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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 2016

FINANCIAL HIGHLIGHTS

	FY2016 <i>HK\$'million</i>	FY2015 <i>HK\$'million</i>	Change
Revenue	15,531.7	12,769.7	+22%
EBITDA*	3,230.6	2,346.8	+38%
Profit before tax*	2,503.3	1,486.5	+68%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,947.2	1,211.5	+61%
– Reported net profit	4,346.6	1,265.4	+243%
Earnings per share			
– Based on underlying net profit*	HK64.9 cents	HK40.4 cents	+61%
– Based on reported net profit	HK144.9 cents	HK42.2 cents	+243%
Full-year dividend per share	HK112.0 cents	HK17.7 cents	+533%
– Interim dividend per share	HK13.5 cents	HK6.4 cents	+111%
– Proposed final dividend per share	HK18.5 cents	HK11.3 cents	+64%
– Special interim dividend per share	HK50.0 cents	–	N/A
– Proposed special final dividend per share	HK30.0 cents	–	N/A
Net asset value per share	HK\$4.80	HK\$4.39	+9%
	Net cash 1,750.5	Net gearing 15%	

* Excluding:

FY2016: Gain on fair value changes of investment properties of HK\$7.1 million, gain on disposal of a subsidiary of HK\$2,121.2 million and income from relocation compensation of HK\$271.1 million.

FY2015: Gain on fair value changes of investment properties of HK\$68.4 million and impairment loss recognised on available-for-sale investments of HK\$14.5 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 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	2	15,531,721	12,769,720
Cost of sales		<u>(12,068,803)</u>	<u>(10,599,003)</u>
Gross profit		3,462,918	2,170,717
Other income, gains and losses	4	298,708	176,692
Distribution costs		(313,422)	(304,542)
Administrative costs		(588,998)	(516,207)
Gain on disposal of available-for-sale investments		6,053	62,758
Gain on fair value changes of investment properties		7,101	68,370
Gain on disposal of a subsidiary	12	2,121,238	–
Finance costs	5	<u>(90,928)</u>	<u>(117,323)</u>
Profit before taxation		4,902,670	1,540,465
Income tax expense	7	<u>(550,762)</u>	<u>(269,465)</u>
Profit for the year		<u>4,351,908</u>	<u>1,271,000</u>
Profit for the year attributable to:			
Owners of the Company		4,346,561	1,265,403
Non-controlling interests		<u>5,347</u>	<u>5,597</u>
		<u>4,351,908</u>	<u>1,271,000</u>
Earnings per share – Basic and diluted	9	<u>HK\$1.449</u>	<u>HK\$0.422</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u>4,351,908</u>	<u>1,271,000</u>
Other comprehensive expenses		
<i>Item that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(886,870)	(966,852)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	<u>(16,707)</u>	<u>(10,467)</u>
Other comprehensive expenses for the year (net of tax)	<u>(903,577)</u>	<u>(977,319)</u>
Total comprehensive income for the year	<u>3,448,331</u>	<u>293,681</u>
Total comprehensive income (expenses) for the year attributable to:		
Owners of the Company	3,483,965	333,091
Non-controlling interests	<u>(35,634)</u>	<u>(39,410)</u>
	<u>3,448,331</u>	<u>293,681</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,235,755	1,285,285
Properties, plant and equipment		4,117,744	4,902,992
Prepaid lease payments		387,967	417,719
Available-for-sale investments		2,290,068	779,236
Deposits paid for acquisition of properties, plant and equipment		16,144	5,330
Other non-current assets		–	689,670
Deferred tax assets		2,480	3,183
Goodwill		238	238
		<u>8,050,396</u>	<u>8,083,653</u>
Current assets			
Inventories		740,719	1,388,529
Trade and other receivables and prepayments	<i>10</i>	3,994,993	4,214,203
Bills receivables	<i>10</i>	2,721,444	1,228,962
Properties held for development		4,503,194	5,066,199
Other current assets		645,931	–
Prepaid lease payments		8,129	9,915
Amounts due from fellow subsidiaries		471,984	192,226
Taxation recoverable		9,145	7,063
Bank balances and cash		4,518,270	2,840,247
		<u>17,613,809</u>	<u>14,947,344</u>
Current liabilities			
Trade and other payables	<i>11</i>	2,581,122	1,599,077
Bills payables	<i>11</i>	135,785	301,492
Deposits received from pre-sale of residential units		4,336,411	1,668,729
Amounts due to fellow subsidiaries		44,907	40,452
Taxation payable		359,182	277,485
Bank borrowings – amount due within one year		1,572,172	1,181,187
		<u>9,029,579</u>	<u>5,068,422</u>
Net current assets		<u>8,584,230</u>	<u>9,878,922</u>
Total assets less current liabilities		<u>16,634,626</u>	<u>17,962,575</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	91,896	94,952
Bank borrowings – amount due after one year	<u>1,195,598</u>	<u>3,714,462</u>
	<u>1,287,494</u>	<u>3,809,414</u>
	<u>15,347,132</u>	<u>14,153,161</u>
Capital and reserves		
Share capital	300,000	300,000
Reserves	<u>14,107,373</u>	<u>12,867,408</u>
Equity attributable to owners of the Company	14,407,373	13,167,408
Non-controlling interests	<u>939,759</u>	<u>985,753</u>
Total equity	<u>15,347,132</u>	<u>14,153,161</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.

