KB

KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	FY2015 *HK$'million*	FY2014 *HK$'million*	Change
Revenue	32,788.2	35,905.8	-9%
EBITDA*	5,313.1	5,239.1	+1%
Profit before tax*	2,632.5	2,442.5	+8%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,774.1	1,800.7	-1%
– Reported net profit	1,650.3	2,536.8	-35%
Basic earnings per share			
– Based on underlying net profit*	HK$1.730	HK$1.756	-1%
– Based on reported net profit	HK$1.609	HK$2.473	-35%
Full-year dividend per share	HK50.0 cents	HK50.0 cents	–
– Interim dividend per share	HK20.0 cents	HK20.0 cents	–
– Proposed final dividend per share	HK30.0 cents	HK30.0 cents	–
Dividend payout ratio#	29%	28%	
Net asset value per share	HK$34.4	HK$34.8	-1%
Net gearing	38%	42%	

* Excluding:

(1) Gain on fair value changes of investment properties of HK$249.6 million, net of deferred tax and portion shared by non-controlling shareholders (FY2014: HK$1,040.5 million).

(2) Share-based payments of HK$62.8 million, net of portion shared by non-controlling shareholders (FY2014: HK$6.9 million).

(3) For the year ended 31 December 2014, impairment loss recognised in respect of properties, plant and equipment of HK$297.5 million, net of portion shared by non-controlling shareholders (FY2015: Nil).

(4) Impairment loss recognised on available-for-sale investments of HK$310.6 million, net of portion shared by non-controlling shareholders (FY2014: Nil).

\# Calculated base on underlying net profit

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 2015 together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	2	32,788,186	35,905,766
Cost of sales and services rendered		(27,992,732)	(31,308,307)
Gross profit		4,795,454	4,597,459
Other income, gains and losses	3	589,136	534,566
Distribution costs		(1,026,218)	(984,007)
Administrative costs		(1,616,485)	(1,644,319)
Gain on fair value changes of investment properties		267,085	1,381,549
Gain on disposal of available-for-sale investments		345,692	206,884
Share-based payments		(62,764)	(7,398)
Impairment loss recognised on properties, plant and equipment		–	(303,074)
Impairment loss recognised on available-for-sale investments		(314,293)	–
Finance costs	4	(439,779)	(444,995)
Share of results of associates		(15,269)	176,956
Profit before taxation		2,522,559	3,513,621
Income tax expense	6	(569,464)	(692,615)
Profit for the year		1,953,095	2,821,006
Profit for the year attributable to:			
Owners of the Company		1,650,323	2,536,800
Non-controlling interests		302,772	284,206
		1,953,095	2,821,006
		HK$	HK$
Earnings per share	8		
Basic and diluted		1.609	2.473

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
Profit for the year	1,953,095	2,821,006
Other comprehensive (expenses) income for the year		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(2,208,571)	(363,993)
Property revaluation reserve:		
Revaluation of properties transferred to investment properties	309,429	–
	(1,899,142)	(363,993)
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	74,021	(307,393)
Translation reserve:		
Exchange differences arising from translation of foreign operations	(6,919)	(757)
Share of change in reserve of associates	(121,165)	(10,890)
Reserve release upon disposal of an associate	(4,388)	–
	(58,451)	(319,040)
Other comprehensive expenses for the year (net of tax)	(1,957,593)	(683,033)
Total comprehensive (expenses) income for the year	(4,498)	2,137,973
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(46,501)	1,908,094
Non-controlling interests	42,003	229,879
	(4,498)	2,137,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties		10,876,251	10,192,857
Properties, plant and equipment		15,660,817	17,451,622
Prepaid lease payments		912,439	979,178
Other non-current assets		689,670	732,430
Goodwill		2,288,149	2,288,149
Interests in associates		2,086,039	1,370,686
Available-for-sale investments		2,403,069	3,258,454
Entrusted loans	9	1,193,072	1,442,509
Deposits paid for acquisition of properties, plant and equipment		311,866	415,171
Deferred tax assets		3,420	4,862
		36,424,792	38,135,918
Current assets			
Inventories		2,287,118	2,801,004
Properties held for development		19,228,370	19,148,646
Trade and other receivables and prepayments	9	7,849,134	8,819,189
Bills receivables	9	2,017,736	2,112,632
Prepaid lease payments		25,086	27,799
Taxation recoverable		24,890	28,155
Fixed deposits held at banks with original maturity over three months		210,079	–
Bank balances and cash		4,853,792	4,559,399
		36,496,205	37,496,824
Current liabilities			
Trade and other payables	10	5,927,617	4,847,246
Bills payables	10	409,762	771,361
Deposits received from pre-sale of residential units		3,192,521	4,610,399
Derivative financial instruments		–	6,779
Taxation payable		534,181	522,693
Bank borrowings – amount due within one year		6,241,379	9,803,898
		16,305,460	20,562,376
Net current assets		20,190,745	16,934,448
Total assets less current liabilities		56,615,537	55,070,366

