KB

KINGBOARD HOLDINGS LIMITED
建滔集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	FY 2019 *HK$'million*	FY 2018 *HK$'million*	Change
Revenue	41,160.9	45,994.4	-11%
EBITDA*	8,245.9	10,212.2	-19%
Profit before tax*	5,565.0	7,621.3	-27%
Net profit attributable to owners of the Company			
– Underlying net profit*	3,415.8	4,603.1	-26%
– Reported net profit	3,094.4	6,075.8	-49%
Basic earnings per share			
– Based on underlying net profit*	HK$3.146	HK$4.313	-27%
– Based on reported net profit	HK$2.850	HK$5.692	-50%
Interim dividend per share	HK28 cents	HK60 cents	-53%
Special interim dividend per share	–	HK50 cents	N/A
Proposed final dividend per share	HK60 cents	HK70 cents	-14%
Proposed special final dividend per share	HK50 cents	–	N/A
Net asset value per share	HK$45.4	HK$43.7	+4%
Net gearing	31%	37%	

* Excluding:

(1) Gain on fair value changes of investment properties with gross amount of HK$6.3 million, net amount of HK$1.1 million after sharing by non-controlling shareholders and deferred tax (2018: gross amount of HK$174.9 million, net amount of HK$138.0 million after sharing by non-controlling shareholders and deferred tax)

(2) Share-based payment of HK$229.2 million, net amount of HK$199.8 million after sharing by non-controlling shareholders and deferred tax (2018: Nil)

(3) Gain on disposal of a subsidiary of HK$2,089.8 million in 2018 (2019: Nil)

(4) Written off of property, plant and equipment with gross amount of HK$219.1 million, net amount of HK$122.7 million after sharing by non-controlling shareholders (2018: gross amount of HK$764.1 million, net amount of HK$755.1 million after sharing by non-controlling shareholders)

The board of directors (the "Board") of Kingboard Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 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

	Notes	**2019** *HK$'000*	**2018** *HK$'000*
Revenue	*2*	41,160,851	45,994,419
Cost of sales and services rendered		(32,146,545)	(35,691,963)
Gross profit		9,014,306	10,302,456
Other income, gains and losses	*3*	(93,519)	169,786
Distribution costs		(1,185,765)	(1,199,959)
Administrative costs		(1,965,741)	(1,959,820)
Gain (loss) on fair value changes of equity instruments at fair value through profit or loss		40,920	(148,297)
Gain on disposal of debt instruments at fair value through other comprehensive income		142,140	3,578
Gain on fair value changes of investment properties		6,263	174,896
Gain on disposal of a subsidiary	*11*	–	2,089,808
Share-based payments		(229,234)	–
Finance costs	*4*	(752,001)	(589,222)
Share of results of joint ventures		93,867	86,515
Share of results of associates		51,677	192,169
Profit before taxation		5,122,913	9,121,910
Income tax expense	*6*	(1,353,933)	(2,051,710)
Profit for the year		3,768,980	7,070,200
Profit for the year attributable to:			
Owners of the Company		3,094,421	6,075,760
Non-controlling interests		674,559	994,440
		3,768,980	7,070,200
		HK$	*HK$*
Earnings per share	*8*		
Basic		2.850	5.692
Diluted		2.849	5.655

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	3,768,980	7,070,200
Other comprehensive income (expense) for the year		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(472,420)	(2,333,128)
Investment revaluation reserve:		
Fair value loss on equity instruments at fair value through other comprehensive income	(1,206)	–
Property revaluation reserve:		
Gain on revaluation of properties, plant and equipment upon transfer to investment properties	24,211	–
	(449,415)	(2,333,128)
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Fair value gain (loss) on debt instruments at fair value through other comprehensive income	786,356	(533,782)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(142,140)	(3,578)
Translation reserve:		
Exchange differences arising from translation of foreign operations	41,538	(122,092)
	685,754	(659,452)
Other comprehensive income (expense) for the year (net of tax)	236,339	(2,992,580)
Total comprehensive income for the year	4,005,319	4,077,620
Total comprehensive income for the year attributable to:		
Owners of the Company	3,244,353	3,425,901
Non-controlling interests	760,966	651,719
	4,005,319	4,077,620

