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# 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 2009

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>FY 2009</b>	<b>FY 2008</b>	<b>Change</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>	
<b>Revenue</b>	23,772.5	23,681.4	+0.4%
<b>Underlying profit before tax*</b>	3,098.5	2,723.3	+14%
<b>Net profit attributable to shareholders</b>			
– Underlying net profit*	2,239.0	2,103.6	+6%
– Reported net profit	2,396.0	1,705.9	+40%
<b>Basic earnings per share</b>			
– Based on underlying net profit*	HK\$2.651	HK\$2.499	+6%
– Based on reported net profit	HK\$2.837	HK\$2.026	+40%
<b>Full-year dividend per share</b>	HK75.0 cents	HK70.0 cents	+7%
– Interim dividend per share	HK30.0 cents	HK40.0 cents	-25%
– Proposed final dividend per share	HK45.0 cents	HK30.0 cents	+50%
<b>Dividend payout ratio</b>	26%	35%	
<b>Net asset value per share</b>	HK\$25.5	HK\$23.1	+10%
<b>Net gearing</b>	22%	23%	

\* Excluding:

- 2009: (1) net loss on disposal of subsidiaries of HK\$82.6 million
- (2) gain on disposal of partial interests in subsidiaries of HK\$340.0 million
- (3) impairment loss on available-for-sale investments of HK\$111.8 million (net of the portion shared by minority shareholders)
- (4) discount on acquisition of HK\$11.4 million (net of the portion shared by minority shareholders)
- 2008: (1) loss on disposal of convertible bond and interest in an associate of HK\$189.7 million
- (2) impairment loss on available-for-sale investments of HK\$253.2 million
- (3) discount on acquisition of HK\$45.1 million

# 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 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	2	23,772,533	23,681,401
Cost of sales		<u>(18,921,124)</u>	<u>(19,431,259)</u>
Gross profit		4,851,409	4,250,142
Other income	3	386,641	374,622
Distribution costs		(685,151)	(652,752)
Administrative costs		(1,295,069)	(1,285,350)
Impairment loss on available-for-sale investments	4	(156,367)	(253,158)
Loss on disposal of convertible bond and interest in an associate	5	–	(189,697)
Gain on disposal of partial interests in subsidiaries	6	340,038	–
Gain on disposal of subsidiaries		24,242	–
Loss on disposal of subsidiaries		(106,814)	–
Discount on acquisition of additional interests in subsidiaries		14,580	33,711
Discount on acquisition of subsidiaries		–	11,395
Finance costs	7	(221,256)	(329,369)
Share of results of associates		64,252	369,807
Share of results of jointly controlled entities		<u>(2,325)</u>	<u>(3,849)</u>
Profit before taxation		3,214,180	2,325,502
Income tax expense	9	<u>(248,484)</u>	<u>(194,231)</u>
Profit for the year		<u>2,965,696</u>	<u>2,131,271</u>
Profit for the year attributable to:			
Owners of the Company		2,396,030	1,705,850
Minority interests		<u>569,666</u>	<u>425,421</u>
		<u>2,965,696</u>	<u>2,131,271</u>
Earnings per share	11		
Basic		<u>HK\$2.837</u>	<u>HK\$2.026</u>
Diluted		<u>HK\$2.813</u>	<u>HK\$1.986</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2009*

