

For immediate release

KINGBOARD HOLDINGS LIMITED
Reported net profit increased by 9% in FY2018
Declares final dividend of HK70 cents

Financial Highlights

	FY 2018	FY 2017	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	45,994.4	43,371.3	+6%
EBITDA*	10,212.2	10,442.4	-2%
Profit before tax*	7,621.3	8,348.4	-9%
Net profit attributable to owners of the Company			
– Underlying net profit*	4,603.1	5,589.1	-18%
– Reported net profit	6,075.8	5,593.4	+9%
Basic earnings per share			
– Based on underlying net profit*	HK\$4.313	HK\$5.358	-20%
– Based on reported net profit	HK\$5.692	HK\$5.363	+6%
Interim dividend per share	HK60 cents	HK60 cents	-
Special interim dividend per share	HK50 cents	-	N/A
Proposed final dividend per share	HK70 cents	HK100 cents	-30%
Net asset value per share	HK\$43.7	HK\$43.2	+1%
Net gearing	37%	20%	

* Excluding:

- (1) Gain on fair value changes of investment properties with gross amount of HK\$174.9 million, net amount of HK\$138.0 million after sharing by non-controlling shareholders and deferred tax (2017: gross amount of HK\$54.3 million, net amount of HK\$41.6 million after sharing by non-controlling shareholders and deferred tax).
- (2) Share-based payments of HK\$3.1 million in 2017 (2018: Nil).
- (3) Gain on disposal of a subsidiary of HK\$2,089.8 million (2017: Nil).
- (4) Written off of property, plant and equipment with gross amount of HK\$764.1 million, net amount of HK\$755.1 million after sharing by non-controlling shareholders (2017: Nil).
- (5) Impairment loss recognized on available-for-sale investments of HK\$34.2 million, net of portion shared by non-controlling shareholders in 2017 (2018: Nil).

Hong Kong, March 20, 2019 – Kingboard Holdings Limited (the “Company”) (00148.HK) and its subsidiaries (the “Group”) today reported satisfactory results for the financial year ended 31 December 2018. Revenue increased 6% to HK\$45,994.4 million, posting an underlying net profit (excluding non-recurring items) of HK\$4,603.1 million, down by 18%. Taking into account a pre-tax gain of HK\$2,089.8 million from the disposal of a subsidiary, reported net profit increased 9% to HK\$6,075.8 million. The Group declared a final dividend of HK70 cents per share. Together with the interim dividend of HK60 cents per share and special interim dividend of HK50 cents per share, this constitutes a full-year dividend of HK180 cents per share.

Mr. Paul Cheung Kwok Wing, Chairman of the Group said: “The Group enters 2019 in good shape, with earnings capability strengthened and core divisions working closely to create strong synergies. The Group has built a visible advantage in production efficiency, research and development, and environmental transformation. In the coming year, the management team will actively expand market shares while working tirelessly to explore new development opportunities. And with the opportunity of development of Greater Bay Area, the Group looks forward to achieving solid growth in the years ahead.”

During the year, the electronics sector has met with weaker demand owing to the US-China trade friction and a slowdown in domestic consumption in China. Against this adverse backdrop, the laminates and printed circuit boards (“PCBs”) divisions have responded by adopting a proactive sales strategy and effectively optimising their product portfolios, thereby driving continual sales growth. The chemicals division benefited from the state’s supply-side reform to eliminate backward production capacity. With the steady price increases of major chemical products and the division’s capability in cost control, the division recorded significant growth. The properties division recorded a substantial improvement in its profit margin from residential property sales, helped by a surge in the average selling price of the booked projects. The commercial property portfolio for leasing also registered rental income growth on the back of higher occupancy rates.

Laminates

Being the world’s largest laminates producer, the Group is equipped with a sophisticated and comprehensive vertically integrated production chain. The laminates division was thus able to rapidly respond to demand changes amid weakened market conditions. By increasing the sales of high-value-added products, the division was able to raise its average selling price. Segment turnover (including inter-segment sales) increased by 3% to HK\$17,144.9 million. However, because of the rapid price increase of raw materials such as copper and chemicals, the price increase of laminates was unable to fully cover cost surge, thus profit margin was depressed. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) declined by 21% to HK\$3,536.5 million.