	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	805,518	846,072
Bank borrowings – amount due after one year	14,469,292	12,251,104
	15,274,810	13,097,176
	41,340,727	41,973,190
Capital and reserves		
Share capital	102,560	102,560
Reserves	35,143,608	35,573,748
Equity attributable to owners of the Company	35,246,168	35,676,308
Non-controlling interests	6,094,559	6,296,882
Total equity	41,340,727	41,973,190

NOTES:

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of the amendments to 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 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:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company ("Directors") do not anticipate that the applications of these new and revised HKFRSs will have a 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) properties and (v) others (including service income, hotel business and manufacture and sale of LCDs and magnetic products). The management aggregated the sales of properties and rental income business into one reportable segment because the financial performance of these two businesses are determined by the property market. In addition, the management aggregated service income, hotel business and manufacture and sales of LCDs and magnetic products into one reportable segment because the revenue, results, assets and liabilities of each business are insignificant to the Group. No other 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, gain on disposal of and impairment loss recognised on available-for-sale investments, impairment loss recognised on properties, plant and equipment, 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 2015							
Segment revenue							
External sales	11,284,105	7,103,780	9,809,217	4,057,549	533,535	–	32,788,186
Inter-segment sales	1,598,342	–	577,768	–	2,052	(2,178,162)	–
Total	12,882,447	7,103,780	10,386,985	4,057,549	535,587	(2,178,162)	32,788,186
Result							
Segment result	1,603,961	183,836	26,739	1,252,617	(1,172)		3,065,981
Gain on disposal of available-for-sale investments							345,692
Impairment loss recognised on available-for-sale investments							(314,293)
Share-based payments							(62,764)
Unallocated corporate income							190,906
Unallocated corporate expenses							(247,915)
Finance costs							(439,779)
Share of results of associates							(15,269)
Profit before taxation							2,522,559

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 2014							
Segment revenue							
External sales	11,476,942	7,474,287	13,575,058	2,691,109	688,370	–	35,905,766
Inter-segment sales	1,977,236	–	732,886	–	6,444	(2,716,566)	–
Total	13,454,178	7,474,287	14,307,944	2,691,109	694,814	(2,716,566)	35,905,766
Result							
Segment result	1,369,815	116,322	402,775	2,031,587	20,803		3,941,302
Gain on disposal of available-for-sale investments							206,884
Impairment loss recognised on properties, plant and equipment							(303,074)
Share-based payments							(7,398)
Unallocated corporate income							217,446
Unallocated corporate expenses							(273,500)
Finance costs							(444,995)
Share of results of associates							176,956
Profit before taxation							3,513,621

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 geographical 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:

	2015	2014
	HK$'000	*HK$'000*
The PRC (country of domicile)	29,065,210	31,458,507
Other Asian countries (including Thailand, Japan, Korea and Singapore)	1,780,722	2,494,098
Europe	1,384,251	1,315,809
America	558,003	637,352
	32,788,186	35,905,766

No single external customer of the Group contributed over 10% of the Group's revenue for each of the years ended 31 December 2014 and 2015.