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Profit for the year	<u>2,965,696</u>	<u>2,131,271</u>
Other comprehensive income:		
Cash flow hedge:		
Loss on cash flow hedges	(89,986)	(153,678)
Deferred tax recognised in relation to change in cash flow hedges	11,099	18,525
Reclassification adjustment relating to transfer of cash flow hedges	95,026	16,717
Reclassification adjustment relating to deferred tax on transfer of cash flow hedges	(12,228)	(1,746)
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	143,969	(390,833)
Reclassification adjustment relating to impairment loss on available-for-sale investments	156,367	253,158
Reclassification adjustment relating to disposal of available-for-sale investments	(111,564)	36,846
Property revaluation reserve:		
Fair value changes on properties transferred to investment properties	5,579	4,705
Translation reserve:		
Exchange differences arising on translation of foreign operations and to presentation currency	46,691	745,085
Share of changes in reserve of associates	796	22,980
Exchange differences released upon disposal of an associate	<u>–</u>	<u>(773)</u>
Other comprehensive income for the year (net of tax)	<u>245,749</u>	<u>550,986</u>
Total comprehensive income for the year	<u>3,211,445</u>	<u>2,682,257</u>
Total comprehensive income attributable to:		
Owners of the Company	2,637,959	2,123,455
Minority interests	<u>573,486</u>	<u>558,802</u>
	<u>3,211,445</u>	<u>2,682,257</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Non-current assets			
Investment properties		1,423,437	1,327,165
Properties, plant and equipment		17,847,473	16,888,278
Prepaid lease payments		933,230	1,499,021
Goodwill		2,288,149	2,005,658
Investments in associates		498,319	686,133
Available-for-sale investments		1,206,869	780,248
Interests in jointly controlled entities		8,110	10,435
Non-current deposits		511,659	1,413,450
Intangible assets		622	770,142
Properties held for development		–	233,135
Deferred tax assets		33,499	32,660
		<u>24,751,367</u>	<u>25,646,325</u>
Current assets			
Inventories		3,454,705	2,561,334
Properties held for development		1,980,068	–
Trade and other receivables and prepayments	<i>12</i>	6,245,782	4,990,317
Bills receivables	<i>12</i>	1,261,966	775,582
Prepaid lease payments		22,667	32,103
Derivative financial instruments		–	3,468
Taxation recoverable		5,772	7,063
Bank balances and cash		5,652,209	4,225,273
		<u>18,623,169</u>	<u>12,595,140</u>
Current liabilities			
Trade and other payables	<i>13</i>	4,473,837	3,733,140
Bills payables	<i>13</i>	755,284	615,362
Derivative financial instruments		13,329	1,940
Taxation payable		401,906	383,261
Bank borrowings – amount due within one year		3,458,564	2,596,995
		<u>9,102,920</u>	<u>7,330,698</u>
Net current assets		<u>9,520,249</u>	<u>5,264,442</u>
Total assets less current liabilities		<u>34,271,616</u>	<u>30,910,767</u>

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	56,418	51,329
Derivative financial instruments	130,317	136,961
Bank borrowings – amount due after one year	<u>7,960,765</u>	<u>7,105,276</u>
	<u>8,147,500</u>	<u>7,293,566</u>
	<u>26,124,116</u>	<u>23,617,201</u>
Capital and reserves		
Share capital	84,474	83,926
Share premium and reserves	<u>21,421,943</u>	<u>19,270,120</u>
Equity attributable to owners of the Company	21,506,417	19,354,046
Share option reserve of a subsidiary	14,374	13,715
Minority interests	<u>4,603,325</u>	<u>4,249,440</u>
Total equity	<u>26,124,116</u>	<u>23,617,201</u>

NOTES:

**1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**New and revised HKFRSs affecting presentation and disclosure only**

*HKAS 1 (Revised 2007) Presentation of financial statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

*HKFRS 8 Operating segments*

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments (see Note 2).

*Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related party disclosure <sup>6</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of right issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>3</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>7</sup>
HK(IFRIC)* – INT 14 (Amendment)	Prepayments of a minimum funding requirements <sup>6</sup>
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners <sup>1</sup>
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.

\* *IFRIC represents the International Financial Reporting Interpretations Committee.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 has no effect on the classification and measurement on the Group's leasehold lands.

