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 2013

FINANCIAL HIGHLIGHTS

	FY2013 *HK$'million*	FY2012 *HK$'million*	Change
Revenue	35,683.5	37,290.3	–4%
EBITDA*	5,323.9	5,583.7	–5%
Profit before tax*	2,538.1	3,003.8	–16%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,880.0	2,174.3	–14%
– Reported net profit	2,961.4	2,097.0	+41%
Basic earnings per share^			
– Based on underlying net profit*	HK$1.833	HK$2.120	–14%
– Based on reported net profit	HK$2.887	HK$2.045	+41%
Full-year dividend per share^	HK50.0 cents	HK43.3 cents	+15%
– Interim dividend per share	HK10.0 cents	HK8.3 cents	+20%
– Special dividend per share	HK20.0 cents	–	N/A
– Proposed final dividend per share	HK20.0 cents	HK35.0 cents	–43%
Dividend payout ratio#	27%	20%	
Net asset value per share^	HK$33.3	HK$29.9	+11%
Net gearing	42%	38%	

* Excluding:

(1) Gain on fair value changes of investment properties of HK$1,122.9 million (FY2012: HK$20.1 million), net of portion shared by non-controlling shareholders and deferred tax.

(2) Share-based payments of HK$41.4 million (FY2012: HK$97.5 million), net of portion shared by non-controlling shareholders.

^ Adjusted for the bonus share issue incurred for the year ended 31 December 2012 and 2013 as if the bonus share issue had occurred on 1 January 2012.

Calculated base on underlying net profit

※ *For identification purposes 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 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	2	35,683,457	37,290,319
Cost of sales and services rendered		(31,025,972)	(32,185,963)
Gross profit		4,657,485	5,104,356
Other income, gains and losses	3	419,000	343,768
Distribution costs		(942,139)	(915,402)
Administrative costs		(1,495,885)	(1,475,352)
Gain on fair value changes of investment properties		1,406,679	28,915
Gain on disposal of available-for-sale investments		144,901	2,634
Gain on disposal of held-to-maturity investments		–	83,138
Share-based payments		(44,756)	(105,754)
Impairment loss on properties, plant and equipment		–	(12,847)
Impairment loss on available-for-sale investments	4	–	(35,002)
Gain on disposal of a subsidiary		–	9,822
Finance costs	5	(479,661)	(349,451)
Gain on deemed disposal of an associate		–	30,377
Share of results of associates		234,349	217,791
Profit before taxation		3,899,973	2,926,993
Income tax expense	7	(608,350)	(420,028)
Profit for the year		3,291,623	2,506,965
Profit for the year attributable to:			
Owners of the Company		2,961,409	2,097,031
Non-controlling interests		330,214	409,934
		3,291,623	2,506,965
			(Restated)
Earnings per share	9		
Basic and diluted		HK$2.887	HK$2.045

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013 *HK$'000*	**2012** *HK$'000*
Profit for the year	3,291,623	2,506,965
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	962,601	75,135
Property revaluation reserve:		
Fair value changes on properties transferred to investment properties	5,142	163
	967,743	75,298
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge:		
Gain on cash flow hedges	–	4,766
Deferred tax recognised in relation to change in cash flow hedges	–	(2,270)
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	367,677	511,124
Reclassification adjustment relating to disposal of available-for-sale investments	(145,426)	(2,634)
Reclassification adjustment relating to impairment loss on available-for-sale investments	–	35,002
Translation reserve:		
Exchange differences arising from translation of foreign operations	4,672	2,613
Exchange reserve released upon disposal of a subsidiary	–	(682)
Share of change in reserve of associates	20,498	(1,350)
	247,421	546,569
Other comprehensive income for the year (net of tax)	1,215,164	621,867
Total comprehensive income for the year	4,506,787	3,128,832
Total comprehensive income attributable to:		
Owners of the Company	4,039,154	2,669,490
Non-controlling interests	467,633	459,342
	4,506,787	3,128,832

