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 2011

FINANCIAL HIGHLIGHTS

	FY2011 *HK$'million*	**FY2010** *HK$'million*	**Change**
Revenue	36,559.1	33,891.5	+8%
EBITDA*	6,123.8	7,373.1	–17%
Underlying profit before tax*	3,627.3	5,010.0	–28%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,583.5	3,509.0	–26%
– Reported net profit	2,594.2	3,620.8	–28%
Basic earnings per share			
– Based on underlying net profit*	HK$3.026	HK$4.146	–27%
– Based on reported net profit	HK$3.039	HK$4.278	–29%
Full-year dividend per share	HK65.0 cents	HK110.0 cents	–41%
– Interim dividend per share	HK40.0 cents	HK50.0 cents	–20%
– Proposed final dividend per share	HK25.0 cents	HK60.0 cents	–58%
Dividend payout ratio	21%	26%	
Net asset value per share	HK$32.8	HK$30.3	+8%
Net gearing	40%	23%	

** Excluding:*

2011: (1) impairment loss on available-for-sale investments of HK$83.2 million (net of the portion shared by minority shareholders)

(2) gain on fair value changes of investment properties of HK$306.8 million (net of deferred tax)

(3) share-based payments of HK$212.9 million (net of the portion shared by minority shareholders)

2010: (1) gain on disposal of available-for-sale investments of HK$111.8 million (net of the portion shared by minority shareholders)

\# *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 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	36,559,072	33,891,522
Cost of sales and services rendered		(30,736,317)	(26,900,920)
Gross profit		5,822,755	6,990,602
Other income	3	829,564	193,389
Distribution costs		(903,585)	(856,950)
Administrative costs		(1,468,680)	(1,346,513)
(Loss) gain on disposal of available-for-sale investments		(30,161)	296,012
Share-based payments		(236,099)	–
Impairment loss on properties, plant and equipment		(136,738)	–
Impairment loss on available-for-sale investments	4	(83,878)	–
Gain on disposal of a subsidiary		34,592	–
Finance costs	5	(361,881)	(304,040)
Share of results of associates		254,823	200,873
Share of results of jointly controlled entities		(1,075)	(7,035)
Profit before taxation		3,719,637	5,166,338
Income tax expense	7	(513,061)	(516,221)
Profit for the year		3,206,576	4,650,117
Profit for the year attributable to:			
Owners of the Company		2,594,142	3,620,818
Non-controlling interests		612,434	1,029,299
		3,206,576	4,650,117
Earnings per share	9		
Basic		HK$3.039	HK$4.278
Diluted		HK$3.031	HK$4.236

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	3,206,576	4,650,117
Other comprehensive income:		
Cash flow hedge:		
Gain (loss) on cash flow hedges	50,571	(44,088)
Deferred tax recognised in relation to cash flow hedges	(3,310)	8,373
Reclassification adjustment relating to transfer of cash flow hedges	–	111,774
Reclassification adjustment relating to deferred tax on transfer of cash flow hedges	–	(18,443)
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	(805,446)	405,831
Reclassification adjustment relating to disposal of available-for-sale investments	30,161	(296,012)
Reclassification adjustment relating to impairment loss on available-for-sale investments	83,878	–
Property revaluation reserve:		
Fair value changes on properties transferred to investment properties	691	7,268
Translation reserve:		
Exchange differences arising on translation of foreign operations and to presentation currency	1,087,554	633,786
Share of change in reserve of associates	28,296	18,785
Other comprehensive income for the year (net of tax)	472,395	827,274
Total comprehensive income for the year	3,678,971	5,477,391
Total comprehensive income attributable to:		
Owners of the Company	2,935,144	4,323,205
Non-controlling interests	743,827	1,154,186
	3,678,971	5,477,391