The directors of the Company (the "Directors") anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

## **2. 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. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The Group's primary reporting format under HKAS 14 was business segments and is currently organised into four main operating divisions – (i) laminates, (ii) printed circuit boards ("PCBs"), (iii) chemicals, and (iv) others. The Directors consider that the adoption of HKFRS 8 has not resulted in a redesignation of the reportable segments for the Group compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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 operating segments (share of results of associates and jointly controlled entities, impairment loss on available-for-sale investments, loss on disposal of convertible bond and interest in an associate, gain or loss on disposal of subsidiaries, gain on disposal of partial interests in subsidiaries, discount on acquisition of additional interests in subsidiaries, discount on acquisition of subsidiaries, income tax expenses, finance costs, and unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	Laminates <i>HK\$'000</i>	PCBs <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Year ended 31 December 2009</b>						
Segment revenue						
External sales	6,956,042	7,236,550	9,013,214	566,727	–	23,772,533
Inter-segment sales	<u>2,464,528</u>	<u>–</u>	<u>476,903</u>	<u>113,156</u>	<u>(3,054,587)</u>	<u>–</u>
Total	<u>9,420,570</u>	<u>7,236,550</u>	<u>9,490,117</u>	<u>679,883</u>	<u>(3,054,587)</u>	<u>23,772,533</u>
Result						
Segment result	<u>1,955,806</u>	<u>607,160</u>	<u>590,898</u>	<u>106,167</u>		3,260,031
Discount on acquisition of additional interests in subsidiaries						14,580
Gain on disposal of partial interests in subsidiaries						340,038
Loss on disposal of subsidiaries						(106,814)
Gain on disposal of subsidiaries						24,242
Impairment loss on available-for-sale investments						(156,367)
Unallocated corporate income						285,665
Unallocated corporate expenses						(287,866)
Finance costs						(221,256)
Share of results of associates						64,252
Share of results of jointly controlled entities						<u>(2,325)</u>
Profit before taxation						3,214,180
Income tax expense						<u>(248,484)</u>
Profit for the year						<u>2,965,696</u>

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

	Laminates <i>HK\$'000</i>	PCBs <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Year ended 31 December 2008</b>						
Segment revenue						
External sales	7,871,151	7,869,817	7,222,382	718,051	–	23,681,401
Inter-segment sales	<u>2,647,363</u>	<u>–</u>	<u>411,148</u>	<u>123,441</u>	<u>(3,181,952)</u>	<u>–</u>
Total	<u>10,518,514</u>	<u>7,869,817</u>	<u>7,633,530</u>	<u>841,492</u>	<u>(3,181,952)</u>	<u>23,681,401</u>
Result						
Segment result	<u>1,533,808</u>	<u>586,932</u>	<u>666,809</u>	<u>10,884</u>		2,798,433
Impairment loss on available-for-sale investments						(253,158)
Loss on disposal of convertible bond						(182,918)
Loss on disposal of interest in an associate						(6,779)
Discount on acquisition of additional interests in subsidiaries						33,711
Discount on acquisition of subsidiaries						11,395
Unallocated corporate income						177,377
Unallocated corporate expenses						(289,148)
Finance costs						(329,369)
Share of results of associates						369,807
Share of results of jointly controlled entities						<u>(3,849)</u>
Profit before taxation						2,325,502
Income tax expense						<u>(194,231)</u>
Profit for the year						<u>2,131,271</u>

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

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The PRC	20,240,142	19,600,756
Other Asian countries	2,444,230	2,719,879
Europe	676,532	988,486
America	<u>411,629</u>	<u>372,280</u>
	<u>23,772,533</u>	<u>23,681,401</u>

### 3. OTHER INCOME

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Other income comprises:		
Dividends from available-for-sale investments	32,124	22,566
Gain on disposal of available-for-sale investments	111,564	–
Gain on fair value changes of investment properties	51,425	5,992
Government grants	10,937	–
Gain on disposal of investment properties	–	143,745
Gain on fair value changes of foreign currency forward contracts	370	318
Interest income	50,575	62,309
Imputed interest income on convertible bond	–	602
Net exchange gain	38,244	46,492
Rental income	90,840	90,072
Others	562	2,526
	<u>386,641</u>	<u>374,622</u>

### 4. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 December 2009, impairment loss on available-for-sale investments of HK\$156,367,000 (2008: HK\$253,158,000) was recognised as a result of significant or prolonged decline in the fair values of certain of the Group's listed equity investments below their costs.