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties		7,700,029	5,743,663
Properties, plant and equipment		18,201,741	18,726,836
Prepaid lease payments		1,018,926	1,023,789
Other non-current assets		734,889	–
Goodwill		2,288,149	2,288,149
Interests in associates		677,650	649,317
Available-for-sale investments		4,250,508	3,166,084
Entrusted loans	10	1,405,331	258,258
Non-current deposits		505,609	404,510
Deferred tax assets		4,750	5,398
		36,787,582	32,266,004
Current assets			
Inventories		3,145,193	3,448,609
Properties held for development		17,387,531	10,063,615
Trade and other receivables and prepayments	10	8,799,141	8,229,657
Bills receivables	10	2,302,770	2,209,153
Other current assets		–	712,531
Prepaid lease payments		28,135	30,329
Taxation recoverable		46,649	59,643
Bank balances and cash		6,363,240	3,914,991
		38,072,659	28,668,528
Current liabilities			
Trade and other payables	11	4,623,108	4,959,412
Bills payables	11	715,412	874,954
Deposits received from pre-sale of residential units		3,857,305	379,156
Taxation payable		603,661	554,666
Bank borrowings		7,172,390	5,734,281
		16,971,876	12,502,469
Net current assets		21,100,783	16,166,059
Total assets less current liabilities		57,888,365	48,432,063

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	521,196	258,118
Bank borrowings	16,507,210	12,024,799
	17,028,406	12,282,917
	40,859,959	36,149,146
Capital and reserves		
Share capital	102,560	85,467
Share premium and reserves	34,055,683	30,560,168
Equity attributable to owners of the Company	34,158,243	30,645,635
Non-controlling interests	6,701,716	5,503,511
Total equity	40,859,959	36,149,146

NOTES:

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC*) – INT 20	Stripping costs in the production phase of a surface mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

Except as described below, the adoption of the package of five standards has had no material impact on the Group's financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to HKAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’ and the income statement is renamed as the ‘statement of profit or loss’. Furthermore, 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors of the Company ("Directors") anticipate that the application of the other new and revised HKFRSs 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 and reportable 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 service income, manufacture and sale of liquid crystal displays and magnetic products). No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Under HKFRS 8, 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 CODM 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, impairment loss on available-for-sale investments, gain on disposal of available-for-sale investments/held-to-maturity investments, gain on disposal of a subsidiary, gain on deemed disposal of an associate, 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	PCBs	Chemicals	Properties	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013							
Segment revenue							
External sales	10,994,401	7,155,270	16,375,102	532,488	626,196	–	35,683,457
Inter-segment sales	2,061,945	–	827,257	–	5,414	(2,894,616)	–
Total	13,056,346	7,155,270	17,202,359	532,488	631,610	(2,894,616)	35,683,457
Result							
Segment result	1,410,875	302,325	652,451	1,728,890	42,544		4,137,085
Gain on disposal of available-for-sale investments							144,901
Share-based payments							(44,756)
Unallocated corporate income							185,249
Unallocated corporate expenses							(277,194)
Finance costs							(479,661)
Share of results of associates							234,349
Profit before taxation							3,899,973

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

	Laminates	PCBs	Chemicals	Properties	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2012							
Segment revenue							
External sales	10,749,477	7,253,301	16,844,545	1,835,317	607,679	–	37,290,319
Inter-segment sales	2,191,865	–	713,306	–	8,236	(2,913,407)	–
Total	12,941,342	7,253,301	17,557,851	1,835,317	615,915	(2,913,407)	37,290,319
Result							
Segment result	1,390,533	411,162	654,278	621,142	45,063		3,122,178
Gain on disposal of a subsidiary							9,822
Gain on deemed disposal of an associate							30,377
Impairment loss on available-for-sale investments							(35,002)
Gain on disposal of available-for-sale investments							2,634
Gain on disposal of held-to-maturity investments							83,138
Share-based payments							(105,754)
Unallocated corporate income							207,819
Unallocated corporate expenses							(256,559)
Finance costs							(349,451)
Share of results of associates							217,791
Profit before taxation							2,926,993

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

The Group's operations are located in the People's Republic of China ("PRC") (country of domicile) and Thailand.

The analysis of the Group's revenue from external customers by geographical location based on where the goods sold and delivered and services are rendered, is as follows:

	2013	2012
	HK$'000	*HK$'000*
The PRC (country of domicile)	31,382,916	32,934,809
Other Asian countries (including Thailand, Japan, Korea and Singapore)	2,380,315	2,586,637
Europe	1,228,901	1,142,648
America	691,325	626,225
	35,683,457	37,290,319

No single external customer of the Group contributed over 10% of the Group's revenue for each of the years ended 31 December 2012 and 2013.