3. OTHER INCOME, GAINS AND LOSSES

	2015 *HK$'000*	2014 *HK$'000*
Other income, gains and losses include:		
Interest income from available-for-sale investments	182,840	272,114
Interest income from bank balances and cash	79,508	35,909
Interest income from entrusted loans	95,653	116,737
Dividends from available-for-sale investments	171,236	73,982
Fair value changes of foreign exchange forward contracts	(453)	(6,779)
Gain on disposal of a subsidiary	33,590	–
Loss on disposal of prepaid lease payments	(325)	–
Loss on disposal of an associate	(8,977)	–

4. FINANCE COSTS

	2015 *HK$'000*	2014 *HK$'000*
Interest on bank borrowings	473,439	476,524
Less: Amount capitalised in the cost of qualifying assets	(33,660)	(31,529)
	439,779	444,995

Bank borrowing costs capitalised during the year including the bank borrowing costs of HK$29,671,000 (2014: HK$25,888,000) arose from a bank borrowing specific for the property development project and bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.0% (2014: 0.9%) per annum to expenditure on qualifying assets.

5. DEPRECIATION

During the year, depreciation of approximately HK$2,216.5 million (2014: HK$2,321.4 million) was charged in respect of the Group's properties, plant and equipment.

6. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	17,906	11,013
Overprovision in previous years	–	(132)
	17,906	10,881
PRC Enterprise Income Tax		
Charge for the year	436,002	278,807
Overprovision in previous years	(7,766)	(3,393)
	428,236	275,414
PRC Land Appreciation Tax ("LAT")	67,281	43,171
Taxation arising in other jurisdictions	4,626	4,477
Withholding tax on distributed profits of PRC entities	38,858	19,401
Deferred taxation	12,557	339,271
	569,464	692,615

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.

7. DIVIDENDS

	2015 *HK$'000*	2014 *HK$'000*
Dividends declared and paid		
Interim dividend for the year ended 31 December 2015 of HK20 cents (2014: HK20 cents) per ordinary share	205,120	205,120
Final dividend for the year ended 31 December 2014 of HK30 cents (2014: final dividend for the year ended 31 December 2013 of HK20 cents) per ordinary share	307,680	205,120
	512,800	410,240
Dividend proposed		
Proposed final dividend for the year ended 31 December 2015 of HK30 cents (2014: HK30 cents) per ordinary share	307,680	307,680

The final dividend of HK30 cents (2014: HK30 cents) per ordinary share amounting to HK$307,680,000 (2014: HK$307,680,000) in respect of the year ended 31 December 2015 has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

8. 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:

	2015 *HK$'000*	2014 *HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	1,650,323	2,536,800

	Number of shares	
	2015	**2014**
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 calculation of diluted earnings per share for the years ended 31 December 2015 and 2014 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, 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 years ended 31 December 2015 and 2014.

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

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	5,705,197	5,824,256
Advance to suppliers	810,399	918,567
Entrusted loans (Note i)	1,268,714	1,523,916
Prepayment and deposits	803,334	794,622
Value added tax recoverables	265,093	614,930
LAT on pre-sale properties (Note ii)	72,847	106,849
Other receivables	116,622	478,558
	9,042,206	10,261,698
Less: Non-current portion of entrusted loans (Note i)	(1,193,072)	(1,442,509)
	7,849,134	8,819,189

Notes:

(i) The entrusted loans of HK$1,268,714,000 (2014: HK$1,523,916,000) are due from certain purchasers of properties developed by the Group in the PRC through four (2014: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 4.920% to 6.900% (2014: 5.219% to 7.205%) per annum payable on monthly basis and the principal will be payable on or before 2034 (2014: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan.