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties		3,505,610	2,130,210
Properties, plant and equipment		18,357,984	17,574,362
Prepaid lease payments		947,807	919,313
Other non-current assets		712,707	–
Goodwill		2,288,149	2,288,149
Interests in associates		746,359	564,447
Held-to-maturity investments		972,883	–
Available-for-sale investments		4,285,141	2,299,936
Interests in jointly controlled entities		–	1,075
Non-current deposits		1,433,910	1,715,339
Deferred tax assets		14,342	25,549
		33,264,892	27,518,380
Current assets			
Inventories		2,926,128	4,023,228
Properties held for development		9,227,363	4,625,399
Trade and other receivables and prepayments	10	8,414,105	7,958,511
Bills receivables	10	2,120,683	1,932,724
Prepaid lease payments		26,034	23,617
Taxation recoverable		42,580	41,693
Bank balances and cash		4,437,442	5,143,658
		27,194,335	23,748,830
Current liabilities			
Trade and other payables	11	5,023,154	4,368,885
Bills payables	11	1,001,947	1,163,337
Deposits received from pre-sale of residential units		1,423,679	1,061,578
Derivative financial instruments		13,761	47,070
Taxation payable		660,536	591,764
Bank borrowings		6,723,757	5,241,974
		14,846,834	12,474,608
Net current assets		12,347,501	11,274,222
Total assets less current liabilities		45,612,393	38,792,602

	2011	2010
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	167,194	73,378
Derivative financial instruments	–	50,755
Bank borrowings	11,450,813	7,086,134
	11,618,007	7,210,267
	33,994,386	31,582,335
Capital and reserves		
Share capital	85,467	84,950
Share premium and reserves	27,959,913	25,685,224
Equity attributable to owners of the Company	28,045,380	25,770,174
Non-controlling interests	5,949,006	5,812,161
Total equity	33,994,386	31,582,335

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 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. In addition, the application of HKFRS 9 will affect the classification and measurement of the available-for-sale investments and 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 (e.g. the Group’s investment in associates may become the Group’s subsidiaries based on the new definition of control and the related guidance in HKFRS 10). 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 of the Company 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. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. Specifically, the Group's operating segments under HKFRS 8 were organised into five main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of printed circuit boards ("PCBs"), (iii) manufacture and sale of chemicals, (iv) property development and investment ("Properties") and (v) others (including manufacture and sale of liquid crystal displays and magnetic products).

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements. The executive directors assess segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (share of results of associates and jointly controlled entities, impairment loss on available-for-sale investments, gain or loss on disposal of available-for-sale investments, gain on disposal of a subsidiary, income tax expenses, finance costs, share-based payments and unallocated corporate income and expenses).

The following is an analysis of the Group's revenue and results by reportable segments:

	Laminates *HK$'000*	PCBs *HK$'000*	Chemicals *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2011							
Segment revenue							
External sales	11,178,410	8,116,138	16,268,851	236,874	758,799	–	36,559,072
Inter-segment sales	2,661,214	–	807,853	–	11,530	(3,480,597)	–
Total	13,839,624	8,116,138	17,076,704	236,874	770,329	(3,480,597)	36,559,072
Result							
Segment result	1,724,292	514,379	1,359,734	593,127	59,532		4,251,064
Gain on disposal of a subsidiary							34,592
Impairment loss on available-for-sale investments							(83,878)
Loss on disposal of available-for-sale investments							(30,161)
Share-based payments							(236,099)
Unallocated corporate income							194,591
Unallocated corporate expenses							(302,339)
Finance costs							(361,881)
Share of results of associates							254,823
Share of results of jointly controlled entities							(1,075)
Profit before taxation							3,719,637
Income tax expense							(513,061)
Profit for the year							3,206,576

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

	Laminates *HK$'000*	PCBs *HK$'000*	Chemicals *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2010							
Segment revenue							
External sales	10,559,428	8,704,865	13,701,813	125,679	799,737	–	33,891,522
Inter-segment sales	2,948,161	–	763,699	–	16,796	(3,728,656)	–
Total	13,507,589	8,704,865	14,465,512	125,679	816,533	(3,728,656)	33,891,522
Result							
Segment result	2,612,545	1,080,157	1,296,569	165,100	64,658		5,219,029
Gain on disposal of available-for-sale investments							296,012
Unallocated corporate income							32,457
Unallocated corporate expenses							(270,958)
Finance costs							(304,040)
Share of results of associates							200,873
Share of results of jointly controlled entities							(7,035)
Profit before taxation							5,166,338
Income tax expense							(516,221)
Profit for the year							4,650,117

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

The Group's operations are located in the PRC and Thailand.

