

For identification purpose only

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 2008 together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Revenue	*2*	23,681,401	20,025,112
Cost of sales		(19,431,259)	(15,178,498)
Gross profit		4,250,142	4,846,614
Other income	*3*	374,622	423,555
Distribution costs		(652,752)	(550,279)
Administrative costs		(1,285,350)	(1,171,926)
Impairment loss on available-for-sale investments	*4*	(253,158)	–
Loss on disposal of convertible bond and interest in an associate	*5*	(189,697)	–
Loss on disposal and deemed disposal of interest in an associate		–	(23,658)
Gain on fair value change of conversion and redemption option derivative		–	182,367
Discount on acquisition of subsidiaries		11,395	–
Discount on acquisition of additional interests in subsidiaries		33,711	962
Finance costs	*6*	(329,369)	(287,664)
Share of results of associates		369,807	298,283
Share of results of jointly controlled entities		(3,849)	(1,070)
Profit before taxation		2,325,502	3,717,184
Income tax expense	*8*	(194,231)	(245,030)
Profit for the year		2,131,271	3,472,154
Attributable to:			
Equity holders of the Company		1,705,850	2,778,321
Minority interests		425,421	693,833
		2,131,271	3,472,154
Dividends	*9*	927,430	1,084,229
Earnings per share	*10*		
Basic		HK$2.026	HK$3.330
Diluted		HK$1.986	HK$3.232

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties		1,327,165	1,197,952
Properties, plant and equipment		16,888,278	13,752,739
Prepaid lease payments		1,499,021	1,265,127
Goodwill		2,005,658	2,005,658
Investments in associates		686,133	741,128
Available-for-sale investments		780,248	564,657
Convertible bond – loan portion		–	86,188
Interests in jointly controlled entities		10,435	14,284
Non-current deposits		1,413,450	993,168
Intangible assets		770,142	725,884
Properties held for development		233,135	–
Deferred tax assets		32,660	21,994
		25,646,325	21,368,779
Current assets			
Inventories		2,561,334	2,648,216
Trade and other receivables and prepayments	11	5,765,899	7,182,019
Prepaid lease payments		32,103	28,029
Conversion and redemption option derivative		–	205,461
Derivative financial instruments		3,468	2,812
Taxation recoverable		7,063	12,074
Bank balances and cash		4,225,273	3,494,596
		12,595,140	13,573,207
Current liabilities			
Trade and other payables	12	3,733,140	4,191,715
Bills payable	12	615,362	880,992
Derivative financial instruments		1,940	1,184
Taxation payable		383,261	362,422
Bank borrowings – amount due within one year		2,596,995	1,759,340
		7,330,698	7,195,653
Net current assets		5,264,442	6,377,554
Total assets less current liabilities		30,910,767	27,746,333

	2008	2007
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	51,329	29,165
Derivative financial instruments	136,961	–
Bank borrowings – amount due after one year	7,105,276	5,490,372
	7,293,566	5,519,537
	23,617,201	22,226,796
Capital and reserves		
Share capital	83,926	83,810
Share premium and reserves	19,270,120	18,193,893
Equity attributable to equity holders of the Company	19,354,046	18,277,703
Equity component of share option reserve of a subsidiary	13,715	12,862
Minority interests	4,249,440	3,936,231
Total equity	23,617,201	22,226,796

Notes:

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the 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 not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfer of assets from customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company ("Directors") anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results or 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.

Segment information about these divisions is presented below.

	Laminates	**PCBs**	**Chemicals**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008						
Segment revenue						
External sales	7,144,369	7,869,817	7,451,656	1,215,559	–	23,681,401
Inter-segment sales	2,493,791	–	2,012,603	387,644	(4,894,038)	–
Total	9,638,160	7,869,817	9,464,259	1,603,203	(4,894,038)	23,681,401
Result						
Segment result	1,390,975	586,932	763,756	56,770	–	2,798,433
Impairment loss on available-for-sale investments						(253,158)
Loss on disposal of convertible bond						(182,918)
Loss on disposal of interest in an associate	–	–	(6,779)	–	–	(6,779)
Discount on acquisition of additional interests in subsidiaries	26,800	6,911	–	–	–	33,711
Discount on acquisition of subsidiaries	–	8,091	3,304	–	–	11,395
Unallocated corporate income						177,377
Unallocated corporate expenses						(289,148)
Finance costs						(329,369)
Share of results of associates	–	–	369,807	–	–	369,807
Share of results of jointly controlled entities	–	–	–	(3,849)	–	(3,849)
Profit before taxation						2,325,502
Income tax expense						(194,231)
Profit for the year						2,131,271

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

	Laminates	PCBs	Chemicals	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 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.