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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Loss on disposal of convertible bond	–	182,918
Loss on disposal of interest in an associate	–	6,779
	<u>–</u>	<u>189,697</u>

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

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

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

As a result of the above, the Group recognised a loss of approximately HK\$189,697,000 in total, comprising a loss on disposal of interest in an associate of approximately HK\$6,779,000 and a loss on disposal of CB of approximately HK\$182,918,000 during the year ended 31 December 2008.

## 6. GAIN ON DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Gain on disposal of partial interest in Kingboard Laminates Holding Limited (“Kingboard Laminates”)	339,756	–
Gain on disposal of partial interest in United Hill Group Limited (“United Hill”)	<u>282</u>	<u>–</u>
	<u><b>340,038</b></u>	<u><b>–</b></u>

During the year ended 31 December 2009, the Group entered into an agreement with an independent agent to place down 160,000,000 ordinary shares of Kingboard Laminates, a non wholly-owned subsidiary of the Company which is listed on the Main Board of the Stock Exchange, to independent third parties at a placing price of HK\$4.92 per share, giving a total consideration of approximately HK\$787,200,000 before expenses, which amounted to approximately HK\$20,540,000.

As a result of the placement, the Group’s interest in Kingboard Laminates was reduced from 74.77% to 69.44% and the gain on disposal of partial interest in Kingboard Laminates amounted to approximately HK\$339,756,000.

In addition, the Group also entered into an agreement with an independent third party to dispose of 49% equity interest in United Hill, which is held by a non wholly-owned subsidiary of the Company, at a consideration of approximately HK\$82,000,000 during the year ended 31 December 2009.

As a result of the disposal, the Group’s interest in United Hill was reduced to 51% and the gain on disposal of partial interest in United Hill amounted to approximately HK\$282,000.

## 7. FINANCE COSTS

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	130,007	300,810
Interest on bank borrowings not wholly repayable within five years	–	7,005
Other finance charges	<u>4,473</u>	<u>4,260</u>
	134,480	312,075
Fair value loss reclassified from equity on interest rate swaps designated as cash flow hedge of variable rate bank borrowings	95,026	16,717
Fair value changes of interest rate swap contracts not designated for hedging purpose	<u>–</u>	<u>2,602</u>
	229,506	331,394
<i>Less:</i> Interest capitalised	<u>(8,250)</u>	<u>(2,025)</u>
	<u><b>221,256</b></u>	<u><b>329,369</b></u>

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 1.2% for 2009 (2008: 3.5%) to expenditures on qualifying assets.

## 8. DEPRECIATION

During the year, depreciation of approximately HK\$1,811.3 million (2008: HK\$1,589.6 million) was charged in respect of the Group's properties, plant and equipment.

## 9. INCOME TAX EXPENSE

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	239	38,009
Overprovision in previous years	—	(8,890)
	<u>239</u>	<u>29,119</u>
Taxation arising in other jurisdictions		
Charge for the year	242,790	140,689
Overprovision in previous years	(3,154)	(1,454)
	<u>239,636</u>	<u>139,235</u>
Deferred taxation		
Charge for the year	8,609	24,856
Attributable to a change in tax rate	—	1,021
	<u>8,609</u>	<u>25,877</u>
	<u><u>248,484</u></u>	<u><u>194,231</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. DIVIDENDS