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to Hong Kong Accounting Standard (“HKAS”) 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRS 2012 –2014 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 disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instrument ²
HKFRS 15	Revenue from contracts with customers and the related amendments ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Investments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKAS 7	Disclosure initiative ¹
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods on or after a date to be determined.

The directors of the Company (“Directors”) do not anticipate that the application of these new and amendments to HKFRSs will have a material effect on the Group’s consolidated financial statements.

2. REVENUE

Revenue represents the amounts received and receivable by the Group from the sales of goods, provision of drilling services, sales of properties, income from property investment and licence fee income provided to outside customers, net of discounts, returns and sales related taxes. Analysis of revenue for the year is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of glass epoxy laminates	8,750,489	8,172,400
Sales of paper laminates	2,029,000	2,020,531
Sales of upstream materials	1,776,631	1,511,595
Sales of properties	1,661,913	–
Income from property investment	117,127	121,149
Others	1,196,561	944,045
	<u>15,531,721</u>	<u>12,769,720</u>

Sales of laminates include glass epoxy laminates and paper laminates manufactured according to specifications required by customers. Sales of upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. Others comprise drilling services, which involve the drilling of holes into the laminates required by customers and sales of specialty resin and other materials and licence fee income. Sales of properties include sales of residential units. Income from property investment includes rental income from leasing of investment properties, income from hotel accommodation and income from food and beverage and other ancillary services of the hotel operation.

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 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 two main operating divisions – (i) manufacturing and sale of laminates and (ii) properties. 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 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 (gain on disposal of available-for-sale investments, impairment loss recognised on available-for-sale investments, gain on disposal of a subsidiary, 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 segments:

Year ended 31 December 2016

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>13,752,681</u>	<u>1,779,040</u>	<u>15,531,721</u>
Segment results	<u>2,421,646</u>	<u>271,858</u>	2,693,504
Gain on disposal of available-for-sale investments			6,053
Gain on disposal of a subsidiary			2,121,238
Unallocated corporate income			314,910
Unallocated corporate expenses			(142,107)
Finance costs			<u>(90,928)</u>
Profit before taxation			<u>4,902,670</u>

Year ended 31 December 2015

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>12,648,571</u>	<u>121,149</u>	<u>12,769,720</u>
Segment results	<u>1,436,891</u>	<u>89,677</u>	1,526,568
Gain on disposal of available-for-sale investments			62,758
Impairment loss recognised on available-for-sale investments			(14,454)
Unallocated corporate income			185,158
Unallocated corporate expenses			(102,242)
Finance costs			<u>(117,323)</u>
Profit before taxation			<u>1,540,465</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 the external customers by geographical location of the customers:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The PRC (country of domicile)	14,697,790	12,003,744
Other foreign countries:		
Other Asian countries	737,914	667,469
Europe	40,155	44,785
America	55,862	53,722
	<u>15,531,721</u>	<u>12,769,720</u>

Revenue from one of the Group's customers in laminates segment amounted to HK\$1,744,263,000 (2015: HK\$1,557,971,000), which individually accounted for over 10% of the Group's revenue for the year.