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

	2008	2007
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC")	19,600,756	15,574,595
Other Asian countries	2,719,879	2,735,260
Europe	988,486	1,290,959
America	372,280	424,298
	23,681,401	20,025,112

3. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Other income comprises:		
Dividends from available-for-sale investments	22,566	15,092
Interest income on listed debt security classified as available-for-sale investment	–	32,263
Gain on disposal of available-for-sale investments		
– listed equity securities	–	81,063
– listed debt security	–	4,601
Imputed interest income on convertible bond	602	1,282
Gain on disposal of investment properties	143,745	–
Gain on disposal of investments held for trading	–	107,296
Gain on fair value changes of foreign currency forward contracts	318	86
Interest income on bank deposits	62,309	97,419
Rental income	90,072	30,341
Gain on fair value changes of investment properties	5,992	5,118
Net exchange gain	46,492	46,703
Others	2,526	2,291
	374,622	423,555

4. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 December 2008, impairment loss on available-for-sale investments of HK$253,158,000 (2007: Nil) was recognised as a result of significant or prolonged decline in the fair values of certain of the Group's listed equity investments below their costs.

5. LOSS ON DISPOSAL OF CONVERTIBLE BOND AND INTEREST IN AN ASSOCIATE

	2008	2007
	HK$'000	*HK$'000*
Loss on disposal of convertible bond	182,918	–
Loss on disposal of interest in an associate	6,779	–
	189,697	–

During the year ended 31 December 2007, the Group entered into subscription agreements with G-Prop (Holdings) Limited ("G-Prop") to subscribe for (i) 740,518,325 ordinary shares of G-Prop, which represented 36.51% of the enlarged issued share capital of G-Prop, at a consideration of approximately HK$119,964,000 and (ii) a three-year zero coupon convertible bond ("CB") with a principal amount of HK$108,000,000.

During the year ended 31 December 2008, the Group sold its entire holding of 740,518,325 ordinary shares in G-Prop, to Mass Rise Limited, an independent third party and an indirect wholly-owned subsidiary of Chinese Estates Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), at a consideration of approximately HK$120,777,000.

At the same time, the Group also sold the CB to Get Nice Securities Limited, an independent third party, at a consideration of approximately HK$109,333,000.

As a result of the above, the Group recognised a loss of approximately HK$189,697,000 in total, comprising a loss on disposal of interest in an associate of approximately HK$6,779,000 and a loss on disposal of convertible bond of approximately HK$182,918,000.

6. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest on bank borrowings wholly repayable within five years	300,810	289,932
Interest on bank borrowings not wholly repayable within five years	7,005	4,203
Other finance charges	4,260	3,177
	312,075	297,312
Release of hedging reserve	16,717	–
Fair value changes of interest rate swap contracts not designated for hedging purpose	2,602	(6,636)
	331,394	290,676
Less: Interest capitalised	(2,025)	(3,012)
	329,369	287,664

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalization rate of 6% for 2008 (2007: 5%) to expenditures on qualifying assets.

7. DEPRECIATION

During the year, depreciation of approximately HK$1,589.6 million (2007: HK$1,169.7 million) was charged in respect of the Group's properties, plant and equipment.

8. INCOME TAX EXPENSE

	2008 *HK$'000*	2007 *HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	38,009	94,330
Overprovision in previous years	(8,890)	(4,558)
	29,119	89,772
Taxation arising in other jurisdictions		
Charge for the year	140,689	167,258
Overprovision in previous years	(1,454)	(3,544)
	139,235	163,714
Deferred taxation		
Charge (credit) for the year	24,856	(9,622)
Attributable to a change in tax rate	1,021	1,166
	25,877	(8,456)
	194,231	245,030

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current tax for the year ended 31 December 2008 and the deferred tax balance has also been adjusted to reflect the change in tax rate. The Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the year ended 31 December 2007.

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 PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of certain subsidiaries of the Company ranging was changed from rates from 15% to 33% to 25% from 1 January 2008 onward. The deferred tax balance was adjusted during the year ended 31 December 2007 to reflect the tax rates that were expected to apply to the respective periods when the assets were realised or the liability was settled.

