KINGBOARD HOLDINGS LIMITED
建滔集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	FY 2018 *HK$'million*	FY 2017 *HK$'million* (Restated)	Change
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$3.1million 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).

The board of directors (the "Board") of Kingboard 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 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	**2017** *HK$'000* (Restated)
Revenue	*2*	45,994,419	43,371,270
Cost of sales and services rendered		(35,691,963)	(33,243,202)
Gross profit		10,302,456	10,128,068
Other income, gains and losses	*3*	169,786	132,371
Distribution costs		(1,199,959)	(1,149,527)
Administrative costs		(1,959,820)	(1,706,910)
Loss on fair value changes of equity instruments at fair value through profit or loss		(148,297)	–
Gain on disposal of debt instruments at fair value through other comprehensive income		3,578	–
Gain on fair value changes of investment properties		174,896	54,284
Gain on disposal of available-for-sale investments		–	1,153,015
Gain on disposal of a subsidiary	*11*	2,089,808	–
Share-based payments		–	(3,136)
Impairment loss recognised on available-for-sale investments		–	(34,152)
Finance costs	*4*	(589,222)	(311,919)
Share of results of joint ventures		86,515	–
Share of results of associates		192,169	103,267
Profit before taxation		9,121,910	8,365,361
Income tax expense	*6*	(2,051,710)	(1,531,177)
Profit for the year		7,070,200	6,834,184
Profit for the year attributable to:			
Owners of the Company		6,075,760	5,593,434
Non-controlling interests		994,440	1,240,750
		7,070,200	6,834,184
		HK$	*HK$*
Earnings per share	*8*		
Basic		5.692	5.363
Diluted		5.655	5.314

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	7,070,200	6,834,184
Other comprehensive (expense) income for the year:		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(2,333,128)	2,918,666
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Fair value loss on debt instruments measured at fair value through other comprehensive income	(533,782)	–
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(3,578)	–
Net fair value changes arising from available-for-sale investments	–	403,135
Translation reserve:		
Exchange differences arising from translation of foreign operations	(122,092)	(6,825)
	(659,452)	396,310
Other comprehensive (expense) income for the year (net of tax)	(2,992,580)	3,314,976
Total comprehensive income for the year	4,077,620	10,149,160
Total comprehensive income for the year attributable to:		
Owners of the Company	3,425,901	8,495,578
Non-controlling interests	651,719	1,653,582
	4,077,620	10,149,160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		16,925,863	17,151,915
Properties, plant and equipment		14,879,768	14,529,533
Prepaid lease payments		1,539,781	931,029
Other non-current assets		–	691,213
Goodwill		2,467,076	2,288,149
Intangible asset		27,000	–
Interests in an associate		540,681	504,090
Interests in joint ventures		2,466,504	–
Equity instruments at fair value through profit or loss		1,291,534	–
Equity instruments at fair value through other comprehensive income		164,124	–
Debt instruments at fair value through other comprehensive income		8,876,637	–
Available-for-sale investments		–	5,746,584
Entrusted loans	9	605,789	788,860
Deposits paid for acquisition of properties, plant and equipment and investment properties		332,890	485,451
Deferred tax assets		3,653	3,768
		50,121,300	43,120,592
Current assets			
Inventories		2,956,116	2,115,557
Properties held for development		20,023,136	15,637,824
Trade and other receivables and prepayments	9	8,514,957	11,763,029
Bills receivables	9	4,545,599	5,036,119
Debt instruments at fair value through other comprehensive income		78,195	–
Available-for-sale investments		–	778,986
Other current assets		659,429	–
Prepaid lease payments		38,410	24,363
Taxation recoverable		19,873	7,964
Bank balances and cash		7,473,324	8,113,756
		44,309,039	43,477,598
Assets classified as held for sale		–	1,696,193
		44,309,039	45,173,791
Current liabilities			
Trade and other payables	10	6,424,456	9,569,089
Bills payables	10	512,566	691,834
Deposits received from pre-sale of residential units		–	3,551,562
Contract liabilities		3,448,068	–
Taxation payable		1,167,261	886,418
Bank borrowings – amount due within one year		7,254,600	5,290,745
		18,806,951	19,989,648
Net current assets		25,502,088	25,184,143
Total assets less current liabilities		75,623,388	68,304,735

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	731,036	783,418
Bank borrowings – amount due after one year	20,259,081	13,797,597
	20,990,117	14,581,015
	54,633,271	53,723,720
Capital and reserves		
Share capital	108,315	106,645
Reserves	47,224,670	45,932,874
Equity attributable to owners of the Company	47,332,985	46,039,519
Non-controlling interests	7,300,286	7,684,201
Total equity	54,633,271	53,723,720

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for the application of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers", the application of the new and amendments to HKFRSs and the interpretation 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.

