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# KB

## 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 2019

#### FINANCIAL HIGHLIGHTS

	<b>FY2019</b> <i>HK\$'million</i>	<b>FY2018</b> <i>HK\$'million</i>	<b>Change</b>
<b>Revenue</b>	18,384.0	20,645.8	-11%
<b>EBITDA*</b>	4,142.8	5,120.0	-19%
<b>Profit before tax*</b>	3,408.2	4,415.5	-23%
<b>Net profit attributable to owners of the Company</b>			
– Underlying net profit*	2,493.3	3,190.1	-22%
– Reported net profit	2,402.2	3,250.4	-26%
<b>Earnings per share</b>			
– Based on underlying net profit*	HK80.9 cents	HK103.5 cents	-22%
– Based on reported net profit	HK78.0 cents	HK105.5 cents	-26%
<b>Interim dividend per share</b>	HK10.0 cents	HK17.5 cents	-43%
<b>Proposed final dividend per share</b>	HK30.0 cents	HK35.0 cents	-14%
<b>Proposed special final dividend per share</b>	HK40.0 cents	–	N/A
<b>Net asset value per share</b>	HK\$6.07	HK\$5.68	+7%
<b>Net gearing</b>	0%	11%	

\* Excluding:

FY2019: Gain on fair value changes of investment properties of HK\$5.6 million and share-based payments of HK\$96.6 million.

FY2018: Gain on fair value changes of investment properties of HK\$91.1 million and written off of properties, plant and equipment of HK\$30.8 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 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2019*

		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	18,383,952	20,645,776
Cost of sales		<u>(13,970,306)</u>	<u>(15,113,926)</u>
Gross profit		4,413,646	5,531,850
Other income, gains and losses	4	32,435	(1,744)
Distribution costs		(391,448)	(409,735)
Administrative costs		(621,565)	(663,750)
Gain on fair value changes of equity instruments at fair value through profit or loss		7,643	29,799
Gain on disposal of debt instruments at fair value through other comprehensive income		99,465	1,580
Gain on fair value changes of investment properties		5,600	91,056
Share-based payments		(96,609)	–
Finance costs	5	<u>(131,947)</u>	<u>(103,221)</u>
Profit before taxation		3,317,220	4,475,835
Income tax expense	7	<u>(908,490)</u>	<u>(1,217,844)</u>
Profit for the year		<u>2,408,730</u>	<u>3,257,991</u>
Profit for the year attributable to:			
Owners of the Company		2,402,247	3,250,381
Non-controlling interests		<u>6,483</u>	<u>7,610</u>
		<u>2,408,730</u>	<u>3,257,991</u>
Earnings per share	9		
– Basic and diluted		<u>HK\$0.780</u>	<u>HK\$1.055</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	<u>2,408,730</u>	<u>3,257,991</u>
Other comprehensive income (expense) for the year		
<i>Items that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(342,623)	(801,663)
Investment revaluation reserve:		
Fair value loss on equity instruments at fair value through other comprehensive income	<u>(1,206)</u>	<u>–</u>
	<u>(343,829)</u>	<u>(801,663)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value gain (loss) on debt instruments at fair value through other comprehensive income	530,478	(320,740)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(99,465)</u>	<u>(1,580)</u>
	<u>431,013</u>	<u>(322,320)</u>
Other comprehensive income (expense) for the year (net of tax)	<u>87,184</u>	<u>(1,123,983)</u>
Total comprehensive income for the year	<u><u>2,495,914</u></u>	<u><u>2,134,008</u></u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	2,491,732	2,137,102
Non-controlling interests	<u>4,182</u>	<u>(3,094)</u>
	<u><u>2,495,914</u></u>	<u><u>2,134,008</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Non-current assets			
Investment properties		1,402,295	1,387,842
Properties, plant and equipment		4,779,863	4,818,717
Prepaid lease payments		–	501,650
Equity instruments at fair value through profit or loss		376,092	284,776
Equity instruments at fair value through other comprehensive income		6,918	8,124
Debt instruments at fair value through other comprehensive income		3,559,196	6,134,659
Right-of-use assets		573,011	–
Deposits paid for acquisition of properties, plant and equipment		398,195	10,487
Deferred tax assets		3,076	3,527
Goodwill		238	238
		<u>11,098,884</u>	<u>13,150,020</u>
Current assets			
Inventories		1,818,691	1,710,503
Trade and other receivables and prepayments	10	4,236,656	4,244,165
Bills receivables	10	2,844,205	2,944,491
Properties held for development		1,666,994	2,134,666
Equity instruments at fair value through profit or loss		5,442	–
Debt instrument at fair value through other comprehensive income		791,630	–
Other current assets		–	659,429
Prepaid lease payments		–	10,004
Amounts due from fellow subsidiaries		424,684	58,158
Taxation recoverable		7,868	7,180
Bank balances and cash		2,908,117	3,803,125
		<u>14,704,287</u>	<u>15,571,721</u>