As at 31 December 2015, entrusted loans amounting to HK$1,193,072,000 (2014: HK$1,442,509,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

(ii) The amount represents the provisional LAT prepaid to PRC tax authority based on the latest completion status. The final assessment will be carried out upon sales of properties at the completion of development projects.

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

	2015	**2014**
	HK$'000	*HK$'000*
0–90 days	4,219,523	4,306,769
91–180 days	1,392,451	1,425,593
Over 180 days	93,223	91,894
	5,705,197	5,824,256

All bills receivables of the Group are aged within 90 days (2014: 90 days) at the end of the reporting period.

10. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

The average credit period on purchases of goods is 90 days (2014: 90 days). The following is an aging analysis of the trade payables at the end of the reporting period:

	2015	**2014**
	HK$'000	*HK$'000*
0–90 days	1,888,329	2,195,122
91–180 days	358,478	403,578
Over 180 days	159,562	173,186
	2,406,369	2,771,886

All bills payables of the Group are aged within 90 days (2014: 90 days) at the end of the reporting period.

BUSINESS REVIEW

I am delighted to report a set of resilient results for Kingboard Chemical Holdings Limited (the "Group") for the financial year ended 31 December 2015 ("FY2015"). The year saw sluggish growth among major economics worldwide, with the rebound in the Eurozone weaker than expected and slowed activity in emerging markets. At the same time, mainland China was experiencing an economic reform amid a continuous decline in petroleum and bulk commodity prices. As a result, chemical industry was faced with a difficult operating environment and the Group's chemical division's performance was negatively impacted. However, the development of high-speed telecommunications networks, coupled with technological innovations in smart applications and the Internet of Things, has created a huge market for the high-ended electronics sector. During the year, the laminates and printed circuit board ("PCB") divisions both recorded satisfactory results. The property division has also entered the harvesting phase. With the booking of several projects, this division contributed considerable earnings to the Group.

With a focus on high technology and high-value-adding manufacturing businesses, the Group has equipped with a diversified division portfolio which gives a strong resilience against market fluctuations. Group revenue in 2015 showed a drop of 9% over the previous year to HK$32,788.2 million, delivering an underlying net profit (excluding non-recurring items) of HK$1,774.1 million, a decrease of 1%. Basic earnings per share based on underlying profit were HK$1.730. In the absence of new completions of investment properties, the gain on property valuation was lower than that of the corresponding period last year. As a result, reported net profit decreased by 35% to HK$1,650.3 million, with basic earnings per share based on reported net profit amounting to HK$1.609. The Group's financial position remained robust,and the Board has proposed a final dividend of HK30 cents per share, subject to shareholders' approval. Together with the interim dividend of HK20 cents per share paid in October 2015, this will constitute a full-year dividend of HK50 cents per share, representing a payout ratio of 29%.

Financial Highlights

	FY2015 *HK$'million*	FY2014 *HK$'million*	Change
Revenue	32,788.2	35,905.8	-9%
EBITDA*	5,313.1	5,239.1	+1%
Profit before tax*	2,632.5	2,442.5	+8%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,774.1	1,800.7	-1%
– Reported net profit	1,650.3	2,536.8	-35%
Basic earnings per share			
– Based on underlying net profit*	HK$1.730	HK$1.756	-1%
– Based on reported net profit	HK$1.609	HK$2.473	-35%
Full-year dividend per share	HK50.0 cents	HK50.0 cents	–
– Interim dividend per share	HK20.0 cents	HK20.0 cents	–
– Proposed final dividend per share	HK30.0 cents	HK30.0 cents	–
Dividend payout ratio#	29%	28%	
Net asset value per share	HK$34.4	HK$34.8	-1%
Net gearing	38%	42%	

* Excluding:

(1) Gain on fair value changes of investment properties of HK$249.6 million, net of deferred tax and portion shared by non-controlling shareholders (FY2014: HK$1,040.5 million).

(2) Share-based payments of HK$62.8 million, net of portion shared by non-controlling shareholders (FY2014: HK$6.9 million).