9. DIVIDENDS

	2008	**2007**
	HK$'000	*HK$'000*
Dividends declared and paid		
Interim dividend for 2008 of HK40 cents (2007: HK30 cents) per ordinary share	337,247	251,430
Final dividend for 2007 of HK70 cents (2007: final dividend for 2006 of HK38 cents) per ordinary share	586,669	316,464
Special dividend for 2006 of HK62 cents (2008: No special dividend for 2007) 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	3,514	–
	927,430	1,084,229
Dividend proposed		
Proposed final dividend for 2008 of HK30 cents (2007: HK70 cents) per ordinary share	253,422	586,669

The final dividend of HK30 cents per ordinary share has been proposed by the directors of the Company 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:

	2008	**2007**
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	1,705,850	2,778,321

	Number of shares	
	2008	**2007**
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	841,810,349	834,294,662
Add: Effect of dilutive potential ordinary shares relating to outstanding share options	16,995,886	25,207,611
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	858,806,235	859,502,273

There is no potential dilutive effect on the share of results of a non wholly-owned subsidiary, Elec & Eltek International Company Limited ("EEIC") in 2008 in relation to the outstanding share options of EEIC as the exercise price of the outstanding share options of EEIC was higher than the average market price during the year ended 31 December 2008. For the year ended 31 December 2007, the effect of dilutive potential shares on share of results of EEIC based on the dilution of its earnings per share for that year was insignificant.

Additional information on adjusted earnings per share:

	2008	**2007**
	HK$	*HK$*
Basic	2.499	3.139
Diluted	2.449	3.047

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

	2008	**2007**
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	1,705,850	2,778,321
Non-recurring items:		
Add: Impairment loss on available-for-sale investments	253,158	–
Loss on disposal of convertible bond and interest in an associate	189,697	–
Loss on disposal and deemed disposal of interest in an associate	–	23,658
Less: Discount on acquisition of additional interests in subsidiaries	(33,711)	(962)
Discount on acquisition of subsidiaries	(11,395)	–
Gain on fair value change of conversion and redemption option derivative	–	(182,367)
Earnings for the purposes of calculating basic and diluted adjusted earnings per share	2,103,599	2,618,650

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

	2008 *HK$'000*	2007 *HK$'000*
Trade receivables	3,985,533	4,925,821
Bills receivables	775,582	857,508
Other receivables and prepayments	1,004,784	1,398,690
	5,765,899	7,182,019

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:

	2008 *HK$'000*	2007 *HK$'000*
0 – 90 days	2,788,189	3,935,709
91 – 180 days	1,138,520	939,195
Over 180 days	58,824	50,917
	3,985,533	4,925,821

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

12. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

The following is an aged analysis of the trade payables at the balance sheet dates:

	2008 *HK$'000*	2007 *HK$'000*
0 – 90 days	1,084,914	1,657,401
91 – 180 days	498,968	289,407
Over 180 days	165,795	102,222
	1,749,677	2,049,030

All bills payable of the Group are aged within 90 days at the balance sheet dates.

BUSINESS REVIEW

I am pleased to report that Kingboard Chemical Holdings Limited (the "Group") concluded the financial year ended 31 December 2008 with resilient results despite adverse business environment in the second half of 2008. The Group experienced a fall in both revenue and profitability in the fourth quarter of 2008 ("Q4 2008") due to widespread market turbulence. Bolstered by robust operational performance in the first half of 2008, we delivered a revenue growth of 18% to HK$23.7 billion while underlying net profit declined 20% to HK$2,103.6 million (excluding one-off non-cash exceptional items*) for the full year. The strength of our three core businesses and proficient management team have enabled the Group to respond promptly to rapid market changes with decisive action in spite of this extremely tough operating landscape.

Underscoring the synergies created by our franchise, laminate and PCB divisions continued to be profitable and made positive contribution to earnings of the Group notwithstanding significant demand drop from customers in Q4 2008. During the year, we acquired a Taiwanese PCB shop in Suzhou which added about 5% to overall PCB production capacity. Our strategic investments in chemical projects in the last few years continued to bear fruit. After accounting for the share of profits from our Hainan methanol joint venture, our chemical business delivered an impressive 19% year-on-year earnings growth and contributed about 36% of total Group earnings before interests and tax ("EBIT") in 2008. This clearly demonstrates that our persistent focus on building a balanced business portfolio with diversified income stream has created a concrete foothold against economic downturn.