4. OTHER INCOME, GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other income, gains and losses include:		
Income from relocation compensation	271,079	–
Dividend income from available-for-sale investments	15,317	102,168
Interest income from available-for-sale investments	29,031	82,739
Other interest income	18,706	8,889
Fair value changes of foreign exchange forward contracts	–	(453)
Impairment loss recognised on available-for-sale investments	–	(14,454)
Loss on disposal and write off of properties, plant and equipment	(31,133)	(12,284)
Others	(4,292)	10,087
	<u>298,708</u>	<u>176,692</u>

5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank borrowings	95,436	120,404
Less: Amounts capitalised in the construction in progress	(4,508)	(3,081)
	<u>90,928</u>	<u>117,323</u>

The weighted average capitalisation rate on funds borrowed generally is 2.50% per annum (2015: 2.38% per annum).

6. DEPRECIATION

During the year, depreciation of approximately HK\$628.0 million (2015: HK\$733.7 million) was charged in respect of the Group's properties, plant and equipment.

7. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The amount comprises:		
Hong Kong Profits Tax		
Charge for the year	7,401	17,724
Overprovision in previous years	(2,314)	–
	<u>5,087</u>	<u>17,724</u>
PRC Enterprise Income Tax	512,372	251,267
Taxation arising in other jurisdiction	2,398	2,800
PRC Land appreciation tax (“LAT”)	33,258	–
	<u>553,115</u>	<u>271,791</u>
Deferred taxation		
Credit for the year	(2,353)	(2,326)
	<u>550,762</u>	<u>269,465</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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.

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

8. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends paid		
Interim dividend for the year ended 31 December 2016 of HK13.5 cents (for the year ended 31 December 2015: HK6.4 cents) per ordinary share	405,000	192,000
Special interim dividend for the year ended 31 December 2016 of HK50.0 cents (for the year ended 31 December 2015: nil) per ordinary share	1,500,000	–
Final dividend for the year ended 31 December 2015 of HK11.3 cents (for the year ended 31 December 2014: HK10.0 cents) per ordinary share	339,000	300,000
	<u>2,244,000</u>	<u>492,000</u>

Dividend proposed

Proposed final dividend for the year ended 31 December 2016 of HK18.5 cents (for the year ended 31 December 2015: HK11.3 cents) per ordinary share	566,100	339,000
Proposed special final dividend for the year ended 31 December 2016 of HK30.0 cents (for the year ended 31 December 2015: nil) per ordinary share	918,000	–
	<u>1,484,100</u>	<u>339,000</u>

The final dividend of HK18.5 cents and special final dividend HK30.0 cents per ordinary share amounted to HK\$566,100,000 and HK\$918,000,000 respectively in respect of the year ended 31 December 2016 (2015: final dividend of HK11.3 cents per ordinary share amounted to HK\$339,000,000 and nil of special final dividend in respect of the year ended 31 December 2015) has been proposed by the Directors and is 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>4,346,561</u>	<u>1,265,403</u>
	Number of shares	
	2016 <i>'000</i>	2015 <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,000,000</u>	<u>3,000,000</u>

The computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise price of these share options was higher than the average market price for shares for both 2015 and 2016.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	3,281,141	3,503,978
Advance to suppliers	325,760	246,321
Interest income receivables	19,272	9,747
Prepaid expenses and deposits	247,625	264,411
Value-added tax (“VAT”) recoverable	61,997	106,377
LAT on pre-sale properties (<i>Note</i>)	30,270	27,028
Other receivables	28,928	56,341
	<hr/>	<hr/>
	3,994,993	4,214,203
Bills receivables	2,721,444	1,228,962
	<hr/>	<hr/>
	6,716,437	5,443,165
	<hr/>	<hr/>

Note: 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 (2015: 120 days), depending on the products sold to its trade customers. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period, which approximates to the respective revenue recognition date:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–90 days	2,398,254	2,393,595
91–180 days	828,563	1,060,014
Over 180 days	54,324	50,369
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	3,281,141	3,503,978
	<hr/>	<hr/>

Bills receivables of the Group are aged within 90 days (2015: 90 days) at the end of the reporting period.