The analysis of the Group's revenue from external customers by geographical location is as follows:

	2011 *HK$'000*	**2010** *HK$'000*
The PRC (country of domicile)	32,091,302	29,364,098
Other Asian countries	2,683,453	2,888,851
Europe	1,227,246	1,054,252
America	557,071	584,321
	36,559,072	33,891,522

No single external customer of the Group contributed over 10% of the Group's revenue for each of the years ended 31 December 2010 and 2011.

3. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Other income includes:		
Dividends from available-for-sale investments	121,113	29,785
Gain on fair value changes of investment properties	412,361	68,824
Net exchange gain	85,191	55,373
Claim compensation	62,680	–
Interest income	49,488	38,639
Interest income on held-to-maturity investments	81,582	–

4. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 December 2011, impairment loss on available-for-sale investments of HK$83,878,000 (2010: nil) was recognised as a result of significant or prolonged decline in the fair values of certain of the Group's listed equity investments and listed bond securities below their costs.

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	315,103	194,007
Other finance charges	–	7,392
	315,103	201,399
Interest paid in relation to the interest rate swap contracts	55,219	111,774
	370,322	313,173
Less: Amount capitalised in the cost of qualifying assets	(8,441)	(9,133)
	361,881	304,040

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 1.1% for 2011 (2010: 1.1%) per annum to expenditures on qualifying assets.

6. DEPRECIATION

During the year, depreciation of approximately HK$2,134.7 million (2010: HK$2,058.4 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		
Charge for the year	6,078	8,007
Under (over) provision in previous years	322	(1,616)
	6,400	6,391
PRC Enterprise Income Tax		
Charge for the year	399,590	478,808
Taxation arising in other jurisdictions		
Charge for the year	2,839	9,025
Deferred taxation		
Charge for the year	104,232	21,997
	513,061	516,221

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends declared and paid		
Interim dividend for 2011 of HK40 cents (2010: HK50 cents) per ordinary share	341,867	424,567
Final dividend for 2010 of HK60 cents (2010: final dividend for 2009 of HK45 cents) per ordinary share	512,800	380,133
	854,667	804,700
Dividend proposed		
Proposed final dividend for 2011 of HK25 cents (2010: HK60 cents) per ordinary share	213,667	509,698

The final dividend of HK25 cents per ordinary share in respect of the year ended 31 December 2011 has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2011 *HK$'000*	**2010** *HK$'000*
Earnings for the purpose of calculating basic earnings per share	2,594,142	3,620,818
Less: Adjustment to the share of profit of Elec & Eltek International Company Limited and its subsidiaries based on dilution of their earnings per share	(103)	(1,473)
Earnings for the purpose of calculating diluted earnings per share	2,594,039	3,619,345

	Number of shares	
	2011	**2010**
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	853,625,108	846,433,936
Add: Effect of dilutive potential ordinary shares relating to:		
– outstanding share options issued by the Company	–	6,687,049
– outstanding warrants issued by the Company	2,104,142	1,249,070
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	855,729,250	854,370,055

The calculation of diluted earnings per share for the year ended 31 December 2011 does not take into account the outstanding share options of the Company as the exercise price of the outstanding share options of the Company was higher than the average market price during that year.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2011 *HK$'000*	**2010** *HK$'000*
Trade receivables	5,203,420	5,159,244
Advance to suppliers	1,052,656	947,077
Other receivables and prepayments	2,158,029	1,852,190
	8,414,105	7,958,511

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 end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0–90 days	3,923,013	4,190,710
91–180 days	1,223,439	907,357
Over 180 days	56,968	61,177
	5,203,420	5,159,244

All bills receivables of the Group are aged within 90 days at the end of the reporting period.

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
0–90 days	2,191,413	1,658,076
91–180 days	592,294	347,702
Over 180 days	184,450	191,247
	2,968,157	2,197,025

All bills payables of the Group are aged within 90 days at the end of the reporting period.