Financial highlights

	FY 2008 *HK$'million*	**FY 2007** *HK$'million*	**Change**
Revenue	23,681.4	20,025.1	+18%
Underlying profit before tax*	2,723.3	3,557.5	-23%
Net profit attributable to shareholders			
– Underlying net profit*	2,103.6	2,618.7	-20%
– Reported net profit	1,705.9	2,778.3	-39%
Basic earnings per share			
– Based on underlying net profit*	HK249.9 cents	HK313.9 cents	-20%
– Based on reported net profit	HK202.6 cents	HK333.0 cents	-39%
Full-year dividend per share	HK70.0 cents	HK100.0 cents	-30%
– Interim dividend per share	HK40.0 cents	HK30.0 cents	+33%
– Proposed final dividend per share	HK30.0 cents	HK70.0 cents	-57%
Dividend payout ratio	35%	30%	
Net asset value per share	HK$23.1	HK$21.8	+6%
Net gearing	23%	17%	

* *Excluding:*

2008 – (1) loss on disposal of convertible bond and interest in an associate of HK$189.7 million

(2) impairment loss on available-for-sale investments of HK$253.2 million

(3) discount on acquisition of HK$45.1 million

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

PERFORMANCE

The electronics industry was impacted badly in Q4 2008 by the snowball effect of the global credit crunch which affected all business sectors. In anticipation of shrinking demand, manufacturers in the electronic supply chain reacted by scaling down production and slashing inventories aggressively towards the year end. As a result, revenue (including inter-segment sales) for the laminate division declined 6% to HK$9,638.2 million. Lower average selling prices coupled with reduced shipments in Q4 2008 posed pressure on our margin. EBIT was down 35% to HK$1,391.0 million over the previous year. Volume sales reduced by 6% with the average monthly shipment reaching 7.8 million sq. meters. However, the resilient performance of the laminate division clearly indicated that we have outperformed our peers during this down cycle.

Similar to the laminate division, PCB order bookings saw a decline in Q4 2008. Cushioned by strong performance in the first three quarters of 2008 and positive contribution from the newly acquired PCB shop in Suzhou, revenue for PCB division was up 4% to HK$7,869.8 million with EBIT improved by 1% to HK$586.9 million from the previous financial year. Both new high density interconnect ("HDI") PCB plants in Kunshan, Jiangsu province and Kaiping, Guangdong province commenced production successfully in December 2008. The Group expects sales of HDI to show significant growth in the current year.

Driven by new production capacity mainly from the natural gas based methanol plant in Chongqing, phenol/acetone plant in Huizhou and coke/methanol plant in Hebei, chemical division recorded remarkable year-on-year revenue growth of 74% to HK$9,464.3 million with EBIT increased 16% to HK$763.8 million in 2008 despite fall in demand and selling prices in Q4 2008. Apart from the above, share of associates results was up 25% to HK$369.8 million with bulk of which coming from our natural gas based methanol joint venture with China Blue Chemical Limited.

LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be strong. As at 31 December 2008, net current assets and current ratio of the Group were approximately HK$5,264.4 million (31 December 2007 – HK$6,377.6 million) and 1.72 (31 December 2007 –1.89) respectively.

The net working capital cycle shortened from 84 days as at 31 December 2007 to 65 days as at 31 December 2008 on the following key metrics:

– Inventories, in terms of stock turnover days, reduced substantially to 48 days (31 December 2007 – 64 days) as a result of reduction in raw material purchase in Q4 2008.

– Trade receivables, in terms of debtors turnover days, decreased significantly to 61 days (31 December 2007 – 90 days) as a result of decrease in sales revenue in Q4 2008.

– Trade and bills payables, in terms of creditors turnover days, decreased to 44 days (31 December 2007 – 70 days), in line with reduction in purchase volume.

In 2008, the Group invested HK$3.8 billion in new production capacity and made deposits of HK$1.4 billion for properties, plant and equipment. The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 23% (31 December 2007: 17%). The proportion of bank borrowings between short term and long term stood at 27%: 73% (31 December 2007: 24%: 76%). As at 31 December 2008, cash on hand and other committed and undrawn bank loan facilities were about HK$4.2 billion and HK$2.5 billion respectively. Hence, the Group is in a strong financial position to capitalize on any opportunities arising from the current downturn. Only 2% 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 including the use of interest rate swap contract to minimize exposure to fluctuation in interest rates movement. At the end of 2008, we had entered into interest rate swap agreements of notional amount of HK$5.5 billion with reputable financial institutions for a weighed average duration and interest rate of 1.73 years and 3.02% respectively. We also entered into commodity and foreign currency forward contracts to manage the Group's exposure to fluctuation in exchange rates and commodity prices. The fair value of these contracts amounted to HK$2.9 million as at 31 December 2008. Other than derivative financial instruments in connection with our daily operations as mentioned above and the convertible bond in connection with G-Prop (Holdings) Limited which was disposed during the year, the Group had not entered into any other type of derivative financial instruments throughout 2008. There was no material foreign exchange exposure to the Group during the year under review. The Group's revenue, mostly denominated in Hong Kong dollars, Renminbi and US dollars, was fairly matched with the currency requirement of operating expenses.