With the help of 5G telecommunications network upgrades, the electronics industry is witnessing a steady rebound in demand and broad-based growth momentum. Laminate prices are already on an upward track. To cope with market requirement for more sophisticated products, the laminates division will pledge its full efforts in enhancing its portfolio of thin, high-frequency high-speed and halogen-free laminates. The proportion of sales of high-value-adding products is expected to significantly increase. New laminates facilities in Jiangmen and Shaoguan, Guangdong Province and Thailand are scheduled to be commissioned in phases within this year, propelling the division into a new growth cycle.

Printed Circuit Boards

As the technology for 5G telecommunications networks matured and was ready for take-off, demand for related equipment has remained robust. The PCB division was effectively upgrading its product mix towards the higher end, thereby driving the sales of high-value-added items. With the completion of the acquisition of a PCB factory in Huizhou, Guangdong Province, its capacity was effectively utilised to fuel a more broad-based growth for the division. Growth in orders from automobile and home appliance sectors was witnessed, and there was an enhancement in the overall client portfolio. As a result, the PCB division reported a segment turnover growth of 19% to HK\$9,754.1 million. However, as production efficiency of high-grade products has not reached optimal level, costs remained high. EBITDA dropped 11% to HK\$1,051.1 million.

The PCB division also expects strong order growth as investments in 5G telecommunications projects increase. The division has made early moves to add high-precision and automated equipment to its production plants, which are now well prepared for a major leap in facilities utilisation. This business line will also benefit from the country's stimulus policies as well as promotional campaigns for automobiles and home appliances. The PCB division is well on track for admirable growth. Led by the market and aiming to fulfil ardent demand, the division will progressively expand capacities for PCBs designated for such growth sectors as telecommunications and automobiles.

Chemicals

Competition in China's chemical industry has become less intense as the state tightened safety and environmental requirements, driving backward capacities out of the market. As the supply and demand conditions improve, the sector is poised for a new upward cycle. Demand for major chemicals, including caustic soda, acetic acid and phenol acetone, remained robust leading to year-on-year price surges. This has driven the segment's turnover (including inter-segment sales) to increase 15% to HK\$16,150.3 million. The Group has also capitalised on its competence in management, environmental standards and cost control to fully reflect the price increases in profit growth, posting an EBITDA of HK\$2,114.8 million, up significantly by 30%.

As the supply-side reform continues in China, the chemical division will seek to optimise resources deployment and to further its environmental protection efforts. The Group will adopt a highly efficient, low-carbon production model as it continues to expand in the scope of basic and fine chemicals. With the exit of backward capacities, it is believed that chemical prices will stabilise to more profitable levels. Work to add new caustic soda and epichlorohydrin production lines to the halogens chemical plant in Hengyang, Hunan Province has been completed and is ramping up to full capacity. The division is also seeking to duplicate its high-efficiency production model in China in other overseas markets.

Property

Sales from Huaqiao Kingboard Yu Garden Phase 3 and Phase 4, Kunshan Development Zone Kingboard Yu Garden Phase 2, Jiangyin Kingboard Yu Garden Phase 1 and Huaian Kingboard Yu Garden Phase 1 and Zhangpu Yu Garden were partially booked during the year. As the property segment continued to be affected by housing control measures, the booking of unit sales has dropped. Taken together with rental income of HK\$1,055.8 million, property segment turnover decreased 28% to HK\$4,685.8 million. Nevertheless, with rising average selling prices, the yield from property sales showed a notable improvement, driving a 10% increase in EBITDA to HK\$2,170.0 million.

The property division plans to expedite sales of residential projects in Eastern China in order to improve the cash flow cycle. The Kau To project in Shatin, Hong Kong is expected to be launched this year. The development comprises 56 houses and 48 apartments, and will be introduced to the market upon completion. Rental income is also expected to steadily increase on the back of higher occupancies for the division's Shanghai commercial properties and the expiry of rent-free periods for tenants.

Floor Heating

Development and trial production of the modular version of the graphite floor heating product line has been completed, with a full sale launch targeted for this year. This new modular system

will help streamline the installation process and enhance the quality and energy efficiency standards. The Group will increase capacity for this product, which is expected to contribute new growth drivers.

About Kingboard Holdings Limited

Kingboard 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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