

For immediate release

KINGBOARD HOLDINGS LIMITED
Reported net profit surges 91% during 1H 2018 on broad-based growth
Interim dividend of HK\$0.60 and special interim dividend of HK\$0.50 declared

Financial Highlights

	Six months ended 30 June		Change
	2018	2017	
	HK\$'million	HK\$'million	
Revenue	22,018.6	18,665.6	+18%
EBITDA*	5,141.4	4,545.8	+13%
Net profit attributable to owners of the Company			
- Underlying net profit*	2,597.8	2,183.3	+19%
- Reported net profit	4,169.0	2,180.2	+91%
Basic earnings per share			
- Based on underlying net profit*	HK\$2.436	HK\$2.103	+16%
- Based on reported net profit	HK\$3.909	HK\$2.100	+86%
Interim dividend per share	HK\$0.60	HK\$0.60	-
Special interim dividend per share	HK\$0.50	-	NA
Net asset value per share	HK\$45.1	HK\$39.3	+15%
Net gearing ratio	35%	20%	

*Excluding:

- (1) Share-based payments of HK\$3.1 million from 1 January 2017 to 30 June 2017 (1 January 2018 to 30 June 2018: Nil).
- (2) Gain on disposal of a subsidiary of HK\$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).
- (3) Written off of properties, plant and equipment of HK\$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).

Hong Kong, August 24, 2018 – Kingboard Holdings Limited (00148.HK) (the “Company”) and its subsidiaries (the “Group”) today announced a set of outstanding results achieved during the six months ended 30 June 2018 (the “Period”). Group revenue grew 18% year on year to HK\$22,018.6 million, while the underlying net profit expanded by 19% to HK\$2,597.8 million. Taking into account a pre-tax gain of HK\$2,089.8 million from the disposal of a subsidiary, reported net profit surged 91% to HK\$4,169.0 million. The Board has resolved an interim dividend of HK\$0.60 per share and a special interim dividend of HK\$0.50 per share, representing a total dividend of HK\$1.10 per share.

Kingboard Holdings Chairman Mr. Paul Cheung Kwok Wing said: “The ongoing Sino-US trade clashes have slightly derailed the uptrend of the electronics sector, but our laminates and printed circuit board divisions have continued their respective paces of growth. The chemicals division has also recorded a significant profit growth. We look forward to further growth of our core

business segments in the second half of the year which is the traditional peak season for the electronics sector.”

Laminates

During the Period, the ongoing Sino-US trade clashes have slightly derailed the uptrend of the electronics sector, leading to challenges in the operating environment. Nevertheless, the laminates and printed circuit board (“PCB”) divisions continued their respective paces of growth by leveraging their comprehensive business coverage from upstream to downstream. Robust growth momentum was maintained for these two segments.

The Group continued to be the world’s top laminates producer for the thirteenth consecutive year. During the Period, capacity expansion of glass yarn, glass fabric and glass epoxy laminates (“FR4”), coupled with price increases of these products, drove the laminates division’s turnover (including inter-segment sales) up by 21% to HK\$9,062.3 million. However, the price increases were not able to fully offset cost inflation. EBITDA therefore declined by 7% to HK\$2,234.9 million.

The second half of the year is the traditional peak season for the electronics sector. With the forthcoming downstream demand and anticipated growth in laminates sales, the division is beginning to adjust its product prices upward. The division has a sufficient supply of upstream materials, readying it for timely expansion of laminates production. The division is also entering a new capacity expansion cycle, with new FR4 capacity soon to be commissioned. The increased proportionate contribution of high-value-added thin, halogen-free and high-temperature resistant laminates will drive the long-term sustainable growth of the division.

Printed Circuit Boards

The PCB division’s business was driven by consumption upgrade in China, with strong sales continuing to be recorded in the automobile and consumer electronics sectors. The division’s product portfolio moved further upmarket towards a higher layers and higher value-added offering. Additionally, with the completion of the acquisition of Kin Yip Technology Electronics Co., Ltd., a high-end PCB plant in Huizhou, Guangdong Province, the acquired capacity has been fully incorporated into the Group. Segment turnover grew 16% to HK\$4,456.8 million, with EBITDA expanding 3% to HK\$546.8 million.

The PCB business will benefit from the strong sales momentum of the electronics market, driven by 3C products (computer, communication and consumer electronics) and the accelerated smart evolution of automobiles. The division’s high-density interconnect (“HDI”) PCBs have already achieved certification by two of the top three mobile phone brands in China, and its orders are growing steadily. The depreciation of the Renminbi has placed the automobile PCBs in an even more advantageous position for export. Future development of the PCB division will be market-led, as it gradually increases the capacity of its competitive products to accommodate the vast and growing demand.

Chemicals

The chemicals division benefited from China’s supply-side reform to eradicate ineffective capacity, as well as state efforts to raise domestic demand. Prices of the Group’s major chemical products, including coke, caustic soda, acetic acid, methanol and phenol acetone, showed substantial price increases. As a result, the chemicals segment recorded a significant profit growth.

As China has tightened up its safety and environmental protection policies, the chemical industry has had to adopt more stringent production standards. This has led to the phasing out of inefficient capacity, and thus an improvement in the supply/demand conditions of the sector's competitive environment. The market has demonstrated a strong demand for the Group's chemical products. All major products, in particular coke, caustic soda, acetic acid and phenol acetone, recorded substantial period-over-period price increases. Segment turnover (including inter-segment sales) went up by 34% to HK\$8,736.5 million, with EBITDA surging 125% to HK\$1,520.6 million.

The division will further its efforts in raising facilities efficiency and environmental standards amid the state's supply-side reform. Commanding a stable production platform in China, the division will also seek to diversify its product portfolio and to capture opportunities for overseas expansion. In the second half of the year, the halogens chemical plant in Hengyang, Hunan Province, will add a new production line for caustic soda, raising its monthly output by 32% to 35,000 tonnes. A new epichlorohydrin production line with a monthly capacity of 4,000 tonnes has also been introduced to the plant. As inefficient capacity exits the market, the prices of chemical products have stabilised in the upper range. The chemicals division's profits are expected to grow consistently.

Property

The pace of property sales slowed under the impact of restrictive state policies during the Period. Turnover from property sales therefore decreased to HK\$572.0 million, resulting in a 45% drop in segment turnover to HK\$1,087.8 million, despite a growth in rental income to HK\$515.8 million. EBITDA declined 3% to HK\$655.6 million.

Despite some impacts from the macroeconomic control policies on residential property sales, the property division has adopted a more effective marketing strategy to expedite sales and cash inflows. As the occupancy of commercial properties in Shanghai steadily increases and with the expiry of rent-free periods, it is expected that the division's rental income will grow at a stable pace.

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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) and Elec & Eltek International Company Limited (01151.HK & E16:SES).

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