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	803,311	776,173
Accrued expenses	343,146	301,518
Payables for acquisition of properties, plant and equipment	57,775	59,699
Receipts in advance	345,551	183,273
Other tax payables	681,210	38,469
VAT payables	283,080	188,832
Other payables	67,049	51,113
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	2,581,122	1,599,077
Bills payables	135,785	301,492
	<hr/>	<hr/>
	2,716,907	1,900,569
	<hr/>	<hr/>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–90 days	663,081	642,744
91–180 days	109,828	105,083
Over 180 days	30,402	28,346
	<hr/>	<hr/>
	803,311	776,173
	<hr/>	<hr/>

The average credit period on purchase of goods is 90 days (2015: 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 (2015: 90 days) at the end of the reporting period.

12. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2016, the Group disposed of its entire equity interest in 建滔數碼發展(深圳)有限公司 (Kingboard Digital Development (Shenzhen) Co., Ltd.*), a subsidiary principally engaged in holding a piece of land in PRC, to an independent third party for a cash consideration of approximately RMB2,004,430,000 (equivalent to HK\$2,386,230,000), with a gain of approximately HK\$2,121,238,000.

* *For identification purpose only.*

BUSINESS REVIEW

On behalf of the Board of Directors, I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (“the Company”) and its subsidiaries (“the Group”) delivered outstanding results for the financial year ended 31 December 2016. Benefitting from the upgrades in automobile electronics, smart home appliances and the wide application of light-emitting-diode (“LED”) products, overall demand for laminates was robust during the year. Prices of glass fabric and other upstream materials rose substantially due to tight supply, thereby driving laminates selling prices to increase further. As a world-leading laminates manufacturer, the Group has made multi-year investments in expanding upstream capacity, resulting in a strong and comprehensive vertically integrated supply chain. Thus, while the Group’s competitors were cutting back on production due to shortages of upstream materials, the Group was able to expand its production and sales on the back of its vertical advantage. As a result, the Group was able to achieve a major breakthrough in both selling price and shipment volume.

In 2016, the Group recorded a 22% increase in revenue to HK\$15,531.7 million. Underlying net profit (excluding non-recurring items) rose significantly by 61% to HK\$1,947.2 million. The redevelopment project in respect of a site in Shenzhen, Guangdong Province, originally designated for use by the Group’s production plant, was approved by government authorities. During the year, the subsidiary which held the project was disposed of for a consideration of HK\$2,386.2 million, driving the Group’s reported net profit to increase significantly by 243% to HK\$4,346.6 million. In view of the Group’s healthy financial position, the Board has proposed a final dividend of HK18.5 cents per share with a special final dividend of HK30.0 cents per share, subject to shareholders’ approval. Together with the interim dividend of HK13.5 cents per share and special interim dividend of HK50.0 cents per share paid in October 2016, this will constitute a total dividend of HK112.0 cents per share for the full year.

Financial Highlights

	FY2016 <i>HK\$'million</i>	FY2015 <i>HK\$'million</i>	Change
Revenue	15,531.7	12,769.7	+22%
EBITDA*	3,230.6	2,346.8	+38%
Profit before tax*	2,503.3	1,486.5	+68%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,947.2	1,211.5	+61%
– Reported net profit	4,346.6	1,265.4	+243%
Earnings per share			
– Based on underlying net profit*	HK64.9 cents	HK40.4 cents	+61%
– Based on reported net profit	HK144.9 cents	HK42.2 cents	+243%
Full-year dividend per share	HK112.0 cents	HK17.7 cents	+533%
– Interim dividend per share	HK13.5 cents	HK6.4 cents	+111%
– Proposed final dividend per share	HK18.5 cents	HK11.3 cents	+64%
– Special interim dividend per share	HK50.0 cents	–	N/A
– Proposed special final dividend per share	HK30.0 cents	–	N/A
Net asset value per share	HK\$4.80	HK\$4.39	+9%
	Net cash 1,750.5	Net gearing 15%	

* Excluding:

FY 2016: Gain on fair value changes of investment properties of HK\$7.1 million, gain on disposal of a subsidiary of HK\$2,121.2 million and income from relocation compensation of HK\$271.1 million.

