

For immediate release

## KINGBOARD CHEMICAL HOLDINGS LIMITED

Underlying net profit expands 70% to HK\$5.6 billion in FY2017

Declares final dividend of HK100 cents

### Financial Highlights

	FY 2017 <i>HK\$'million</i>	FY 2016 <i>HK\$'million</i>	Change
<b>Revenue</b>	<b>43,159.5</b>	35,830.3	<b>+20%</b>
<b>EBITDA</b>	<b>10,442.4</b>	7,251.6	<b>+44%</b>
<b>Profit before tax</b>	<b>8,348.4</b>	4,872.3	<b>+71%</b>
<b>Net profit attributable to owners of the Company</b>			
– Underlying net profit	<b>5,589.1</b>	3,283.5	<b>+70%</b>
– Reported net profit	<b>5,593.4</b>	5,026.8	<b>+11%</b>
<b>Basic earnings per share</b>			
– Based on underlying net profit	<b>HK\$5.358</b>	HK\$3.193	<b>+68%</b>
– Based on reported net profit	<b>HK\$5.363</b>	HK\$4.889	<b>+10%</b>
Interim dividend per share	<b>HK60 cents</b>	HK30 cents	<b>+100%</b>
Proposed final dividend per share	<b>HK100 cents</b>	HK70 cents	<b>+43%</b>
Proposed special final dividend per share	-	HK30 cents	<b>N/A</b>
<b>Net asset value per share</b>	<b>HK\$43.2</b>	HK\$36.2	<b>+19%</b>
<b>Net gearing</b>	<b>20%</b>	24%	

**Hong Kong, March 23, 2018** – Kingboard Chemical Holdings Limited (the “Company”) (00148.HK) and its subsidiaries (the “Group”) today reported an outstanding performance for the financial year ended 31 December 2017. Revenue of the Group increased by 20% to HK\$43,159.5 million, posting an underlying net profit (excluding non-recurring items) of HK\$5,589.1 million, representing a significant growth of 70%. Basic earnings per share were HK\$5.358.

The Group declared a final dividend of HK100 cents per share. Together with the interim dividend of HK60 cents per share, this constitutes a full-year dividend of HK160 cents per share.

Mr. Paul Cheung Kwok Wing, Chairman of the Group said: “Management has full confidence in the prospects for the Group’s ongoing development. The Group has boosted its profitability and unlocked the synergies among its core divisions, resulting in strong growth momentum ahead. Upon continuous input to upgrade its operations, the Group has raised its production efficiency, marketing strength, research and development and environmental standards to the top of the industry. Against a backdrop of positive global economic activity and demand growth, the Group will actively expand its market share with an aim of generating long-term and steady returns.”

## **Laminates**

Being the world's largest laminates producer, the Group enjoys unrivalled economies of scale. The Group's sophisticated and comprehensive vertically integrated business model enables it to continuously expand its competitive advantage. During the year, shortages in the supply of copper foil, glass yarn and epoxy resin have brought price hikes for these materials, leading to several price increases for laminates. The laminates division's profit margin increased accordingly. Segment turnover (including inter-segment sales) increased by 20% to HK\$16,655.2 million, while earnings before interest, tax, depreciation and amortisation ( "EBITDA" ) went up substantially by 45% to HK\$4,489.2 million.

Demand in the electronics sector continues to be rampant, with growth more broad-based. Tight supply of laminates and their upstream materials will likely continue. The laminates division will make timely moves to raise product prices. The division has also entered another capacity expansion cycle in support of its long-term sustainable growth. New glass yarn and fabric facilities completed at the end of last year have started to ramp up, and are expected to make full-year contributions going forward. The planned new laminates and copper foil capacities are under construction and expected to commence operation consecutively. These new facilities will help the division meet high demands from downstream, and will support ongoing market developments.

## **Printed Circuit Boards**

The PCB division recorded notable growth in orders for use in the telecommunications equipment, automobile and home appliances sectors. The product portfolio continued to evolve towards the higher-grade and the high-value-added end. Efforts to control costs and raise production efficiency, have yielded an expanded profit margin, which is among the highest in the industry. The PCB division reported a segment turnover of HK\$8,194.1 million, up 10%, and delivered an EBITDA of HK\$1,179.8 million, an increase of 35%.

Significant growth is expected for the automobile sector, and automobile electronics will continue to proliferate and be upgraded. Demand for home appliances will also grow steadily on the back of new residential unit completions. These demand pulls, together with the imminent arrival of the 5G telecommunications era, signal significant growth potential for the PCB business. In order to meet this strong market demand, the PCB division will continue to undertake demand-led facilities optimisation and to expand the capacities in the area that have competitive advantage, such as telecommunications and automobile.

## **Chemicals**

With the tightening up of China's environmental policy and efforts to control overcapacity, excess and backward chemical capacities have gradually exited from the market. The Group's major chemical products, including methanol, coke, caustic soda and phenol acetone, have recorded significant price increases. This has driven the segment's turnover (including inter-segment sales) to increase 30% to HK\$13,996.2 million, with EBITDA growing 47% to HK\$1,625.8 million.

Heading into 2018, chemical products, in particular caustic soda and phenol acetone, will experience continued price hikes. As the PRC authorities tighten up environmental checks and push for industrial upgrades, it is anticipated that backward facilities will exit the market,

creating room for steadily improving profitability. The chemicals division will adhere to its low-carbon model and will fully utilise its existing facilities in order to yield higher profits.

### **Property**

The partial booking of sales from the projects, including Huaqiao Kingboard Yu Garden Phase 3, Kunshan Development Zone Kingboard Yu Garden Phase 3 and Qiandeng Kingboard Yu Garden Phase 2, contributed property sales turnover of HK\$5,570.2 million during the year. Together with rental income of HK\$897.4 million, property segment turnover grew 18% to HK\$6,467.6 million with EBITDA increased by 16% to HK\$1,969.8 million.

Control measures on housing in Kunshan and other parts of China are gradually coming to an end. Latent housing demand is expected to be unleashed. The property division plans to expand the sales of residential units with a view to expediting cash inflow. The factory land in Hengyang, Hunan province could be redeveloped in residential use and the Group increase two pieces of land bank in Kunshan. Thus, the residential sales income will likely show a growing contribution. Rental income will also increase significantly, benefitting from the newly acquired commercial property, 15 Canada Square in London, as well as the leasing out of Shanghai Kingboard Plaza Phases 1-3. Newly-bought land in the Qianhai free-trade zone of Shenzhen is under planning and will be used as the headquarter of southern China of the Group and for leasing.

### **Floor Heating**

The floor heating product using graphene was launched last year with highly positive market response. The Group will continue to enhance the product's functionalities and to add smart control modules to improve user experience. The Group will increase capacity for this product, which is expected to contribute new growth drivers.

### **About Kingboard Chemical Holdings**

Kingboard Chemical Holdings Limited (00148.HK) is a global leader in laminates and printed circuit boards as well as a major chemical supplier in China. The Group's core manufacturing capability comprises an integrated network of more than 60 plants in China. It also holds a portfolio of property development projects and investment properties. The Kingboard Group of companies includes Kingboard Laminates Holdings Limited (01888.HK), Elec & Eltek International Company Limited (01151.HK & E16:SES) and Kingboard Copper Foil Holdings Limited (K14:SES).

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