		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	11	2,920,282	3,195,776
Bills payables	11	272,604	248,352
Contract liabilities		189,050	1,049,071
Lease Liabilities		549	–
Amounts due to fellow subsidiaries		47,203	48,378
Taxation payable		597,150	409,156
Bank borrowings – amount due within one year		1,291,418	1,065,577
		<u>5,318,256</u>	<u>6,016,310</u>
Net current assets		<u>9,386,031</u>	<u>9,555,411</u>
Total assets less current liabilities		<u>20,484,915</u>	<u>22,705,431</u>
Non-current liabilities			
Deferred tax liabilities		81,089	85,506
Lease liabilities		901	–
Bank borrowings – amount due after one year		1,653,846	4,776,923
		<u>1,735,836</u>	<u>4,862,429</u>
		<u>18,749,079</u>	<u>17,843,002</u>
Capital and reserves			
Share capital		308,100	308,100
Reserves		18,393,322	17,191,472
Equity attributable to owners of the Company		18,701,422	17,499,572
Non-controlling interests		47,657	343,430
Total equity		<u>18,749,079</u>	<u>17,843,002</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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except HKFRS 16 “Lease”, 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 positions and performance 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:

	<b>2019</b> <i>HK\$’000</i>	<b>2018</b> <i>HK\$’000</i>
Revenue recognised at a point in time		
Sales of glass epoxy laminates	10,598,388	10,482,318
Sales of paper laminates	2,035,661	2,273,489
Sales of upstream materials ( <i>note a</i> )	2,283,051	2,642,404
Sales of properties	1,581,184	3,508,674
Others ( <i>note b</i> )	1,185,567	1,055,171
Revenue recognised overtime ( <i>note c</i> )	138,480	240,584
Revenue from contracts with customers	17,822,331	20,202,640
Interest income from debt instruments	417,848	236,301
Dividend income	17,928	18,108
Rental and licence fee income	125,845	188,727
	<b>18,383,952</b>	<b>20,645,776</b>

Notes:

- (a) Sales of upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. The payment terms are ranged from 0 days to 120 days.
- (b) Others mainly includes sales of specialty resin of HK\$624,077,000 (2018: HK\$754,012,000).
- (c) Revenue recognised overtime represents income from drilling services of HK\$74,230,000 (2018: HK\$173,963,000) and income from hotel accommodation of HK\$64,250,000 (2018: HK\$66,621,000).

### 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 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.

The accounting policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. Segment profit or loss represents the profit earned by each segment with certain items not included (unallocated corporate income and expenses, share-based payments and finance costs). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

#### Segment revenue and results

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

#### For the year ended 31 December 2019

	<b>Laminates</b> <i>HK\$'000</i>	<b>Properties</b> <i>HK\$'000</i>	<b>Investments</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue	<u>16,236,897</u>	<u>1,711,279</u>	<u>435,776</u>	<u>18,383,952</u>
Segment results	<u>2,160,346</u>	<u>862,386</u>	<u>538,923</u>	3,561,655
Unallocated corporate income				63,322
Unallocated corporate expenses				(79,201)
Share-based payments				(96,609)
Finance costs				<u>(131,947)</u>
Profit before taxation				<u>3,317,220</u>

**For the year ended 31 December 2018**

	<b>Laminates</b> <i>HK\$'000</i>	<b>Properties</b> <i>HK\$'000</i>	<b>Investments</b> <i>HK\$'000</i>	<b>Consolidated</b> <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>

**Other 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.

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
The PRC (country of domicile)	17,387,696	19,420,421
Other foreign countries:		
Other Asian countries	922,823	1,101,477
Europe	45,883	56,602
America	<u>27,550</u>	<u>67,276</u>
	<u>18,383,952</u>	<u>20,645,776</u>

Revenue from one of the Group's customers in laminates segment amounted to HK\$2,223,204,000 (2018: HK\$2,065,525,000), which individually accounted for over 10% of the Group's revenue for the year.