BUSINESS REVIEW

It is my great pleasure to report to our shareholders that Kingboard Chemical Holdings Limited ("The Group") delivered resilient results for the financial year ended 31 December 2011 despite an extremely volatile and difficult operating landscape. Export order demand was hit by the impact of the European sovereign debt crisis in the second half of the year. Furthermore, severe flooding in Thailand in the last quarter of 2011 ("FY11 Q4") caused serious disruption to the electronic component supply chain. As a result, electronic products manufacturers made aggressive inventory adjustments which in turn affected our revenue and earnings in the last quarter of 2011. Backed by a strong performance in the first half of 2011, the Group's revenue increased by 8% to HK$36,559.1 million while underlying net profit (excluding non-recurring items) declined by 26% to HK$2,583.5 million, basic earnings per share was HK$3.026.

Despite strong headwinds in the second half of 2011, our experienced management team managed to lead our employees to deliver profitable results from all core business segments. Driven by buoyant domestic demand for chemical products in China, the Group's chemical division delivered impressive growth in both turnover and profit. The Group's property developments division continued to generate stable rental income from our investment properties during the year.

On the back of our solid financial strength and proven management team, the Group has built up an excellent business model with a balanced portfolio yielding diverse income streams. This has created a concrete buffer for the Group against economic downturn and enables the Group to maintain our robust financial position. The Board proposed a final dividend of HK25 cents per share, together with the interim dividend of HK40 cents per share paid in September 2011, constitutes a total dividend per share of HK65 cents, representing a payout ratio of 21%.

Financial Highlights

	FY2011 *HK$'million*	**FY2010** *HK$'million*	**Change**
Revenue	36,559.1	33,891.5	+8%
EBITDA*	6,123.8	7,373.1	–17%
Underlying profit before tax*	3,627.3	5,010.0	–28%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,583.5	3,509.0	–26%
– Reported net profit	2,594.2	3,620.8	–28%
Basic earnings per share			
– Based on underlying net profit*	HK$3.026	HK$4.146	–27%
– Based on reported net profit	HK$3.039	HK$4.278	–29%
Full-year dividend per share	HK65.0 cents	HK110.0cents	–41%
– Interim dividend per share	HK40.0 cents	HK50.0cents	–20%
– Proposed final dividend per share	HK25.0 cents	HK60.0cents	–58%
Dividend payout ratio	21%	26%	
Net asset value per share	HK$32.8	HK$30.3	+8%
Net gearing	40%	23%	

* *Excluding:*

2011: (1) *impairment loss on available-for-sale investments of HK$83.2 million (net of the portion shared by minority shareholders)*
(2) *gain on fair value changes of investment properties of HK$306.8 million (net of deferred tax)*
(3) *share-based payments of HK$212.9 million (net of the portion shared by minority shareholders)*

2010: (1) *gain on disposal of available-for-sale investments of HK$111.8 million (net of the portion shared by minority shareholders)*

PERFORMANCE

In 2011, global demand for electronic products was negatively impacted by the Japan earthquake in the first half-year, followed by the European sovereign debt crisis which in turn affected consumer confidence in the second half of the year. In addition, the severe flooding in Thailand in the second half of 2011 also caused significant disruption of component supply along the electronic supply chain which resulted in aggressive inventory adjustment by electronic products producers. As a result, laminate products demand was weak in the last quarter of 2011. Hence, shipment volume and capacity utilization of laminates fell sharply in

FY11 Q4, which in turn created immense pressure on our profit margins. However, domestic sales denominated in Renminbi ("RMB") continued to be robust and increased 13% compared to last year. Hence, turnover (including inter-segment sales) for the laminate division was similar to the previous year at HK$13,839.6 million. Volume sales decreased around 9% against 2010 and average monthly shipment reached 8.5 million square metres. Despite a net increase in the average selling price of laminates against the previous year, continuous raw material price and other operating costs increase in 2011 in addition to lower capacity utilization in FY11 Q4 impacted our margin. Hence, earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased 26% to HK$2,517.6 million.