HUMAN RESOURCES

As at 31 December 2008, the Group had a global workforce of over 40,800 (31 December 2007: 47,200). The decrease in headcount was in line with lower manufacturing output in Q4 2008. 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.

PROSPECTS

Whilst the global economy faces significant challenges in 2009, our business outlook remains positive in the long term. As a major manufacturer for a wide range of key materials in China, we shall benefit from the enormous growth potential of this emerging market due to China's continuous urbanization and industrialization. A series of economic stimulus measures introduced by the Chinese government, in particular, subsidies for electronic products purchase in the rural area is likely to have a positive effect on the growth prospects for the Group. Coupled with our robust balance sheet, we believe that the Group will surmount current challenges and emerge from this downturn as an even stronger player.

The laminate division experienced an uptrend in demand in February 2009. As a result, all of our laminate plants operated at higher utilization rates in February 2009 as compared to January 2009. In addition, raw material costs reduction in Q1 2009 is expected to ease margin pressure as compared to that experienced in Q4 2008. The Group will allocate more resources to expand our customer base. We believe that the current operating environment is a good opportunity to increase market share as weaker competitors may exit the market.

PCB division also experienced improved capacity utilization and better inflow of orders after the Chinese Lunar New Year. Order bookings from the communication sector have shown the best performance as a result of investments in 3G infrastructure in China. HDI orders, most of which relate to mobile handsets, also saw strong growth. Moreover, with our successful acquisition of a PCB shop in Suzhou last year, the Group acquired 51% interests in its sister PCB shop in Dongguan, Guangdong province in March 2009. This immediately increases PCB production capacity by about 5% and further reinforces our leading position as the largest PCB manufacturer in China. To capture the opportunities arising from the downturn, the Group is actively in discussions with a few PCB manufacturers on the prospects of possible co-operation.

Our commodity and specialty chemical plants are seeing the benefits from the economic stimulus initiatives in China as coke price has shown an uptrend and methanol price has stabilized since end of last year. Construction of the new acetic acid plant adjacent to the existing coke/methanol plant in Hebei province remains on track for trial production by the end of 2009. Using methanol and coke granules as feedstock, this acetic acid project with a monthly capacity of about 42,000 metric tonnes will further enhance our vertically integrated business model and is expected to bring in attractive returns.

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 HK30 cents per ordinary share for the financial year ended 31 December 2008 to be payable on or around 27 May 2009 to the Company's shareholders whose names appear on the register of members of the Company on 21 May 2009 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, 19 May 2009 to Thursday, 21 May 2009 (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, 18 May 2009.

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 2008, 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 retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Following a specific enquiry, each Director has confirmed he or she has 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 throughout the year ended 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, the Company repurchased 10,138,000 shares on the Stock Exchange at an aggregate consideration of HK$163,907,281. All of the repurchased shares were cancelled. Details of the repurchase were as follows:

Date of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
22 January 2008	281,000	30.50	30.35	8,559,737
8 October 2008	3,286,000	17.54	16.64	57,013,085
9 October 2008	26,500	17.20	17.02	454,588
10 October 2008	3,000	16.38	16.38	49,140
13 October 2008	2,649,500	16.66	16.24	43,622,162
14 October 2008	1,006,000	18.30	18.22	18,379,318
16 October 2008	236,000	14.80	12.98	3,277,308
17 October 2008	1,527,500	13.50	13.06	20,153,224
20 October 2008	284,000	12.60	12.30	3,520,606
24 October 2008	137,000	13.10	12.50	1,785,274
27 October 2008	300,000	10.02	8.93	2,820,030
28 October 2008	160,000	9.73	9.48	1,538,304
14 November 2008	200,000	11.90	11.72	2,359,240
21 November 2008	41,500	9.05	9.03	375,265
	10,138,000			163,907,281

Saved as disclosed therein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange during the year ended 31 December 2008.

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 2008.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2008 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, 27 March 2009

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 Wai Chee, Christopher, Henry Tan, Lai Chung Wing, Robert and Tse Kam Hung, being the independent non-executive Directors.