**4. OTHER INCOME, GAINS AND LOSSES**

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Income, gains and losses includes:		
Interest income on bank balances and deposits	34,044	21,744
Loss on disposal and write off of properties, plant and equipment	(10,498)	(31,304)
Others	<u>8,889</u>	<u>7,816</u>
	<u>32,435</u>	<u>(1,744)</u>



## 5. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on lease liabilities	62	–
Interest on bank borrowings	145,901	116,941
Imputed interest on contract liabilities	2,264	–
Less: Amounts capitalised in the construction in progress	(14,016)	(13,720)
Less: Amounts capitalised in the properties held for development	(2,264)	–
	<u>131,947</u>	<u>103,221</u>

Bank and other borrowing costs capitalised during the year include imputed interest on contract liabilities of HK\$2,264,000 (2018: nil) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.92% (2018: 2.46%) per annum to expenditure on qualifying assets.

## 6. DEPRECIATION

During the year, depreciation of approximately HK\$590.9 million (2018: HK\$590.3 million) was charged in respect of the Group's properties, plant and equipment.

## 7. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
The amount comprises:		
PRC Enterprise Income Tax	698,907	710,216
PRC Land Appreciation Tax ("LAT")	207,568	507,887
Hong Kong Profits Tax	3,842	1,251
Taxation arising in other jurisdiction	2,139	2,465
	<u>912,456</u>	<u>1,221,819</u>
Deferred taxation		
Credit for the year	(3,966)	(3,975)
	<u>908,490</u>	<u>1,217,844</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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

## 8. DIVIDENDS

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
<b>Dividends paid</b>		
2019 Interim dividend of HK10.0 cents (2018: HK17.5 cents) per ordinary share	308,100	539,175
2018 Final dividend of HK35.0 cents (2017: HK52.6 cents) per ordinary share	1,078,350	1,620,606
	<u>1,386,450</u>	<u>2,159,781</u>
<b>Dividends proposed</b>		
Proposed 2019 Final dividend of HK30.0 cents (2018: HK35.0 cents) per ordinary share	924,300	1,078,350
Proposed 2019 Special final dividend of HK40.0 cents (2018: nil) per ordinary share	1,232,400	–
	<u>2,156,700</u>	<u>1,078,350</u>

The final dividend of HK30.0 cents per ordinary share amounted to HK\$924,300,000 in respect of the year ended 31 December 2019 (2018: 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) and special final dividend of HK40.0 cents per ordinary share amounted to HK\$1,232,400,000 in respect of the year ended 31 December 2019 (2018: nil) 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 and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>2,402,247</u>	<u>3,250,381</u>
	<b>Number of shares</b>	
	<b>2019</b> <i>'000</i>	<b>2018</b> <i>'000</i>
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>3,081,000</u>	<u>3,081,000</u>

The computation of diluted earnings per share does 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 2019.

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Trade receivables	4,222,258	3,758,054
Less: Allowance for credit losses	<u>(603,257)</u>	<u>(464,486)</u>
Trade receivables, net	3,619,001	3,293,568
Advance to suppliers	203,997	364,380
Prepaid expenses and deposits	112,547	278,070
Value-added tax ("VAT") recoverable	208,155	162,933
Other receivables	<u>92,956</u>	<u>145,214</u>
	4,236,656	4,244,165
Bills receivables	<u>2,844,205</u>	<u>2,944,491</u>
	<u>7,080,861</u>	<u>7,188,656</u>

The Group allows credit periods of up to 120 days (2018: 120 days), depending on the products sold to its trade customers. The following is an aging analysis of trade receivables net of allowance for credit losses based on invoice date at the end of the reporting period:

	<b>2019</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
0–90 days	2,664,212	2,228,048
91–180 days	912,064	1,007,284
Over 180 days	<u>42,725</u>	<u>58,236</u>
	<u>3,619,001</u>	<u>3,293,568</u>

Bills receivables of the Group are all aged within 0–90 days (2018: 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

	2019 HK\$'000	2018 HK\$'000
Trade payables	1,231,111	1,284,816
Accrued expenses	510,884	418,684
Payables for acquisition of properties, plant and equipment	142,351	63,111
Other tax payables	528,770	637,737
VAT payables	174,312	154,686
LAT payables	182,863	457,990
Other payables	149,991	178,752
	<hr/>	<hr/>
	2,920,282	3,195,776
Bills payables ( <i>Note</i> )	272,604	248,352
	<hr/>	<hr/>
	3,192,886	3,444,128
	<hr/>	<hr/>

*Note:* Included in bills payables as at 31 December 2019 was payables for acquisition of properties, plant and equipment of HK\$1,379,000 (2018: HK\$51,151,000).