FY 2015: Gain on fair value changes of investment properties of HK\$68.4 million and impairment loss recognised on available-for-sale investments of HK\$14.5 million.

PERFORMANCE

In the second half of 2016, the Group implemented multiple price increases of laminates in line with the price changes in upstream materials and the supply-demand dynamics of laminates market. Benefitting from the increase in the average selling price, the Group's gross profit margin was lifted to 22% from last year's 17%. During the year, the Group achieved an average monthly shipment volume of 10.8 million square metres, up 12% from the previous year. Composite epoxy material laminates ("CEM") and glass epoxy laminates ("FR4") contributed an aggregate revenue of HK\$8,750.5 million, accounting for 56% of Group revenue. Paper laminates generated revenue of HK\$2,029.0 million, representing 13% of the total. Driven by the partial booking of pre-sales from Kunshan Development Zone Kingboard Yu Garden Phase 3 and Jiangyin Kingboard Yu Garden Phase 1, the property division recorded revenue of HK\$1,779.0 million, or 11% of total Group revenue. The balance mainly comprised sales of upstream materials and other products.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 31 December 2016, net current assets and current ratio of the Group were approximately HK\$8,584.2 million (31 December 2015: HK\$9,878.9 million) and 1.95 (31 December 2015: 2.95) respectively.

The net working capital cycle decreased to 80 days as at 31 December 2016 from 115 days as at 31 December 2015, on the following key metrics:

- Inventories significantly decreased by 47% and the stock turnover days, was 22 days (31 December 2015: 48 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtors turnover days, was 88 days (31 December 2015: 106 days).
- Trade and bills payables, including amounts due to fellow subsidiaries, in terms of creditors turnover days, was 30 days (31 December 2015: 39 days).

Net gearing as at 31 December 2015 was 15%. The Group has strong cash flow during the year, net cash as at 31 December 2016 was HK\$1,750.5 million. In 2016, the Group invested HK\$152.8 million in new production capacity and HK\$1,162.0 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 57%:43% (31 December 2015: 24%:76%). Meanwhile, the Group maintained 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 2016, the Group had a workforce of approximately 9,900 (31 December 2015: 10,400). 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

Looking ahead to 2017, the tight supply of upstream materials is unlikely to improve significantly due to the lengthy process involved in capacity expansion. It is therefore expected that the undersupply of laminates will continue. The Group's facilities for laminates and upstream material production are currently nearing full capacity but still unable to meet the strong market demand. Thus there is room for upward price adjustments in those products.

In view of these market conditions, management plans to increase the capacity of both upstream materials and laminates, as well as to expand external sales proportion of upstream materials. This expansion programme will boost monthly capacity of glass yarn by 36% to 12,200 tonnes, glass fabric by 18% to 46.2 million metres and CEM and FR4 laminates by 10% to 6.6 million sheets.

The Group's development of PVB business has also made breakthroughs following the successful self-development of PVB film with sound insulation function. Looking forward, the Group will expand sales of PVB film in vehicle glass and construction-use curtain wall markets.

Finally, as regards the property division, the Group will actively schedule the pre-sales of residential projects in Kunshan, Jiangsu Province, in accordance with the prevailing domestic market circumstances in Mainland China. Continued booking of sales from property projects are expected for this year. The Group currently has no plan to increase its land bank, but will strive to develop and sell its existing projects in order to expedite the realisation of the cash returns on 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 and special final dividend of HK18.5 cents and HK30.0 cents per share respectively, 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, 29 May 2017 ("2017 AGM"), is to be payable on Monday, 19 June 2017 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 7 June 2017.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) From Wednesday, 24 May 2017 to Monday, 29 May 2017, 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 2017 AGM. In order to be eligible to attend and vote at the 2017 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, 23 May 2017; and
- (ii) From Monday, 5 June 2017 to Wednesday, 7 June 2017, 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 and special final dividend. In order to qualify for the proposed final dividend and special 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 Friday, 2 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has 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 2016, save for the deviation from paragraph A.4.1 of the CG Code since the non-executive Director and 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 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 2016.

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 2016.

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 2016 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, 24 March 2017

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.