3. OTHER INCOME, GAINS AND LOSSES

	2013 *HK$'000*	2012 *HK$'000*
Other income, gains and losses include:		
Dividends from available-for-sale investments	112,151	109,432
Interest income from bank balances and cash	63,607	65,451
Interest income from held-to-maturity investments (Note)	–	78,655
Interest income from available-for-sale investments	177,350	48,122
Net exchange gain	42,325	30,857

Note: Included in interest income for the year ended 31 December 2012 was the amortisation of discount on held-to-maturity investments of HK$5,605,000 (2013: nil).

4. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 December 2012, impairment loss on available-for-sale investments of HK$35,002,000 (2013: nil) was recognised as a result of significant or prolonged decline in fair value below the cost of certain of the Group's listed equity investments.

5. FINANCE COSTS

	2013 *HK$'000*	2012 *HK$'000*
Interest on bank borrowings		
– Wholly repayable within five years	471,589	344,515
– Not wholly repayable within five years	15,377	6,649
Interest paid in relation to the interest rate swap contracts	–	5,803
	486,966	356,967
Less: Amount capitalised in the cost of qualifying assets	(7,305)	(7,516)
	479,661	349,451

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 1.6% (2012: 1.2%) per annum to expenditures on qualifying assets.

6. DEPRECIATION

During the year, depreciation of approximately HK$2,275.2 million (2012: HK$2,200.0 million) was charged in respect of the Group's properties, plant and equipment.

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	10,902	4,017
Underprovision in previous years	–	496
	10,902	4,513
PRC Enterprise Income Tax		
Charge for the year	309,164	355,741
Overprovision in previous years	(1,822)	–
	307,342	355,741
PRC Land Appreciation Tax ("LAT")		
Charge for the year	–	21,985
Taxation arising in other jurisdictions		
Charge for the year	9,001	11,900
Deferred taxation		
Charge for the year	269,779	14,374
Withholding tax on distributed profits of PRC entities	11,326	11,515
	608,350	420,028

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% from 1 January 2008 onwards.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

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

8. DIVIDENDS

	2013 *HK$'000*	2012 *HK$'000*
Dividends declared and paid		
Interim dividend for the year ended 31 December 2013 of HK10 cents (for the year ended 31 December 2012: HK10 cents or HK8.3 cents after adjusting for the bonus share issue in 2013) per ordinary share	102,560	85,467
Special dividend for the year ended 31 December 2013 of HK20 cents (for the year ended 31 December 2012: nil) per ordinary share	205,120	–
Final dividend for the year ended 31 December 2012 of HK42 cents or HK35 cents after adjusting for the bonus share issue in 2013 (for the year ended 31 December 2012: final dividend for 2011 of HK25 cents or HK20.83 cents after adjusting for the bonus share issue in 2013) per ordinary share	358,960	213,667
	666,640	299,134
Dividend proposed		
Proposed final dividend for the year ended 31 December 2013 of HK20 cents (for the year ended 31 December 2012: HK42 cents or HK35 cents after adjusting for the bonus share issue in 2013) per ordinary share	205,120	358,960

The final dividend of HK20 cents (2012: HK42 cents or HK35 cents after adjusting for the bonus issue in 2013) per ordinary share amounting to HK$205,120,000 (2012: HK$358,960,000) in respect of the year ended 31 December 2013 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:

	2013 *HK$'000*	2012 *HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	2,961,409	2,097,031

	Number of shares 2013	 2012 *(Restated)*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,025,600,236	1,025,600,236

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share for the year ended 31 December 2012 has been adjusted for the bonus issue of the Company issued during the year ended 31 December 2013.

The calculation of diluted earnings per share for the years ended 31 December 2013 and 2012 did not take into account the effects of share options of the Company and Kingboard Laminates Holdings Limited ("KLHL"), a listed subsidiary of the Group in Hong Kong, as the exercise prices of the outstanding share options were higher than the average market prices of the Company's and KLHL's shares during the year ended 31 December 2013 and 2012.

