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KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	FY2018 <i>HK\$'million</i>	FY2017 <i>HK\$'million</i> (Restated)	Change
Revenue	20,645.8	18,338.0	+13%
EBITDA*	5,120.0	5,259.4	-3%
Profit before tax*	4,415.5	4,613.1	-4%
Net profit attributable to owners of the Company			
– Underlying net profit*	3,190.1	3,735.0	-15%
– Reported net profit	3,250.4	3,764.5	-14%
Earnings per share			
– Based on underlying net profit*	HK103.5 cents	HK121.6 cents	-15%
– Based on reported net profit	HK105.5 cents	HK122.5 cents	-14%
Interim dividend per share	HK17.5 cents	HK32.6 cents	-46%
Proposed final dividend per share	HK35.0 cents	HK52.6 cents	-33%
Net asset value per share	HK\$5.68	HK\$5.67	–
	Net gearing 11%	Net cash 1,062.1	

* Excluding:

FY2018: Gain on fair value changes of investment properties of HK\$91.1 million and written off of property, plant and equipment of HK\$30.8 million.

FY2017: Gain on fair value changes of investment properties of HK\$29.5 million.

The board of directors (the “Board”) of Kingboard Laminates 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

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Revenue	2	20,645,776	18,337,952
Cost of sales		<u>(15,113,926)</u>	<u>(12,906,842)</u>
Gross profit		5,531,850	5,431,110
Other income, gains and losses	4	(1,744)	(17,513)
Distribution costs		(409,735)	(330,397)
Administrative costs		(663,750)	(577,329)
Gain on disposal of available-for-sale investments		–	176,046
Gain on fair value changes of equity instruments at fair value through profit or loss		29,799	–
Gain on disposal of debt instruments at fair value through other comprehensive income		1,580	–
Gain on fair value changes of investment properties		91,056	29,505
Finance costs	5	<u>(103,221)</u>	<u>(68,843)</u>
Profit before taxation		4,475,835	4,642,579
Income tax expense	7	<u>(1,217,844)</u>	<u>(870,328)</u>
Profit for the year		<u>3,257,991</u>	<u>3,772,251</u>
Profit for the year attributable to:			
Owners of the Company		3,250,381	3,764,540
Non-controlling interests		<u>7,610</u>	<u>7,711</u>
		<u>3,257,991</u>	<u>3,772,251</u>
Earnings per share	9		
– Basic		<u>HK\$1.055</u>	<u>HK\$1.225</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>3,257,991</u>	<u>3,772,251</u>
Other comprehensive (expenses) income for the year		
<i>Item that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(801,663)	1,050,038
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value loss on debt instruments measured at fair value through other comprehensive income	(320,740)	–
Reclassify to profit or loss upon disposal of debt instruments measured at fair value through other comprehensive income	(1,580)	–
Net fair value changes arising from available-for-sale investments	<u>–</u>	<u>52,812</u>
Other comprehensive (expenses) income for the year (net of tax)	<u>(1,123,983)</u>	<u>1,102,850</u>
Total comprehensive income for the year	<u><u>2,134,008</u></u>	<u><u>4,875,101</u></u>
Total comprehensive income (expenses) for the year attributable to:		
Owners of the Company	2,137,102	4,860,769
Non-controlling interests	<u>(3,094)</u>	<u>14,332</u>
	<u><u>2,134,008</u></u>	<u><u>4,875,101</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,387,842	1,344,937
Properties, plant and equipment		4,818,717	4,830,663
Prepaid lease payments		501,650	426,457
Equity instruments at fair value through profit or loss		284,776	–
Equity instruments at fair value through other comprehensive income		8,124	–
Debt instruments at fair value through other comprehensive income		6,134,659	–
Available-for-sale investments		–	2,506,043
Other non-current assets		–	691,213
Deposits paid for acquisition of properties, plant and equipment		10,487	137,868
Deferred tax assets		3,527	2,882
Goodwill		238	238
		<u>13,150,020</u>	<u>9,940,301</u>
Current assets			
Inventories		1,710,503	953,483
Trade and other receivables and prepayments	<i>10</i>	4,244,165	4,775,798
Bills receivables	<i>10</i>	2,944,491	3,150,609
Properties held for development		2,134,666	4,030,974
Available-for-sale investments		–	778,986
Other current assets		659,429	–
Prepaid lease payments		10,004	10,291
Amounts due from fellow subsidiaries		58,158	439,356
Taxation recoverable		7,180	7,185
Bank balances and cash		3,803,125	4,464,240
		<u>15,571,721</u>	<u>18,610,922</u>