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 are organised into six main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of PCBs, (iii) manufacture and sale of chemicals, (iv) sales and rental of properties ("properties"), (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income, equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business). The management aggregated the sales of properties and rental income business into one reportable segment because the financial performance of both businesses are affected by changes in the property market. In addition, the management aggregated service income, hotel business and manufacture and sale of magnetic products into one reportable segment because the revenue, results, assets and liabilities of each business are insignificant to the Group. No other operating segment identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

2. **SEGMENT INFORMATION – continued**

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 consolidated financial statements. During the year, the Group reorganised its internal reporting structure which resulted in recognition of an additional reportable segment, the investment business segment. Prior year segment disclosure have been re-presented to conform with current year's presentation. The CODM assesses 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, share of results of joint ventures, gain on disposal of a subsidiary, finance costs, share-based payments and unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	Laminates	**PCBs**	**Chemicals**	**Properties**	**Investments**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018								
Segment revenue								
External sales	15,048,663	9,754,081	15,383,741	4,685,787	516,702	605,445	–	45,994,419
Inter-segment sales	2,096,233	–	766,600	–	–	6,921	(2,869,754)	–
Total	17,144,896	9,754,081	16,150,341	4,685,787	516,702	612,366	(2,869,754)	45,994,419
Result								
Segment results	2,937,445	473,521	1,378,150	2,340,266	325,305	70,278		7,524,965
Gain on disposal of a subsidiary								2,089,808
Unallocated corporate income								101,629
Unallocated corporate expenses								(283,954)
Finance costs								(589,222)
Share of results of joint ventures								86,515
Share of results of associates								192,169
Profit before taxation								9,121,910

2. **SEGMENT INFORMATION – continued**

	Laminates	PCBs	Chemicals	Properties	Investments	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
								(Restated)
For the year ended 31 December 2017								
Segment revenue								
External sales	14,714,174	8,194,104	13,351,870	6,467,607	211,797	431,718	–	43,371,270
Inter-segment sales	1,941,068	–	644,303	–	–	274	(2,585,645)	–
Total	16,655,242	8,194,104	13,996,173	6,467,607	211,797	431,992	(2,585,645)	43,371,270
Result								
Segment results	3,953,106	693,051	966,366	1,974,715	1,330,660	18,854		8,936,752
Share-based payments								(3,136)
Unallocated corporate income								44,388
Unallocated corporate expenses								(403,991)
Finance costs								(311,919)
Share of results of associates								103,267
Profit before taxation								8,365,361

Inter-segment sales are charged at an arm's length price.

The Group operates principally in the People's Republic of China ("PRC") (country of domicile).

The following is an analysis of the Group's revenue from external customers by geographical location of the customers or tenants or in the case of interest income and dividend income, the principal place of business of the investee:

	2018	**2017**
	HK$'000	*HK$'000*
		(Restated)
The PRC (country of domicile)	40,750,156	39,201,410
Other Asian countries (including Thailand, Japan, Korea and Singapore)	2,684,884	1,898,719
Europe	1,730,037	1,523,699
America	829,342	747,442
	45,994,419	43,371,270

No single external customer of the Group contributed over 10% of the Group's revenue for each of the years ended 31 December 2017 and 31 December 2018.

3. OTHER INCOME, GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000* (Restated)
Other income, gains and losses includes:		
Interest income on bank balances and deposits	43,420	74,495
Interest income on entrusted loans	41,860	52,898
Government grants	42,550	–
Loss on disposal and written off of properties, plant and equipment	(35,177)	(40,519)
Others	77,133	45,497
	169,786	132,371

4. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank borrowings	645,104	345,522
Imputed interest on contract liabilities	2,441	–
Less: Amount capitalised in the cost of qualifying assets	(58,323)	(33,603)
	589,222	311,919

Bank and other borrowing costs capitalised during the year includes the bank and other borrowing costs of HK$42,161,000 (2017: HK$28,809,000) arose from a bank borrowing specific for a property development project and interest on advance payment received from customers of HK$2,441,000 (2017: Nil) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.63% (2017: 2.23%) per annum to expenditure on qualifying assets.

5. DEPRECIATION

During the year, depreciation of approximately HK$1,968 million (2017: HK$1,758 million) was charged in respect of the Group's properties, plant and equipment.