The calculation of diluted earnings per share for the year ended 31 December 2012 did not take into account the effects of warrants of the Company as the exercise price of the warrants was higher than the average market prices of the Company before the warrants were expired. No new warrant is granted at 31 December 2013 and during the year ended 31 December 2013.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, ENTRUSTED LOANS AND BILLS RECEIVABLES

	2013	**2012**
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	5,763,394	5,214,158
Advance to suppliers	790,279	761,958
Deposits paid for acquisition of land use rights of development of properties held for sale (Note i)	237,586	558,858
Entrusted loans (Note ii)	1,486,277	272,299
Prepayment and deposits	644,736	580,002
Value added tax ("VAT") recoverables	797,875	879,225
LAT on pre-sale properties	53,859	9,951
Amount due from a non-controlling shareholder of a subsidiary (Note iii)	237,125	–
Other receivables	193,341	211,464
	10,204,472	8,487,915
Less: Non-current portion of entrusted loans	(1,405,331)	(258,258)
	8,799,141	8,229,657

Notes:

(i) The amount represents deposits paid for acquisition of land use rights in PRC which are to be acquired for the purpose of future development for sale.

(ii) The entrusted loans of HK$1,486,277,000 (equivalent to approximately RMB1,158,555,000) are due from certain purchasers of the Group's properties in the PRC through lending agents which are three commercial banks in the PRC (the "Lending Agents"). The entrusted loans are interest bearing ranging from 4.595% to 7.50% per annum payable on monthly basis and the principal will be payable on or before 2033. The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan.

(iii) The amount represents consideration receivables from a non-controlling shareholder of a subsidiary in relation to the capital injection of a property development project in PRC. The amount is expected to be settled within one year.

The Group allows credit periods of up to 120 days, depending on the products sold, to its trade customers. The following is an aged analysis of trade receivables based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2013	2012
	HK$'000	*HK$'000*
0 – 90 days	4,332,227	3,862,697
91 – 180 days	1,358,850	1,289,311
Over 180 days	72,317	62,150
	5,763,394	5,214,158

All bills receivables of the Group are aged within 90 days (2012: 90 days) at the end of the reporting period.

As at 31 December 2013, entrusted loans amounting to HK$1,405,331,000 in respect of repayment due after 12 months from the end of the reporting period are classified as non-current assets. In addition, entrusted loans amounted to HK$258,258,000 as at 31 December 2012 had been reclassified from current assets to non-current assets.

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

The average credit period on purchases of goods is 90 days (2012: 90 days). The following is an aged analysis of the trade payables at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 90 days	2,083,147	2,077,403
91 – 180 days	466,563	503,700
Over 180 days	176,862	157,555
	2,726,572	2,738,658

All bills payables of the Group are aged within 90 days (2012: 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 2013. During the year, the US market showed positive signs of rebound while the Chinese economic model went through a gradual upgrade to maintain sustained growth. Against a backdrop of progressive global economic recovery, demand for electronic products followed a more steady growth trend with robust sales in smart-phones and other mobile electronic devices. Leveraging our successful vertical integration business model, our management team utilized our laminates capacity expansion to capture additional market share, laminate division was able to deliver record high shipment volume during the year. For the printed circuit board ("PCB") division, performance was impacted by average selling prices decline and operational costs increases. The chemicals division yielded excellent results as both the coal chemicals and acetic acid plants at our Hebei site delivered strong earnings contributions. The property division started to bring in attractive returns with excellent pre-sale results arising from our residential projects. Rental income continued to increase bolstered by an occupancy rate of by over 95% in our investment properties portfolio.

Our experienced management team continued to react promptly to market changes and focused on operation efficiency improvements, as a result all core business divisions continued to deliver profitable results. Since there was no property sales income recorded in the current year, group revenue was marginally down by 4% to HK$35,683.5 million while underlying net profit (excluding non-recurring items) declined by 14% to HK$1,880.0 million. Basic earnings per share was HK$1.833. Nevertheless, with a substantial gain in the fair value of our investment properties, reported net profit was up by 41% to HK$2,961.4 million. The Group maintained a robust financial position. The Board proposed a final dividend of HK20 cents per share, together with the interim dividend of HK10 cents per share and the special dividend of HK20 cents per share paid in September 2013, constitutes a total dividend per share of HK50 cents, representing a payout ratio of 27%.