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	3,195,776	2,732,847
Bills payables	<i>11</i>	248,352	460,016
Deposits received from pre-sale of residential units		–	3,372,565
Contract liabilities		1,049,071	–
Amounts due to fellow subsidiaries		48,378	46,276
Taxation payable		409,156	461,639
Bank borrowings – amount due within one year		1,065,577	402,110
		<u>6,016,310</u>	<u>7,475,453</u>
Net current assets		<u>9,555,411</u>	<u>11,135,469</u>
Total assets less current liabilities		<u>22,705,431</u>	<u>21,075,770</u>
Non-current liabilities			
Deferred tax liabilities		85,506	88,836
Bank borrowings – amount due after one year		4,776,923	3,000,000
		<u>4,862,429</u>	<u>3,088,836</u>
		<u>17,843,002</u>	<u>17,986,934</u>
Capital and reserves			
Share capital		308,100	308,100
Reserves		17,191,472	17,161,859
Equity attributable to owners of the Company		<u>17,499,572</u>	<u>17,469,959</u>
Non-controlling interests		<u>343,430</u>	<u>516,975</u>
Total equity		<u>17,843,002</u>	<u>17,986,934</u>

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 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. REVENUE

Analysis of revenue for the year is as follows:

	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i> (Restated)
Revenue recognised at a point in time		
Sales of glass epoxy laminates	10,482,318	10,388,459
Sales of paper laminates	2,273,489	2,246,462
Sales of upstream materials	2,642,404	2,499,139
Sales of properties	3,508,674	1,664,468
Others (<i>note a</i>)	1,055,171	1,044,909
Revenue recognised overtime (<i>note b</i>)	240,584	215,005
Revenue from contracts with customers	20,202,640	18,058,442
Interest income from debt instruments (<i>note c</i>)	236,301	89,536
Dividend income (<i>note c</i>)	18,108	5,620
Rental and licence fee income	188,727	184,354
	<u>20,645,776</u>	<u>18,337,952</u>

Sales of laminates include glass epoxy laminates and paper laminates. Sales of upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper.

Notes:

- (a) Others mainly includes sales of specialty resin of HK\$754,012,000 (2017: HK\$707,044,000) and income from food and beverage sales from hotel operation.
- (b) Revenue recognised overtime mainly represents income from drilling services of HK\$173,963,000 (2017:HK\$154,445,000) and income from hotel accommodation of HK\$66,621,000 (2017: HK\$60,560,000).
- (c) During the year, the Group reorganised its internal reporting structure which resulted in recognition of an additional reportable segment, the investment business segment. The Directors consider its investment activities are a part of the Group’s principal business activities and accordingly interest income from debt instruments calculated using effective interest method and dividend income from equity investments which was previously included in other income, gains and losses has been reclassified to revenue.

3. 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 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 three main operating divisions – (i) manufacturing and sale of laminates; (ii) properties; and (iii) investments. The management aggregated the sales of properties, rental and hotel income business into one reportable segment because the financial performance of these businesses are affected by changes in the property market. No 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 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 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 (unallocated corporate income and expenses and finance costs).