6. INCOME TAX EXPENSE

	2018 *HK$'000*	2017 *HK$'000*
The amount comprises:		
PRC Enterprise Income Tax	1,463,040	1,187,799
PRC LAT	511,934	251,217
Hong Kong Profits Tax	62,456	61,609
Taxation arising in other jurisdictions	37,028	29,919
Under provision in previous years	641	12,165
	2,075,099	1,542,709
Deferred taxation	(23,389)	(11,532)
	2,051,710	1,531,177

6. **INCOME TAX EXPENSE – continued**

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.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. **DIVIDENDS**

	2018 *HK$'000*	**2017** *HK$'000*
Dividends declared and paid		
2018 Interim dividend of HK60 cents (2017: HK60 cents) per ordinary share	649,891	639,872
2018 Special interim dividend of HK50 cents (2017: Nil) per ordinary share	541,576	–
2017 Final dividend of HK100 cents (2016: HK70 cents) per ordinary share	1,066,452	726,880
2016 Special final dividend of HK30 cents (2017: Nil) per ordinary share	–	311,520
	2,257,919	1,678,272
Dividends proposed		
Proposed 2018 final dividend of HK70 cents (2017: HK100 cents) per ordinary share	758,207	1,066,452

The final dividend of HK70 cents per ordinary share amounted to HK$758,207,000 in respect of the year ended 31 December 2018 (2017: final dividend of HK100 cents per ordinary share amounting to HK$1,066,452,000 in respect of the year ended 31 December 2017)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 basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	2018 *HK$'000*	2017 *HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	6,075,760	5,593,434

	Number of shares 2018	 2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,067,373,737	1,043,040,213
Effect of dilutive potential ordinary shares arising from share options	6,989,986	9,576,220
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,074,363,723	1,052,616,433

The calculation of diluted earnings per share for the year ended 31 December 2017 did not take into account the effects of share options of the Company granted on 21 March 2011 and Kingboard Laminates Holdings Limited ("KLHL"), 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 year ended 31 December 2017.

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

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables	7,349,179	7,210,822
Less: Allowance for credit losses	(1,033,494)	(934,179)
Total receivables, net	6,315,685	6,276,643
Advance to suppliers	378,561	492,792
Entrusted loans *(Note i)*	646,676	845,616
Prepayment and deposits	1,127,862	728,573
Value added tax ("VAT") recoverables	358,378	247,852
LAT on pre-sale residential properties units *(Note ii)*	–	96,763
Deposits for acquisition of land use rights for development of properties held for sale *(Note iii)*	–	3,590,431
Other receivables	293,584	273,219
	9,120,746	12,551,889
Less: Non-current portion of entrusted loans *(Note i)*	(605,789)	(788,860)
	8,514,957	11,763,029

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

Notes:

(i) The entrusted loans of HK$646,676,000 (2017: HK$845,616,000) are due from certain purchasers of properties developed by the Group in the PRC through four (2017: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 3.92% to 5.39% (2017: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (2017: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan, PRC.

As at 31 December 2018, entrusted loans amounting to HK$605,789,000 (2017: HK$788,860,000) 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 of the development projects. The final assessment will be carried out upon sales of properties at the completion of development projects.

(iii) The amount represents deposits paid for acquisition of land use right in the PRC for the purpose of development of properties held for sale. The acquisition was completed in January 2018.

The Group allows credit period of up to 120 days (2017: 120 days), depending on the products sold to its trade customers. The following is an aging analysis of trade receivables net of allowance for doubtful debts based on invoice date at the end of the reporting period:

	2018	**2017**
	HK$'000	*HK$'000*
0–90 days	4,852,418	4,873,171
91–120 days	672,327	786,520
121–150 days	522,472	399,032
151–180 days	178,065	123,979
Over 180 days	90,403	93,941
	6,315,685	6,276,643

Bills receivables of the Group are all aged within 90 days (2017: 90 days) at the end of the reporting period.

10. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

The following is an aging analysis of the trade payables based on the invoice date at the end of the reporting period:

	2018	**2017**
	HK$'000	*HK$'000*
0–90 days	2,549,851	2,073,037
91–180 days	397,210	432,894
Over 180 days	266,458	192,514
	3,213,519	2,698,445

Bills payables of the Group are aged within 90 days (2017: 90 days) at the end of the reporting period. Included in bills payables as at 31 December 2018 was payables for acquisition of properties, plant and equipment of HK$57,316,000 (2017: HK$163,461,000).