Similarly, the Printed Circuit Board ("PCB") division was also impacted by rising costs pressure, softer demand as well as inventory adjustment by customers in the last quarter of the year. Turnover for the PCB division declined by 7% to HK$8,116.1 million and EBITDA decreased 35% to HK$1,056.5 million. The Group has allocated resources in the past few years to expand the production capacity for high density interconnect ("HDI") PCBs. The division successfully upgraded our product mix and expanded market share in this market segment. HDI PCB sales increased by 30% against the previous year, accounting for 17% of total PCB sales and generated good earnings contribution to the division.

Demand for chemical products continued to thrive in the Chinese domestic market. As crude oil price increased in 2011, chemical products selling prices showed an uptrend during the year. In the second half year, the on-going tightening monetary policy of the Chinese Government to tame inflations created very tough business conditions and in turn caused certain chemical prices to soften. During the year under review, our phenol/acetone plant in Huizhou, Guangdong province continued to achieve outstanding performance. The Group's other chemical projects including Xingtai coke/methanol plant in Hebei province as well as Hengyang caustic soda plant in Hunan province also delivered attractive earnings for the Group. Turnover (including inter-segment sales) for the chemical division jumped 18% to HK$17,076.7 million and EBITDA rose by 6% to HK$2,120.9 million. Share of associates results (the bulk of which was contributed by our natural gas based methanol joint venture with China BlueChemical Limited) increased by 29% to HK$259.5 million as a result of higher methanol selling prices against last year.

With regards to our property developments division, as at 31 December 2011, the Group had a land bank of over 4 million square metres with investment properties and residential projects located at prime locations in eastern and southern China. Our investment properties including Shanghai Kingboard Modern Plaza and Guangzhou Zhan Wang Digital Plaza located at central location with easy access and enjoyed good occupancy rates. In addition, the newly renovated Guangzhou Dong Zhao Building was completed in March 2011 and occupancy rate reached over 60% of lettable area by the end of the year. Total rental income for the Group increased substantially by 88% to HK$236.9 million in 2011 from HK$125.7 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be solid. As at 31 December 2011, net current assets and current ratio of the Group were approximately HK$12,347.5 million (31 December 2010 – HK$11,274.2 million) and 1.8 (31 December 2010 – 1.9) respectively.

The net working capital cycle shortened from 65 days as at 31 December 2010 to 40 days as at 31 December 2011 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 35 days. Total inventory amount decreased by 27% as the Group tightened control over inventory and reclassified HK$712.7 million copper foil inventory to other non-current assets in line with the 2 years licensing arrangement with an independent third party as announced in the announcement released by Kingboard Copper Foil Holdings Limited on 3 August 2011 (31 December 2010 – 55 days).

- Trade receivables, in terms of debtors turnover days, reduced to 52 days (31 December 2010 – 56 days).

- Trade and bills payables, in terms of creditors turnover days, reduced to 47 days (31 December 2010 – 46 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 40% (31 December 2010: 23%). The proportion of bank borrowings between short term and long term stood at 37%: 63% (31 December 2010: 43%: 57%). During the year under review, the Group invested around HK$2.82 billion and HK$4 billion in new production capacity and property developments projects respectively. With a seasoned and professional management team coupled with our concrete business foundation and robust balance sheet, the Group is confident that these investments will generate stable and attractive returns to our shareholders in the future. About 7% of the Group's 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 rates swap contract to minimize exposure to fluctuation in interest rates movement. As at 31 December 2011, the outstanding notional amount of interest rate swap agreements stood at HK$930 million with a weighted average duration and interest rate of 0.38 year and 3.09% respectively. 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 2011. 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, 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 global workforce of over 43,200 (31 December 2010: 47,300). The decrease in headcount was in line with reduced business volume in the last quarter of last year. In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and their individual performance. The Group's continued success relies on a comprehensive human resources strategy. Kingboard Institute of Management was established with a vision to focus on management training of middle and senior management for the Group. The Group recruits fresh graduates from both mainland China and Hong Kong each year in search for talents for the Group. In future, we will continue our effort to identify and develop staff via management training schemes in order to rejuvenate our management team to support the long term development of the Group.