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Year ended 31 December 2018

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>16,747,345</u>	<u>3,644,022</u>	<u>254,409</u>	<u>20,645,776</u>
Segment results	<u>2,775,164</u>	<u>1,545,862</u>	<u>262,715</u>	4,583,741
Unallocated corporate income				43,361
Unallocated corporate expenses				(48,046)
Finance costs				<u>(103,221)</u>
Profit before taxation				<u>4,475,835</u>

Year ended 31 December 2017

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
Segment revenue	<u>16,453,413</u>	<u>1,789,383</u>	<u>95,156</u>	<u>18,337,952</u>
Segment results	<u>4,050,585</u>	<u>456,185</u>	<u>271,113</u>	4,777,883
Unallocated corporate income				45,497
Unallocated corporate expenses				(111,958)
Finance costs				<u>(68,843)</u>
Profit before taxation				<u>4,642,579</u>

Other segment information

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 dividend income and interest income, the principal place of business of the investee or debtor:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
The PRC (country of domicile)	19,420,421	17,369,555
Other foreign countries:		
Other Asian countries	1,101,477	842,525
Europe	56,602	63,092
America	67,276	62,780
	<u>20,645,776</u>	<u>18,337,952</u>

Revenue from one of the Group's customers in laminates segment amounted to HK\$2,065,525,000 (2017: HK\$1,835,757,000), which individually accounted for over 10% of the Group's revenue for the year.

4. OTHER INCOME, GAINS AND LOSSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Income, gains and losses includes:		
Interest income on bank balances and deposits	21,744	22,579
Loss on disposal and write off of properties, plant and equipment	(31,304)	(38,911)
Others	7,816	(1,181)
	<u>(1,744)</u>	<u>(17,513)</u>

5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank borrowings	116,941	73,636
Imputed interest on contract liabilities	2,441	–
Less: Amounts capitalised in the construction in progress	(13,720)	(4,793)
Less: Amounts capitalised in the properties held for development	(2,441)	–
	<u>103,221</u>	<u>68,843</u>

Bank borrowing costs capitalised during the year includes the bank borrowing costs of HK\$2,441,000 (2017: nil) 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 2.46% (2017: 2.20%) per annum to expenditure on qualifying assets.

6. DEPRECIATION

During the year, depreciation of approximately HK\$590.3 million (2017: HK\$568.2 million) was charged in respect of the Group's properties, plant and equipment.

7. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The amount comprises:		
PRC Enterprise Income Tax	710,216	808,909
PRC Land Appreciation Tax ("LAT")	507,887	56,605
Hong Kong Profits Tax	1,251	7,643
Taxation arising in other jurisdiction	2,465	633
	<u>1,221,819</u>	<u>873,790</u>
Deferred taxation		
Credit for the year	<u>(3,975)</u>	<u>(3,462)</u>
	<u>1,217,844</u>	<u>870,328</u>

Under the Law of the People's Republic of China 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 profit both years.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

8. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends paid		
2018 Interim dividend of HK17.5 cents (2017: HK32.6 cents) per ordinary share	539,175	1,004,406
2017 Final dividend of HK52.6 cents (2016: HK18.5 cents) per ordinary share	1,620,606	569,985
2016 Special final dividend of HK30.0 cents per ordinary share	–	924,300
	<u>2,159,781</u>	<u>2,498,691</u>
Dividends proposed		
Proposed 2018 Final dividend of HK35.0 cents (2017: HK52.6 cents) per ordinary share	<u>1,078,350</u>	<u>1,620,606</u>

The final dividend of HK35.0 cents per ordinary share amounted to HK\$1,078,350,000 in respect of the year ended 31 December 2018 (2017: final dividend of HK52.6 cents per ordinary share amounted to HK\$1,620,606,000 in respect of the year ended 31 December 2017) have been proposed by the Directors and are subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>3,250,381</u>	<u>3,764,540</u>
	Number of shares	
	2018 <i>'000</i>	2017 <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,081,000</u>	<u>3,071,990</u>

No diluted earnings per share for 2018 and 2017 was presented as there were no potential ordinary shares in issue for both years.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	3,758,054	4,466,621
Less: Allowance for credit losses	(464,486)	(431,807)
	<hr/>	<hr/>
Trade receivables, net	3,293,568	4,034,814
Advance to suppliers	364,380	339,333
Interest income receivables	106,632	33,243
Prepaid expenses and deposits	278,070	241,533
Value-added tax (“VAT”) recoverable	162,933	86,810
LAT on pre-sale residential units (<i>Note</i>)	–	7,035
Other receivables	38,582	33,030
	<hr/>	<hr/>
Bills receivables	4,244,165	4,775,798
	<hr/>	<hr/>
	2,944,491	3,150,609
	<hr/>	<hr/>
	7,188,656	7,926,407

Note: The amount represents the provisional LAT prepaid to the 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.