11. GAIN ON DISPOSAL OF A SUBSIDIARY

On 10 January 2018, the Group disposed of its interest in a subsidiary, Win Real Group Limited, to an independent third party for a cash consideration of HK$3,786,001,000 with a gain of HK$2,089,808,000. The subsidiary has an indirect equity interest of 49% in an associate established in the PRC.

12. EVENT AFTER THE REPORTING PERIOD

On 8 January 2019, the Group announced that it has entered into an agreement in relation to the acquisition of the entire interests in certain subsidiaries (the "Target Companies") from Hallgain Investments Limited, a wholly owned subsidiary of a substantial shareholder of the Group, for a consideration of HK$909,750,000. The Target Companies are property holding companies and own certain investment properties in Hong Kong. Details of which are disclosed in the Company's announcement dated on 8 January 2019.

BUSINESS REVIEW

On behalf of the board ("Board") of directors ("Directors") of Kingboard Holdings Limited (the "Company"), I am delighted to report satisfactory results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018. 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.

Revenue of the Group increased 6% to HK$45,994.4 million in 2018, 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 maintained a robust financial position and the Board has therefore proposed a final dividend of HK70 cents per share, subject to shareholders' approval. Together with the interim dividend of HK60 cents per share and the special interim dividend of HK50 cents per share, this will constitute a full-year dividend of HK180 cents per share.

FINANCIAL HIGHLIGHTS

	FY 2018 *HK$'million*	**FY 2017** *HK$'million* (Restated)	**Change**
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EBITDA*	10,212.2	10,442.4	-2%
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Net profit attributable to owners of the Company			
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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$3.1million 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).

PERFORMANCE

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.

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.

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%.

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.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position continued to be robust. As at 31 December 2018, net current assets and current ratio of the Group were approximately HK$25,502.1 million (31 December 2017: HK$25,184.1 million) and 2.36 (31 December 2017: 2.26) respectively.

The net working capital cycle increased from 41 days as at 31 December 2017 to 42 days as at 31 December 2018 on the following key metrics:

– Inventories, in terms of stock turnover days, was 30 days (31 December 2017: 23 days).

– Trade receivables, in terms of debtors turnover days, was 50 days (31 December 2017: 53 days).

– Trade and bills payable (excluding bills payables to properties, plant and equipment), in terms of creditors turnover days, was 38 days (31 December 2017: 35 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was 37% as at 31 December 2018 (31 December 2017: 20%), while the proportion of bank borrowings between short term and long term stood at 26%:74% (31 December 2017: 28%:72%). During the year, the Group invested HK$2.9 billion and HK$2.2 billion in new production capacity and property construction expenses respectively. Backed by a highly experienced professional management team, the Group is confident that these investments will deliver stable and satisfactory returns to shareholders over the long term.

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 2018, the Group employed a global workforce of approximately 41,900 (31 December 2017: 42,800) to cope with business requirements. 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 achievements and individual employee performance. The Group's continued success relies on a solid human resources strategy. The establishment of the Kingboard Institute of Management helps nurture middle and senior managers. In addition, in response to the economic policy of Greater Bay Area, the Group recruits fresh graduates from mainland China, Hong Kong and Taiwan every year for focused training and development. This talent pool will give the Group new impetus to its long-term development.

PROSPECTS

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.

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.

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.

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.

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.

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.

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 HK70 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, 27 May 2019 ("2019 AGM"), is to be payable on Friday, 14 June 2019 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 4 June 2019.

CLOSURE OF REGISTER OF MEMBERS

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

(i) From Wednesday, 22 May 2019 to Monday, 27 May 2019, 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 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share register 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 Tuesday, 21 May 2019; and

(ii) From Friday, 31 May 2019 to Tuesday, 4 June 2019, 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 register 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, 30 May 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles of good corporate governance and complied with 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 2018, save for the deviation from paragraph A.4.1 of the CG Code since the independent non-executive Directors are not appointed for a specific term. 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 accordance with the Company's articles of association. As such, the Company considers that steps have been taken with a view to ensure that the Company's corporate governance practices are in line with the principles of 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"). Having made specific enquiry of all Directors, 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 Director's securities transactions adopted by the Company throughout the year ended 31 December 2018.

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 2018.

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 2018 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 Holdings Limited
Cheung Kwok Wing
Chairman

Hong Kong, 20 March 2019

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.Cheung Ming Man, Chong Kin Ki, Leung Tai Chiu and Chan Wing Kee, being the independent non-executive Directors.