(3) For the year ended 31 December 2014, impairment loss recongised in respect of properties, plant and equipment of HK$297.5 million, net of portion shared by non-controlling shareholders (FY2015: Nil).

(4) Impairment loss recognised on available-for-sale investments of HK$310.6 million, net of portion shared by non-controlling shareholders (FY2014: Nil).

\# Calculated base on underlying net profit

PERFORMANCE

The demand-supply dynamics in the laminates industry continued to improve, driving strong demand for high-performance laminates during the year. Seizing this window of opportunity, the Group has expanded the production of glass epoxy laminates (“FR4”), leading to a 1% increase in laminates shipments. As raw material costs dropped significantly during the period, the selling prices of products were adjusted down, resulting in a 4% year-on-year decrease in segment turnover (including inter-segment sales) to HK$12,882.4 million. But benefitting from a smaller adjustment in laminates’ selling price relative to the drop in material costs, the profit margin has improved, driving earnings before interest, tax, depreciation and amortisation (“EBITDA”) up by 11% to HK$2,345.6 million.

Sustaining efforts to explore the production of high-value-adding PCB products with high technical requirements, the PCB division was able to continually increase the output of multi-layer and high density interconnect (“HDI”) PCB, fulfilling strong demand from downstream products such as mobile phones and telecommunications and automotive-related products. The restructuring of Elec & Eltek Group progressed smoothly, and its business has shown a rebounding trend since the second half of the year. The PCB division recorded a 5% decline in segment turnover to HK$7,103.8 million, of which HDI PCB sales contributed 22% of the division’s total. EBITDA rose 5% to HK$733.1 million.

The chemical division came under the dual impact of a drop in petroleum prices and weakened demand in mainland China, causing chemical product prices to slide. The chemical division therefore recorded a 27% decline in segment turnover (including inter-segment sales) to HK$10,387.0 million. EBITDA was down 33% to HK$916.9 million. Share of associates (the bulk of which was contributed by the natural gas-based methanol joint venture with China BlueChemical Limited) resulted a loss of HK$12.2 million.

A number of sales properties were completed consecutively during the period under review. Part of the proceeds from the pre-sales of Huaqiao Yu Garden Phase II, Qiandeng Yu Garden Phase II, and Zhangpu Yu Garden were booked during the second half of the year. Taking into account the full booking of pre-sales proceeds from Huaqiao Yu Garden Phase I during the first half, sales revenue surged to HK$3,505.4 million. Together with rental income of HK$552.1 million, the property division reported a turnover of HK$4,057.5 million, a significant increase of 51%. Contracted sales of HK$2,357.0 million were registered on total contracted sales floor area of 234,000 square metres. As at 31 December 2015, the Group held a prime land bank in Shanghai and Kunshan measuring a gross floor area of over 5 million square metres.

LIQUIDITY AND CAPITAL RESOURCES

The Group’s financial and liquidity position continued to be solid. As at 31 December 2015, net current assets and current ratio of the Group were approximately HK$20,190.7 million (31 December 2014: HK$16,934.4 million) and 2.24 (31 December 2014: 1.82) respectively.

The net working capital cycle was increased from 51 days as at 31 December 2014 to 57 days as at 31 December 2015 on the following key metrics:

– Inventories, in terms of stock turnover days, decreased to 30 days (31 December 2014: 33 days).

– Trade receivables, in terms of debtor turnover days, was 64 days (31 December 2014: 59 days).

– Trade and bills payable, in terms of creditor turnover days, was 37 days (31 December 2014: 41 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was approximately 38% (31 December 2014: 42%). The proportion of bank borrowings between short term and long term stood at 30%:70% (31 December 2014: 44%:56%). During the year under review, the Group invested HK$1.5 billion and HK$4.2 billion in new production capacity and property development 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 long-term returns to our shareholders. Less than 1% of the Group's bank borrowings were denominated in RMB, while the remainder were in Hong Kong dollars or US dollars.