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

	2019 HK\$'000	2018 HK\$'000
0–90 days	1,172,366	1,178,684
91–180 days	20,682	49,192
Over 180 days	38,063	56,940
	<hr/>	<hr/>
	1,231,111	1,284,816
	<hr/>	<hr/>

The average credit period on purchase of goods is 90 days (2018: 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 (2018: 90 days) at the end of the reporting period.

## BUSINESS REVIEW

On behalf of the board (“Board”) of directors (“Directors”), I am pleased to report to our shareholders that Kingboard Laminates Holdings Limited and its subsidiaries (the “Group”) achieved satisfactory results for the financial year ended 31 December 2019. During the year, demand increased continuously in some emerging sectors, such as those in relation to 5G communications. However, this growth was not sufficient to offset the impacts that the Sino-US trade friction had on the market. With the management’s astute market intelligence, the Group’s laminates segment has been able to reinforce penetration into existing customers through an active pricing strategy, while on the other hand it seeks to enhance the market shares of advanced and high value-adding products such as thin, high-frequency and high-speed and halogen-free laminates, supporting us in our venture into new market areas. With this two-pronged strategy, the Group was able to achieve remarkable results and a strong rebound in the second half of 2019. As laminates sales entered on a growth track, profitability of the segment has improved. By virtue of an immaculate vertical supply chain and operational efficiency, the laminates segment continued to maintain its status in the market as a global leader.

The Group reported a 11% decrease in annual revenue to HK\$18,384.0 million in 2019. Underlying net profit (excluding non-recurring items) decreased by 22% to HK\$2,493.3 million. In view of the Group’s sturdy and healthy financial situation, the Board has proposed a final dividend of HK30.0 cents per share with a special final dividend of HK40.0 cents per share, subject to Shareholders’ approval.

## Financial Highlights

	<b>FY2019</b> <i>HK\$’million</i>	<b>FY2018</b> <i>HK\$’million</i>	<b>Change</b>
<b>Revenue</b>	18,384.0	20,645.8	-11%
<b>EBITDA*</b>	4,142.8	5,120.0	-19%
<b>Profit before tax*</b>	3,408.2	4,415.5	-23%
<b>Net profit attributable to owners of the Company</b>			
– Underlying net profit*	2,493.3	3,190.1	-22%
– Reported net profit	2,402.2	3,250.4	-26%
<b>Earnings per share</b>			
– Based on underlying net profit*	HK80.9 cents	HK103.5 cents	-22%
– Based on reported net profit	HK78.0 cents	HK105.5 cents	-26%
<b>Interim dividend per share</b>	HK10.0 cents	HK17.5 cents	-43%
<b>Proposed final dividend per share</b>	HK30.0 cents	HK35.0 cents	-14%
<b>Proposed special final dividend per share</b>	HK40.0 cents	–	N/A
<b>Net asset value per share</b>	HK\$6.07	HK\$5.68	+7%
<b>Net gearing</b>	0%	11%	

\* Excluding:

FY2019: Gain on fair value changes of investment properties of HK\$5.6 million and share-based payments of HK\$96.6 million.

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

## PERFORMANCE

In 2019, the Group had a monthly average output volume of laminates totalling 10.6 million square metres, a 10% increase from 2018. However, as product prices did not start to pick up until nearly the end of the year, the average selling price of products was lower than that in 2018. Revenue of the laminates segment reduced by 3% to HK\$16,236.9 million. Earnings of the segment before interest, taxes, depreciation and amortisation (“EBITDA”) went down by 20% to HK\$2,713.8 million.

The Group continued to execute its development strategy with a focus on the laminates business. The property segment did not launch any new projects during the period and was primarily engaged in the sales of remaining units of completed projects. Segment revenue amounted to HK\$1,711.3 million, a decline of 53% compared with that of 2018, with EBITDA down by 40% to HK\$927.1 million.