The Group allows credit periods 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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–90 days	2,228,048	3,010,539
91–180 days	1,007,284	968,249
Over 180 days	58,236	56,026
	<hr/>	<hr/>
	3,293,568	4,034,814

Bills receivables of the Group are all aged within 0–90 days (2017: 0–90 days) since invoice date at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	1,284,816	1,081,601
Accrued expenses	418,684	367,892
Payables for acquisition of properties, plant and equipment	63,111	150,880
Receipts in advance	–	153,634
Other tax payables	637,737	675,426
VAT payables	154,686	240,026
LAT payables	457,990	–
Other payables	178,752	63,388
	<hr/>	<hr/>
	3,195,776	2,732,847
Bills payables (<i>Note</i>)	248,352	460,016
	<hr/>	<hr/>
	3,444,128	3,192,863
	<hr/>	<hr/>

Note: Included in bills payables as at 31 December 2018 was payables for acquisition of properties, plant and equipment of HK\$51,151,000 (2017: HK\$117,918,000).

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–90 days	1,178,684	935,237
91–180 days	49,192	114,424
Over 180 days	56,940	31,940
	<hr/>	<hr/>
	1,284,816	1,081,601
	<hr/>	<hr/>

The average credit period on purchase of goods is 90 days (2017: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

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

BUSINESS REVIEW

On behalf of the board (“Board”) of directors (“Directors”), I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (the “Company”) and its subsidiaries (the “Group”) delivered solid results for the financial year ended 31 December 2018. During the year, global trade disputes brought greater uncertainty to the electronics industry. This, coupled with the slowed growth in the demand for auto mobile and home appliances in China, had posed downward pressure on demand in the laminates industry. Nevertheless, the Group was able to capitalise on its vertical laminates supply chain, effective cost control and diversified business portfolio to sustain revenue growth. The Group’s overall profitability has continuously outperformed its peers.

The Group reported a 13% increase in revenue to HK\$20,645.8 million in 2018. Underlying net profit (excluding non-recurring items) decreased by 15% to HK\$3,190.1 million. In view of the Group’s healthy financial position, the Board has proposed a final dividend of HK35.0 cents per share, subject to shareholders’ approval.

Financial Highlights

	FY2018 <i>HK\$’million</i>	FY2017 <i>HK\$’million</i> (Restated)	Change
Revenue	20,645.8	18,338.0	+13%
EBITDA*	5,120.0	5,259.4	-3%
Profit before tax*	4,415.5	4,613.1	-4%
Net profit attributable to owners of the Company			
– Underlying net profit*	3,190.1	3,735.0	-15%
– Reported net profit	3,250.4	3,764.5	-14%
Earnings per share			
– Based on underlying net profit*	HK103.5 cents	HK121.6 cents	-15%
– Based on reported net profit	HK105.5 cents	HK122.5 cents	-14%
Interim dividend per share	HK17.5 cents	HK32.6 cents	-46%
Proposed final dividend per share	HK35.0 cents	HK52.6 cents	-33%
Net asset value per share	HK\$5.68	HK\$5.67	–
	Net gearing 11%	Net cash 1,062.1	

* Excluding:

FY2018: Gain on fair value changes of investment properties of HK\$91.1 million and written off of property, plant and equipment of HK\$30.8 million.

FY2017: Gain on fair value changes of investment properties of HK\$29.5 million.

PERFORMANCE

The management team introduced new sales initiatives in tune with the market conditions, and expedited the upgrade of the product mix, thus resulting in an increase in the average selling price (“ASP”) during 2018. However, in view of the overall weakened demand for laminates, the division was unable to fully shift the cost increases of the materials, such as copper and chemicals to customers. Laminates sales showed a modest decline with the average monthly shipment volume standing at 9.64 million square metres. The laminates division’s segment revenue rose 2% to HK\$16,747.4 million. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) declined 30% to HK\$3,378.9 million.