The Group continued to adopt a prudent financial management policy. It did not enter into any material derivative financial instruments, nor did the Group have any material foreign exchange exposure during the year. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses.

HUMAN RESOURCES

As at 31 December 2015, the Group had a global workforce of approximately 43,200 (31 December 2014: 45,300). Through the continued increase in the level of automation at its plants, the Group was able to streamline its manpower where low efficiencies were recorded. This has enabled the Group to raise efficiency while controlling costs. In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievement and employees' individual performance. The Group's continued success relies on a comprehensive human resources strategy. The Kingboard Institute of Management was established to provide management training for middle and senior managers of the Group. The Group also recruits fresh graduates from both mainland China and Hong Kong each year in its search for and nurture of talents. In future, the Group will continue its efforts in developing and retaining staff through its management training schemes, in order to drive its long-term development.

PROSPECTS

Management holds confidence in the Group's development in 2016, and looks forward to achieving breakthroughs in its industrial and property business.

Laminates sales continue to show strong momentum during the first quarter of 2016. In particular, the production of FR4 used in high-ended electronic products is close to full capacity. Management has started to identify appropriate acquisition targets with a view to satisfying the strong demand from downstream industries, and as a means to expedite market consolidation.

PCB orders are also growing on the back of robust demand from smartphones, telecommunications base stations, servers and automotive-related sectors. The Group's HDI PCB production is beginning to experience an undersupply. It is therefore planning to expand investments on equipment for HDI PCB manufacturing to a higher level of automation. The Group is also considering acquiring existing HDI PCB capacities when necessary. As the restructuring of Elec & Eltek Group is about to conclude, it is expected that the division's research and development capability and product quality will be greatly enhanced. Management hopes to achieve profitability for this division in 2016.

Chemical prices continue to hover at low levels owing to global economic fluctuations and low petroleum prices. However, as mainland authorities launch and implement policies to eliminate excess capacity and reduce companies' taxes and expenditures, the market imbalance of upstream chemical industries is expected to be improved. The Group will strive to better utilize its existing capacities and to lower production costs, while at the same time transforming its facilities to a highly efficient and low-carbon mode. The division is fully prepared to capture the opportunities arising from the forthcoming market revival.

The mainland property market has picked up immensely on sales activity on the back of a series of supportive government policies and a loosened capital environment. It is therefore expected that the pre-sales of the Group's residential projects in Kunshan will be much accelerated. In line with current market conditions, the property division will accelerate its planned sales launches in order to speed up cash flow returns to the Group. Another core property, Shanghai Kingboard Plaza Phase I, is due for completion in the near term, achieving satisfactory progress in pre-leasing. In the next few years until 2018, the Group will see the completion of at least one large-scale commercial property every year. These successive completions are expected to deliver a stable growing stream of rental income for the Group. Adopting a pragmatic strategy, the Group plans to prudently increase its land bank with a view to increasing returns to shareholders.

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 HK30 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, 23 May 2016 ("2016 AGM"), is to be payable on Wednesday, 15 June 2016 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 31 May 2016.

CLOSURE OF REGISTER OF MEMBERS

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

(i) From Thursday, 19 May 2016 to Monday, 23 May 2016, 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 2016 AGM. In order to be eligible to attend and vote at the 2016 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 18 May 2016; and

(ii) From Friday, 27 May 2016 to Tuesday, 31 May 2016, 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 Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 26 May 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has met the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") under 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 2015, save for the deviation that the 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 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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Following a specific enquiry, each Director has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding Director's securities transactions adopted by the Company throughout the year ended 31 December 2015.

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 2015.

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 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, 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 2016

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Cheung Ka Shing and Chen Maosheng, being the executive Directors and Messrs. Cheng Wai Chee, Christopher, Tse Kam Hung, Lai Chung Wing, Robert, Tang King Shing and Cheung Ming Man, being the independent non-executive Directors.