## LIQUIDITY AND CAPITAL RESOURCES

The Group’s integrated financial and liquidity conditions remained robust. As at 31 December 2019, net current assets and current ratio were approximately HK\$9,386.0 million (31 December 2018: HK\$9,555.4 million) and 2.76 (31 December 2018: 2.59) respectively.

The net working capital cycle increased to 88 days as at 31 December 2019 from 63 days as at 31 December 2018, on the following key metrics:

- Stock turnover days was 48 days (31 December 2018: 41 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, was 80 days (31 December 2018: 59 days).
- Trade and bills payable (excluding bills payable to properties, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditor turnover days, was 40 days (31 December 2018: 37 days).

As at 31 December 2019, the Group registered a net gearing of 0% (31 December 2018: net gearing of 11%). In 2019, the Group invested around HK\$690 million in acquiring new production facilities and around HK\$270 million in its property business. Backed by a highly experienced professional management team, a sound business foundation and solid financial strength, the management is confident that these investments will deliver stable and satisfactory returns to Shareholders over the long term. The ratio of borrowings between short term and long term stood at 44%:56% (31 December 2018: 18%:82%). The Group possesses sufficient financial resources to meet its requirements for future market developments.

With a robust financial position and to express the Group’s gratitude to the support of the long-term Shareholders, the Board proposed a final dividend of HK30.0 cents and a special final dividend of HK40.0 cents. The Company will maintain a proactive dividend policy with a view to sharing its idle capital with Shareholders.

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 2019, the Group maintained a workforce of approximately 9,600 (31 December 2018: 10,200). In addition to offering competitive salary packages, the Group grants eligible employees share options and discretionary bonuses based on the Group's overall financial achievements and individual employee performance.

## **PROSPECTS**

Stepping into 2020, the Group's laminates orders carry the momentum from the latter part of 2019. The Group's upstream plants were able to maintain uninterrupted production during the Spring Festival. As the coronavirus epidemic comes under control in mainland China, all factories have resumed work and have gradually restored to full production capacity. Apart from striving for work resumption, the Group also emphasises standing by its corporate social responsibilities. To this end, the Group has donated supplies to infection-stricken areas, and has enforced stringent preventive measures within its factories in a successful attempt to avoid infection among its employees.

The Group's management maintains a prudently optimistic outlook for 2020. Global upgrades in telecommunications technologies have popularised cloud data centres, signal transceiver stations and intelligent application terminals, in turn stimulating a continuous increase in demand for laminates. At the same time, as the emergence of 5G telecommunication, autonomous driving, telemedicine, big data artificial intelligence and high-quality audio-visual entertainment requires low latency and highly reliable processing, the performance of laminates will need to be upgraded. In the face of the "quantitative" and "qualitative" paradigm shifts, the Group has planned ahead in terms of product capacity and performance. With regard to the former, the additional monthly capacity of 1,200 tonnes of copper foil in Lianzhou, Guangdong Province, will become fully operational during the first half of this year. Plans are also in the pipeline for Shaoguan in the same province to engage in a total of three more phases of laminates projects, the first of which will see a monthly output of 400,000 sheets of laminates within the first half of 2020. On the product performance front, the Group's state-level laminates research and development laboratory in Shenzhen, Guangdong Province, will speed up in full force the upgrades of products such as thin, high-frequency and high-speed, halogen-free laminates. In the meantime, the Group will strive to enhance the quality of upstream materials. Efforts include raising the precision parameters of glass yarn, increasing the glass fabric splitting ratio, and developing high-frequency functionalities of its copper foil. The Group is looking to devote more research and development efforts into the setting up of smart factories, so as to drive capability advancement through technologies. With the deployment of smart factory technologies, the Group seeks to reduce costs while enhancing efficiency, paving a new way towards sustainable growth in the long run.



## **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 HK30.0 cents and special final dividend of HK40.0 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, 25 May 2020 (“2020 AGM”), is to be payable on Thursday, 11 June 2020 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 2 June 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

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

- (i) From Wednesday, 20 May 2020 to Monday, 25 May 2020, 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 2020 AGM. In order to be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 19 May 2020; and
- (ii) From Friday, 29 May 2020 to Tuesday, 2 June 2020, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Thursday, 28 May 2020.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (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 2019, save for the deviation from paragraph A.4.1 of the CG Code since the non-executive Directors 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 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 2019.

## **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 2019.

## **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 2019 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, 23 March 2020

*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 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.*