PROSPECTS

After the Chinese Lunar New Year holidays in 2012, customer orders showed signs of improvement. Laminate prices also showed an uptrend as commodity prices recovered as compared 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 over the future growth prospects of the Chinese domestic market. With the gradual loosening of the tight monetary policies in China, we expect to see further improvement in the business operating environment further along 2012. On the back of Chinese government's policy push to encourage domestic consumption and continuous improvement of living standard for Chinese citizens, demand for electronic products, especially smart phones and computer related products, is expected to maintain robust growth as the disposable income for Chinese consumers continue to increase. This would definitely be a positive driver for laminates demand. We will continue to invest in product mix enhancement and business development in the domestic China market in order to advance our market share. Plans are underway to expand laminates production capacity for both Jiangyin plant, Jiangsu province and Jiangmen plant, Guangdong province in the current year to capture business opportunities for thin and high-performance laminates.

For the PCB division, our new PCB facility at Yi Zheng Industrial Park, Yangzhou, Jiangsu province is expected to commence trial production in the second quarter of this year. Annual capacity is expected to reach 6 million sq.ft by the end of this year. Furthermore, our two dedicated HDI PCB plants in Kunshan, Jiangsu province and Kaiping, Guangdong province also plan to expand production capacity in 2012 to meet customer demand.

For the chemical division, the new phenol/acetone plant at Yangzhou, Jiangsu province with an annual capacity of 300,000 metric tonnes is expected to commence trial production in the second quarter. Meanwhile, capability enhancement plans for the existing phenol/acetone plant at Huizhou, Guangdong province are currently under review and expected to be completed in 2012.

Leasing activities for our investment property Guangzhou Dong Zhao Building have made good progress. Another key commercial project, Guangzhou Kingboard Plaza located at a prime location in Zhujiang Xincheng, Guangzhou is expected to be completed by end 2012. These projects will fuel rental income growth in China over the next two years. The tightening policies introduced by the Central Government over the domestic property market are likely to continue. The Group will adjust our existing land reserve development plans subject to changes in market conditions. A cautious and prudent approach will be adopted on further land bank acquisitions to ensure that quality land at reasonable price is acquired by the Group. Our first residential project – Shanghai Yu Garden in Kunshan, Jiangsu province has pre-sold over 99% of units with cash receipts in excess of RMB1.1 billion. Owing to the processing time required to get the title deeds from the authorities, earnings in connection with this project are expected to be booked in the first half of 2012. In addition, construction of another residential project – Qiandeng Kingboard Yu Garden in Kunshan, Jiangsu province has commenced with a target completion by end of 2013. To date, around 30% of the available units have been sold under Phase I of the project.

Operating landscape for the Group in 2012 remains challenging. Nevertheless, our experienced management team will maintain a prudent financial management strategy and continue to sharpen the competitive edge of our core businesses. The Group will respond promptly to changes in the market and any business opportunities with decisive action. We are confident that the Group will continue to deliver attractive returns to our shareholders in future.

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 year.

FINAL DIVIDEND

The proposed final dividend of HK25 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 Monday, 11 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 Secretaries 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 Secretaries 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.

Registered holders of the Company's 2012 warrants who wish to exercise their subscription rights attached to their warrants in order to qualify for receiving the proposed final dividend should complete and sign the subscription form and lodge them with the relevant warrant certificates and the appropriate subscription money with Tricor Secretaries Limited at the above address not later than 4:00 p.m. on Thursday, 31 May 2012.

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 2011, save for the deviation that the non-executive Directors (including 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 non-executive Directors and 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 that 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 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.

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 Chemical Holdings Limited
Cheung Kwok Wing
Chairman

Hong Kong, 29 March 2012

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Cheung Kwong Kwan, Chang Wing Yiu, Ho Yin Sang, Cheung Wai Lin, Stephanie, Mok Cham Hung, Chadwick and Chen Maosheng, being the executive Directors, Mr. Chan Wing Kwan, being the non-executive Director, and Messrs. Cheng Wai Chee, Christopher, Henry Tan, Lai Chung Wing, Robert and Tse Kam Hung, being the independent non-executive Directors.