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Dividends declared and paid</b>		
Interim dividend for 2009 of HK30 cents (2008: HK40 cents) per ordinary share	253,422	337,247
Final dividend for 2008 of HK30 cents (2008: final dividend for 2007 of HK70 cents) per ordinary share	253,422	586,669
Additional dividend paid in respect of the previous period as a result of new shares issued subsequent to the approval of the previous period's consolidated financial statements	—	3,514
	<u>506,844</u>	<u>927,430</u>
<b>Dividend proposed</b>		
Proposed final dividend for 2009 of HK45 cents (2008: HK30 cents) per ordinary share	<u>380,133</u>	<u>253,422</u>

The final dividend of HK45 cents per ordinary share in respect of the year ended 31 December 2009 has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

## 11. 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:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share	<u>2,396,030</u>	<u>1,705,850</u>
	<b>Number of shares</b>	
	<b>2009</b>	<b>2008</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	844,465,583	841,810,349
<i>Add:</i> Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	<u>7,329,438</u>	<u>16,995,886</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>851,795,021</u>	<u>858,806,235</u>

The calculation of diluted earning per share for each of the year ended 31 December 2008 and 2009 does not take into account the outstanding share option of a non wholly-owned subsidiary, Elec & Eltek International Company Limited ("EEIC") as the exercise prices of the outstanding share options of EEIC were higher than the average market price during both years.

Additional information on adjusted earnings per share:

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
Basic	<u>2.651</u>	<u>2.499</u>
Diluted	<u>2.629</u>	<u>2.449</u>

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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Profit for the year attributable to the owners of the Company	2,396,030	1,705,850
Non-recurring items:		
<i>Less:</i> Gain on disposal of partial interests in subsidiaries	(340,038)	–
<i>Less:</i> Gain on disposal of subsidiaries	(24,242)	–
<i>Less:</i> Discount on acquisition of additional interests in subsidiaries	(14,580)	(33,711)
<i>Add:</i> Discount on acquisition of additional interests in subsidiaries shared by minority shareholders	3,186	–
<i>Less:</i> Discount on acquisition of subsidiaries	–	(11,395)
<i>Add:</i> Loss on disposal of subsidiaries	106,814	–
<i>Add:</i> Impairment loss on available-for-sale investments	156,367	253,158
<i>Less:</i> Impairment loss on available-for-sale investments shared by minority shareholders	(44,524)	–
<i>Add:</i> Loss on disposal of convertible bond and interest in an associate	<u>–</u>	<u>189,697</u>
Earnings for the purpose of calculating basic and diluted adjusted earnings per share	<u>2,239,013</u>	<u>2,103,599</u>

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

**12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES**

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Trade receivables	4,400,602	3,985,533
Other receivables and prepayments	<u>1,845,180</u>	<u>1,004,784</u>
	<u>6,245,782</u>	<u>4,990,317</u>

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:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
0 – 90 days	3,719,464	2,788,189
91 – 180 days	621,029	1,138,520
Over 180 days	<u>60,109</u>	<u>58,824</u>
	<u>4,400,602</u>	<u>3,985,533</u>

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

**13. TRADE AND OTHER PAYABLES AND BILLS PAYABLES**

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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
0 – 90 days	1,470,770	1,084,914
91 – 180 days	300,802	498,968
Over 180 days	<u>285,294</u>	<u>165,795</u>
	<u>2,056,866</u>	<u>1,749,677</u>

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

## **BUSINESS REVIEW**

It gives me great pleasure to report to the shareholders that Kingboard Chemical Holdings Limited (“the Group”) delivered solid financial performance for the financial year ended 31 December 2009. Despite a tough start in the first quarter of 2009, the Group saw impressive operational improvement in three core businesses from the second quarter of 2009 due to massive stimulus packages implemented by governments worldwide. The Group continued to gain growth momentum in China as a result of our strategic focus on expanding the domestic China market, which was less affected by the global economic downturn.