FINANCIAL HIGHLIGHTS

	FY2013 *HK$'million*	FY2012 *HK$'million*	Change
Revenue	35,683.5	37,290.3	–4%
EBITDA*	5,323.9	5,583.7	–5%
Profit before tax*	2,538.1	3,003.8	–16%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,880.0	2,174.3	–14%
– Reported net profit	2,961.4	2,097.0	+41%
Basic earnings per share^			
– Based on underlying net profit*	HK$1.833	HK$2.120	–14%
– Based on reported net profit	HK$2.887	HK$2.045	+41%
Full-year dividend per share^	HK50.0 cents	HK43.3 cents	+15%
– Interim dividend per share	HK10.0 cents	HK8.3 cents	+20%
– Special dividend per share	HK20.0 cents	–	N/A
– Proposed final dividend per share	HK20.0 cents	HK35.0 cents	–43%
Dividend payout ratio#	27%	20%	
Net asset value per share^	HK$33.3	HK$29.9	+11%
Net gearing	42%	38%	

* Excluding:

(1) Gain on fair value changes of investment properties of HK$1,122.9 million (FY 2012: HK$20.1 million), net of portion shared by non-controlling shareholders and deferred tax.

(2) Share-based payments of HK$41.4 million (FY2012: HK$97.5 million), net of portion shared by non-controlling shareholders.

^ Adjusted for the bonus share issue incurred for the year ended 31 December 2012 and 2013 as if the bonus share issue had occurred on 1 January 2012.

\# Calculated base on underlying net profit

PERFORMANCE

Riding on the capacity expansion of the laminate plants in Jiangyin, Jiangsu province and Jiangmen, Guangdong province in 2013, the laminates division delivered satisfactory performance with record high shipment volume as capacity utilization improved against last year. Our Chinese domestic market share continued to expand, with Renminbi ("RMB") sales of the Group increasing to account for 59% of laminates division's total revenue. The average selling price for laminates came under pressure as the average copper price was lower than in the previous year. Turnover (including inter-segment sales) for the laminates division rose 1% against the previous year to HK$13,056.3 million. Volume sales increased 9% from last year and average monthly shipment reached 9.38 million square metres. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased 1% to HK$2,132.4 million.

For the PCB division, although automotive-related orders increased substantially, computer-related orders declined due to soft demand. Hence, turnover for the PCB division was down by 1% to HK$7,155.3 million and EBITDA decreased 10% to HK$874.9 million. The Group continued to expand its high density interconnect ("HDI") PCB production capacity, and gained market share in this market segment by ongoing technology and capability enhancement. HDI PCB sales accounted for 23% (2012:21%) of PCB division sales and generated good earnings contribution to the division.

As a result of better coal chemicals and acetic acid selling price during the year, Hebei chemical plant delivered a strong profit contribution. Meanwhile, the new phenol/acetone plant in Yangzhou, Jiangsu province raised the division's overall output capacity in 2013. Our Yangzhou chemical refinery plant was leased out in the second half of 2013 in return for rental income and processing charges. As a result, turnover (including inter-segment sales) for the chemical division decreased marginally by 2% to HK$17,202.4 million. However, average selling prices increase and operation efficiency improvements in the chemical division drove EBITDA up by 4% to HK$1,592.9 million. Share of associates results (the bulk of which was contributed by our natural gas based methanol joint venture with China BlueChemical Limited) rose by 9% to HK$234.3 million.

As there was no income recognition for property sales in 2013, property division income declined 71% to HK$532.5 million, bulk of which related to rental income from the investment properties. Rental income increased by 33% against the previous year, mainly due to additional rental contribution from the commercial properties in Hong Kong and London acquired in 2012. Pre-sale of the residential projects delivered remarkable results with contract sales increasing substantially to approximately HK$4.17 billion and represented a contract sales area of around 417,000 square metres. As at 31 December 2013, the Group owned a land bank of approximately 6 million square metres of gross floor area located at prime sites in major cities such as Shanghai, Kunshan and Guangzhou in China. Management is confident that these projects will bring in attractive returns.

LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be solid. As at 31 December 2013, net current assets and current ratio of the Group were approximately HK$21,100.8 million (31 December 2012 – HK$16,166.1 million) and 2.24 (31 December 2012 – 2.29) respectively.