The property division sped up project sales during the second half of the year. The sales of Kunshan Development Zone Kingboard Yu Garden Phase 2, Huaqiao Kingboard Yu Garden Phase 4 and Jiangyin Kingboard Yu Garden Phase 1 were partially booked for the year. Segment revenue thus rose significantly by 104% to HK\$3,644.0 million, delivering a 221% EBITDA growth to HK\$1,535.1 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group’s consolidated financial and liquidity position remained robust. As at 31 December 2018, net current assets and current ratio of the Group were approximately HK\$9,555.4 million (31 December 2017: HK\$11,135.5 million) and 2.59 (31 December 2017: 2.49) respectively.

The net working capital cycle decreased to 63 days as at 31 December 2018 from 74 days as at 31 December 2017, on the following key metrics:

- The stock turnover days was 41 days (31 December 2017: 27 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, was 59 days (31 December 2017: 89 days).
- Trade and bills payables (excluding bills payables to properties, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditor turnover days, was 37 days (31 December 2017: 42 days).

The Group’s net gearing ratio was 11% as at 31 December 2018 (31 December 2017: net cash of HK\$1,062.1 million). During 2018, the Group invested HK\$860 million in new production capacity and HK\$540 million in its property business. Backed by a highly experienced professional management team, a sound business foundation and solid financial strength, management is confident that these investments will deliver stable and satisfactory returns to shareholders over the long term. The ratio of bank borrowings between short term and long term stood at 18%:82% (31 December 2017: 12%:88%). The Group maintains sufficient financial resources to meet its requirements for future market developments.

The Group continued to adopt a prudent financial management policy. The Group did not enter into any material types of derivative financial instrument, 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 maintained a workforce of approximately 10,200 (31 December 2017: 9,900). 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.

PROSPECTS

Stepping into 2019, investments in the industrial chain of 5G mobile networks and the introduction of consumption stimulus policies in China are expected to drive a rebound in laminates demand. Prices of laminates are already on the upward track, while costs have remained relatively stable. This is favourable for the division to expand its profit margin. Coping with market needs, the division will work in full force to speed up the upgrade of thin, high-frequency and high-speed, halogen-free laminates. The steadily growing proportion of sales of high-value-added products will provide new impetus for business growth.

The Group has also initiated a number of expansion programmes, with new capacities due to be commissioned consecutively. In Guangdong Province, capacities of copper foil in Lianzhou and those of glass fabric in Qingyuan have both been expanded, further strengthening the Group's vertical production setup. To cope with the demand growth for high-end laminates in the 5G era, and to satisfy expanding overseas market requirements, the Group has planned the phased commissioning of new capacities in Jiangmen and Shaoguan, Guangdong Province, and Thailand within this year. These plans are expected to propel the laminates division into a new growth cycle.

The Group will also continue to increase the pace of sales of its residential projects in Kunshan City, Jiangsu Province in China. It is expected that a substantial volume of property sales can be booked this year. The Group has no intention of increasing its land bank for the time being. With all existing projects close to completion, and thus construction expenses set to decrease, it is expected that there will be an increase in net cash inflow for the property business.

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 financial year.

FINAL DIVIDEND

The proposed final dividend of HK35.0 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 Thursday, 13 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 Investor Services 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 Investor Services 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 principals 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 non-executive Director and 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 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 of Hong Kong Limited.

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 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 Laminates Holdings Limited
Cheung Kwok Wa
Chairman

Hong Kong, 20 March 2019

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho, Liu Min and Zhou Pei Feng, being the executive Directors, Mr. Lo Ka Leong, being the non-executive Director, and Messrs. Leung Tai Chiu, Ip Shu Kwan, Stephen, Zhang Lu Fu and Lau Ping Cheung, Kaizer, being the independent non-executive Directors.