Export demand for consumer products progressively improved in the second half of 2009 (“2H 2009”) and domestic China market delivered sustained growth against the previous year. The Group’s laminate business continues to maintain its number one position in the global laminate market and the printed circuit board (“PCB”) division is the largest PCB manufacturer in China. Both divisions were able to leverage on their unrivaled market position to advance market share and made significant contributions to Group’s earnings. Underpinned by rebound in construction and industrial activities in China, chemical division’s performance turned around sharply in 2H 2009 with higher revenue and profit. As a result, both Group revenue and profit grew substantially in 2H 2009 against the first half of 2009 (“1H 2009”). Group revenue for the full year was 0.4% higher than the previous year at HK\$23,772.5 million while underlying net profit (excluding non-recurring items) increased 6% to HK\$2,239.0 million. Underscoring the Group’s strategy of building a balanced business portfolio, these excellent achievements empowered the Group to ride out of the financial crisis with outstanding performance.

With over 60 manufacturing plants – most of them located in China and sales offices stretching over 3 continents, the Group has established a strong foothold in the past 20 years with total asset value over HK\$43.4 billion. With our experienced and dedicated management team, excellent business model with robust financial position, the Group is in an advantageous position to seize business opportunities and deliver attractive returns to our shareholders in future.

## Financial Highlights

	FY 2009 <i>HK\$'million</i>	FY 2008 <i>HK\$'million</i>	Change
<b>Revenue</b>	23,772.5	23,681.4	+0.4%
<b>Underlying profit before tax*</b>	3,098.5	2,723.3	+14%
<b>Net profit attributable to shareholders</b>			
– Underlying net profit*	2,239.0	2,103.6	+6%
– Reported net profit	2,396.0	1,705.9	+40%
<b>Basic earnings per share</b>			
– Based on underlying net profit*	HK\$2.651	HK\$2.499	+6%
– Based on reported net profit	HK\$2.837	HK\$2.026	+40%
<b>Full-year dividend per share</b>	HK75.0 cents	HK70.0 cents	+7%
– Interim dividend per share	HK30.0 cents	HK40.0 cents	-25%
– Proposed final dividend per share	HK45.0 cents	HK30.0 cents	+50%
<b>Dividend payout ratio</b>	26%	35%	
<b>Net asset value per share</b>	HK\$25.5	HK\$23.1	+10%
<b>Net gearing</b>	22%	23%	

\* *Excluding:*

- 2009 :
- (1) *net loss on disposal of subsidiaries of HK\$82.6 million*
  - (2) *gain on disposal of partial interests in subsidiaries of HK\$340.0 million*
  - (3) *impairment loss on available-for-sale investments of HK\$111.8 million (net of the portion shared by minority shareholders)*
  - (4) *discount on acquisition of HK\$11.4 million (net of the portion shared by minority shareholders)*
- 2008 :
- (1) *loss on disposal of convertible bond and interest in an associate of HK\$189.7 million*
  - (2) *impairment loss on available-for-sale investments of HK\$253.2 million*
  - (3) *discount on acquisition of HK\$45.1 million*

## PERFORMANCE

With better than expected export demand and a thriving domestic China market, laminate business volume surged 30% in 2H 2009 against that in 1H 2009 with improved capacity utilization. Domestic consumption was effectively stimulated by the implementation of “home appliances to the country side” subsidy programme by PRC government which in turn boosted demand for paper laminates. China was our single largest geographic market with domestic sales denominated in Renminbi (“RMB”) reaching approximately 40% of the Group laminates sales in 2009. Average selling price (“ASP”) of laminate products was lower than the previous year. As a result, revenue (including inter-segment sales) for the laminate division declined 10% to HK\$9,420.6 million. Volume sales increased around 4% with average monthly shipment reaching 8.1 million square meters. Earnings before interest and tax (“EBIT”) increased substantially by 28% against 2008 to HK\$1,955.8 million.