The net working capital cycle increased from 49 days as at 31 December 2012 to 56 days as at 31 December 2013 on the following key metrics:

– Inventories, in terms of stock turnover days, decreased to 37 days from last year (31 December 2012 – 39 days) due to stringent inventory controls.

– Trade receivables, in terms of debtors turnover days, increased to 59 days (31 December 2012 – 51 days).

– Trade and bills payables, in terms of creditors turnover days, was 40 days (31 December 2012 – 41 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 42% (31 December 2012: 38%). The proportion of bank borrowings between short term and long term stood at 30%:70% (31 December 2012: 32%:68%). During the year under review, the Group invested around HK$1.6 billion and HK$7.0 billion in new production capacity and property developments projects respectively. With a professional and seasoned 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 1% 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. The Group did not entered into any material derivative financial instruments in 2013. 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 2013, the Group had a global workforce of over 43,800 (31 December 2012: 43,400). 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 its search for talents. 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

At the onset of 2014, the global economy showed signs of steady recovery and market outlook remains positive. Urbanization is helping to promote domestic demand growth while e-commerce channels continue its aggressive expansion and bring about substantial demand growth in digital electronic products sales such as smart-phones and sophisticated household applications such as smart TVs. These market trend changes are expected to push demand growth for both laminates and PCBs.

In order to meet demand from downstream capacity expansion in the laminates division and strengthen our vertical integration business model, the Group plans to increase the upstream materials production capacity. An expansion phase of the Lianzhou glass fabric plant and a new glass yarn plant in Qingyuan, Guangdong province will commence production in 2014.

As regards the property division, demand is still robust with pre-sales units being over-subscribed as soon as they are launched on to the market. Construction work of Qiandeng Yu Garden Phase I has been completed and some of the buyers have started the process of taking up title of the flats. Revenue and profit of this project are expected to be recognized in 2014. Leasing activities have commenced for Guangzhou Kingboard Plaza and have yielded satisfactory occupancy rate. More residential properties projects will be launched for pre-sale in 2014 to fuel the future growth of the property division.

Cloud computing and cloud storage is a growing trend. Kingboard Group has recently set up a new software development team to work on software development for cloud computing, big data analysis and enterprise resources planning ("ERP") system. A new ERP system is now ready for internal test run within the Group and will be launched on the market in due course. Meanwhile, the Group plans to set up Cloud Data Centre in PRC utilizing our existing land bank in eastern and southern China to capture new technology trends in this sector.

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 HK20 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, 26 May 2014 ("2014 AGM"), is to be payable on Wednesday, 11 June 2014 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 3 June 2014.

CHANGE OF ADDRESS OF COMPANY'S BRANCH SHARE REGISTRAR IN HONG KONG

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited (the "Branch Share Registrar"), will change its address from 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong to:

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CLOSURE OF REGISTER OF MEMBERS

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

(i) From Thursday, 22 May 2014 to Monday, 26 May 2014, 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 2014 AGM. In order to be eligible to attend and vote at the 2014 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Branch Share Registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Monday, 31 March 2014) not later than 4:00 p.m. on Wednesday, 21 May 2014; and

(ii) From Friday, 30 May 2014 to Tuesday, 3 June 2014, 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 Branch Share Registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Monday, 31 March 2014) not later than 4:00 p.m. on Thursday, 29 May 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013, save for the deviation that the non-executive Director and independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. In addition, Mr. Henry Tan, a former independent non-executive Director and member of the audit committee of the Company, retired from the aforesaid roles immediately after the Company's annual general meeting held on 6 May 2013. According to Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Also, Rule 3.21 of the Listing Rules requires that an audit committee must comprise a minimum of three members. Upon Mr. Tan's retirement, the number of members of the Company's audit committee fell below three as required under Rule 3.21 of the Listing Rules and the number of independent non-executive Directors of the Company represented less than one-third of the board. Since then, the Company has endeavoured to identify a suitable candidate to take up the role as an independent non-executive Director and a member of the audit committee of the Company. Mr. Tang King Shing was appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 1 August 2013 and both Rules 3.10A and 3.21 of the Listing Rules have been complied with.

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 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 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, 21 March 2014

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, Lai Chung Wing, Robert, Tang King Shing and Tse Kam Hung, being the independent non-executive Directors.