Similar to the laminate division, utilization rates for the Group’s PCB plants improved to over 90% since Q3 2009. Due to lower ASP of PCB products against the previous year, PCB division’s revenue declined 8% to HK\$7,236.6 million. EBIT increased by 3% to HK\$607.2 million. EBIT margin improved to 8.4%. The strategic move to invest in two dedicated high density interconnect PCB (“HDI”) plants in Kaiping, Guangdong province and Kunshan, Jiangsu province proved to be a successful one. HDI sales increased by over 3 times against the previous year and contributed positively to the PCB division earnings. Our acquisition strategy continued to work well. The two PCB shops named Express at Suzhou and Dongguan acquired by the Group in February 2008 and March 2009 respectively integrated well with the Group. These two PCB plants contributed positively to the division’s earnings in the current year.

With strong demand for chemical products in 2H 2009, most of the Group’s chemical plants operated near full capacity and achieved higher ASP. In order to secure stable feedstock supply for Huizhou phenol/acetone plant and further strengthen our vertically integrated business model, the Group strategically increased its stake in the chemical refinery plant in Yangzhou, Jiangsu province from 25% to 76% at the end of September 2009. Shortly after the take-over by the Group, the plant started to generate positive contributions to the chemical division earnings in the last quarter of 2009. In addition, Hebei acetic acid plant commenced trial production in September 2009 and continued to ramp up throughout Q4 2009. Back by additional output from these two projects, revenue (including inter-segment sales) for chemical division increased 24% to HK\$9,490.1 million. Consequent to lower chemical ASP in 1H 2009 and lower capacity utilization at the initial startup at Hebei acetic acid plant in Q4 2009, EBIT of the chemical division reduced 11% to HK\$590.9 million. Share of associates results (bulk of which contributed by our natural gas based methanol joint venture with China BlueChemical Limited) was down 83% to HK\$64.3 million for 2009 mainly due to lower methanol ASP against last year.

## LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be strong. As at 31 December 2009, net current assets and current ratio of the Group were approximately HK\$9,520.2 million (31 December 2008 – HK\$5,264.4 million) and 2.05 (31 December 2008 – 1.72) respectively.

The net working capital cycle lengthened from 65 days as at 31 December 2008 to 81 days as at 31 December 2009 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 67 days (31 December 2008 – 48 days) as the Group stocked up key raw materials strategically in anticipation of rising commodity prices.
- Trade receivables, in terms of debtors turnover days, increased to 68 days (31 December 2008 – 61 days).
- Trade and bills payables, in terms of creditors turnover days, increased to 54 days (31 December 2008 – 44 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 22% (31 December 2008: 23%). The proportion of bank borrowings between short term and long term stood at 30%: 70% (31 December 2008: 27%: 73%). About 10% of the bank borrowings was denominated in RMB and the rest in Hong Kong or US dollars. In 2009, the Group invested around HK\$2.6 billion in new production capacities. As at 31 December 2009, the Group had approximately HK\$1.98 billion properties held for development. As the Group set up over 60 manufacturing sites at various provinces in China in the past 20 years with good reputation, the Group has been invited recently by local provincial authorities to participate in certain urban redevelopment projects. With strong cash inflow generated from our core businesses together with our dedicated and experienced management team, the Group is confident that these projects will generate stable and attractive return to our shareholders in future.

The Group continued to adopt prudent financial management policy including the use of interest rate swap contract to minimize exposure to fluctuation in interest rates movement. At the end of 2009, we had entered into interest rate swap agreements of notional amount of HK\$4.3 billion with reputable financial institutions for a weighed average duration and interest rate of 1.18 years and 2.99% respectively. We also entered into commodity forward contracts to manage the Group's exposure to fluctuation in commodity prices. The fair value of these contracts amounted to HK\$11.6 million as at 31 December 2009. 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 2009. 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 2009, the Group had a global workforce of over 45,400 (31 December 2008: 40,800). The increase in headcount was in line with improved business volume against last year. In addition to offering competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and their individual performance.

## **PROSPECTS**

Laminate order bookings in the first two months of 2010 reflected continuous improvement against Q4 2009 with an uptrend of ASP against the previous quarter. Looking ahead, the Chinese government will continue to implement the subsidy policy of household appliances and automobile purchases in 2010. These measures will definitely have a positive impact on domestic consumption of electronic products which will translate into thriving demand for laminates. To capture buoyant growth in China domestic market and the recovering export market, the Group will scale up laminate production capacities by about 15% in 2010. Monthly capacity of paper laminates will expand by 400,000 sheets in 1H 2010, while monthly capacity of glass epoxy laminates and paper laminates will be raised by 400,000 sheets each in Jiangyin, Jiangsu province in 2H 2010. These additional capacities will enable us to achieve further market share gain in the global laminate market. To promote economic growth and achieve sustainable urban development, the Chinese government has initiated a new pilot scheme for the redevelopment of “Three Olds” – old towns, old villages and old factory buildings in Guangdong province. The Group has been in active discussions with local authorities in Shenzhen to explore the feasibility of redeveloping our plant in Longhua, Shenzhen.

PCB division also enjoyed good order intake momentum since the beginning of 2010 and most of our PCB plants were operating at full capacity in the first two months of 2010. Improving consumer confidence is expected to push demand growth for electronic products in most end market segments in 2010. PCB division will continue to enhance its product mix and technical capabilities especially on HDI business so as to meet customer requirements for quality products at competitive costs. In addition to organic capacity growth of approximately 15% planned in 2010, the Group will actively seek potential co-operation possibilities with other PCB shops in the market.

Massive government stimulus and infrastructure plans boosting economic growth and domestic consumption are expected to continue in China in 2010 which in turn will stimulate the demand for key chemical products including coke, methanol, phenol and acetone. Additional contribution from the Yangzhou chemical refinery plant and the Hebei acetic acid plant will definitely be the key growth drivers for chemical division in 2010. Furthermore, Huizhou phenol/acetone plant delivered attractive returns for the Group in 2009 due to strong demand for these specialty chemical products in China. Modification plans are currently underway to improve the production efficiency of the Huizhou plant with the aim to reduce energy consumption and emission by the end of 2010.

## **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 Directors have resolved to recommend a final dividend of HK45 cents per ordinary share for the financial year ended 31 December 2009 to be payable on or around 4 May 2010 to the Company's shareholders whose names appear on the register of members of the Company on 26 April 2010 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 22 April 2010 to Monday, 26 April 2010 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the final dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 21 April 2010.

## **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 2009, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the Code. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in compliance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Following a specific enquiry, each Director has confirmed 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 2009.

## **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 2009.

## **PROPOSED BONUS ISSUE OF WARRANTS**

The Directors of the Company will recommend a bonus issue of warrants (“2012 Warrants”) with a right to subscribe HK\$40.00 in cash for each new share of HK\$0.10 each (“Share”) in the share capital of the Company at an initial subscription price of HK\$40.00 per Share, subject to adjustment, at any time between the date when the dealings in the 2012 Warrants on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) commence (which is expected to be around 3 May 2010) and 31 October 2012 (both days inclusive), to the shareholders of the Company whose names appear on the register of members of the Company on 26 April 2010 (the “Record Date”) (other than shareholders whose registered addresses as shown on the register of members of the Company on the Record Date are outside Hong Kong), on the basis of one (1) 2012 Warrant for every ten (10) existing shares then held. The issue of the 2012 Warrants shall be subject to the compliance of the relevant rules and regulations of the Stock Exchange and a further announcement will be made with respect to the details of issue of the 2012 Warrants and a circular setting out the details of the 2012 Warrants will also be sent to the shareholders of the Company as soon as practicable.

## **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 2009 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, 1 March 2010

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