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties		19,082,748	16,925,863
Properties, plant and equipment		14,800,958	14,879,768
Right-of-use assets		1,692,326	–
Prepaid lease payments		–	1,539,781
Goodwill		2,670,528	2,467,076
Intangible assets		60,840	27,000
Interests in an associate		397,950	540,681
Interests in joint ventures		2,536,434	2,466,504
Equity instruments at fair value through profit or loss		2,366,024	1,291,534
Equity instruments at fair value through other comprehensive income		162,918	164,124
Debt instruments at fair value through other comprehensive income		7,016,503	8,876,637
Loan receivable		600,000	–
Entrusted loans	9	465,859	605,789
Deposits paid for acquisition of properties, plant and equipment and investment properties		611,724	332,890
Deferred tax assets		2,539	3,653
		52,467,351	50,121,300
Current assets			
Inventories		2,962,386	2,956,116
Properties held for development		21,115,592	20,023,136
Trade and other receivables and prepayments	9	8,771,416	8,514,957
Bills receivables	9	4,085,752	4,545,599
Equity instruments at fair value through profit or loss		491,397	–
Debt instruments at fair value through other comprehensive income		866,041	78,195
Other current assets		–	659,429
Prepaid lease payments		–	38,410
Taxation recoverable		18,227	19,873
Bank balances and cash		6,256,964	7,473,324
		44,567,775	44,309,039
Current liabilities			
Trade and other payables	10	5,841,173	6,424,456
Bills payables	10	359,920	512,566
Contract liabilities		6,374,105	3,448,068
Taxation payable		1,369,201	1,167,261
Bank borrowings – amount due within one year		7,862,991	7,254,600
Lease liabilities		2,906	–
		21,810,296	18,806,951
Net current assets		22,757,479	25,502,088
Total assets less current liabilities		75,224,830	75,623,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

At 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	697,954	731,036
Bank borrowings – amount due after one year	16,546,918	20,259,081
Lease liabilities	10,308	–
	17,255,180	20,990,117
	57,969,650	54,633,271
Capital and reserves		
Share capital	110,576	108,315
Reserves	50,077,989	47,224,670
Equity attributable to owners of the Company	50,188,565	47,332,985
Non-controlling interests	7,781,085	7,300,286
Total equity	57,969,650	54,633,271

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

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 (share of results of associates, share of results of joint ventures, gain on disposal of a subsidiary, finance costs, share-based payments and unallocated corporate income and expenses). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

2. **SEGMENT INFORMATION – continued**

Segment revenue and results by reportable segments are presented below:

For the year ended 31 December 2019

	Laminates	PCBs	Chemicals	Properties	Investments	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
External sales	14,137,581	9,623,169	12,808,236	3,293,039	788,959	509,867	–	41,160,851
Inter-segment sales	2,213,957	–	619,626	–	–	8,146	(2,841,729)	–
Total	16,351,538	9,623,169	13,427,862	3,293,039	788,959	518,013	(2,841,729)	41,160,851
Result								
Segment results	2,185,346	487,139	735,017	1,943,012	966,015	1,537		6,318,066
Unallocated corporate income								94,400
Unallocated corporate expenses								(453,862)
Finance costs								(752,001)
Share-based payments								(229,234)
Share of results of joint ventures								93,867
Share of result of an associate								51,677
Profit before taxation								5,122,913

2. SEGMENT INFORMATION – continued

For the year ended 31 December 2018

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

Inter-segment sales are charged on a cost-plus basis with an arm's length margin.

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

	2019 *HK$'000*	2018 *HK$'000*
The PRC (country of domicile)	36,658,300	40,750,156
Other Asian countries (including Thailand, Japan, Korea and Singapore)	2,102,731	2,684,884
Europe	1,657,659	1,730,037
America	742,161	829,342
	41,160,851	45,994,419

No single external customer of the Group contributed over 10% of the Group's revenue for each of the years ended 31 December 2019 and 31 December 2018.

3. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income, gains and losses includes:		
Interest income on bank balances and deposits	64,929	43,420
Interest income on entrusted loans	34,210	41,860
Interest income from loan receivable	21,581	–
Government grants	83,000	42,550
Loss on disposal and written off of properties, plant and equipment	(228,249)	(35,177)
Others	(68,990)	77,133
	(93,519)	169,786

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	819,619	645,104
Imputed interest on contract liabilities	24,007	2,441
Interest on lease liabilities	584	–
Less: Amounts capitalised in the properties held for development	(78,193)	(44,602)
Amounts capitalised in the construction in progress	(14,016)	(13,721)
	752,001	589,222

Bank and other borrowing costs capitalised during the year include imputed interest on contract liabilities of HK$24,007,000 (2018: HK$2,441,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.95% (2018: 2.63%) per annum to expenditure on qualifying assets.

5. DEPRECIATION

During the year, depreciation of approximately HK$1,880 million (2018: HK$1,968 million) was charged in respect of the Group's properties, plant and equipment.

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The amount comprises:		
PRC Enterprise Income Tax	1,059,608	1,463,040
PRC Land Appreciation Tax ("LAT")	248,146	511,934
Hong Kong Profits Tax	46,903	62,456
Taxation arising in other jurisdictions	20,164	37,028
Underprovision in previous years	9,379	641
	1,384,200	2,075,099
Deferred taxation	(30,267)	(23,389)
	1,353,933	2,051,710

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

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 jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDENDS

	2019 *HK$'000*	2018 *HK$'000*
Dividends declared and paid		
2019 Interim dividend of HK28 cents (2018: HK60 cents) per ordinary share	303,206	649,891
2018 Special interim dividend of HK50 cents per ordinary share	–	541,576
2018 Final dividend of HK70 cents (2017: HK100 cents) per ordinary share	758,207	1,066,452
	1,061,413	2,257,919
Dividends proposed		
Proposed 2019 Final dividend of HK60 cents (2018: HK70 cents) per ordinary share	662,795	758,207
Proposed 2019 Special final dividend of HK50 cents (2018: Nil) per ordinary share	552,329	–
	1,215,124	758,207

The final dividend of HK60 cents and the special final dividend of HK50 cents per ordinary share amounted to HK$662,795,000 and HK$552,329,000 respectively in respect of the year ended 31 December 2019 (2018: final dividend of HK70 cents per ordinary share and special final dividend of Nil per share amounted to HK$758,207,000 and Nil respectively in respect of the year ended 31 December 2018) have been proposed by the Directors and are subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
Earnings for the purpose of basic and diluted earnings per share	3,094,421	6,075,760

	Number of shares 2019	 2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,085,720,924	1,067,373,737
Effect of dilutive potential ordinary shares arising from share options	381,238	6,989,986
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,086,102,162	1,074,363,723

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

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	7,904,344	7,349,179
Less: Allowance for credit losses	(1,139,894)	(1,033,494)
Total receivables, net	6,764,450	6,315,685
Advance to suppliers	338,991	378,561
Entrusted loans (Note)	505,083	646,676
Prepayment and deposits	745,897	1,127,862
Value added tax ("VAT") recoverables	592,133	358,378
Other receivables	290,721	293,584
	9,237,275	9,120,746
Less: Non-current portion of entrusted loans *(Note)*	(465,859)	(605,789)
	8,771,416	8,514,957

Note:

The entrusted loans of HK$505,083,000 (2018: HK$646,676,000) are due from certain purchasers of properties developed by the Group in the PRC through four (2018: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 3.92% to 5.39% (2018: 3.92% to 5.39%) per annum, payable on monthly basis and the principal will be payable on or before 2034 (2018: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan, PRC.

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

As at 31 December 2019, entrusted loans amounting to HK$465,859,000 (2018: HK$605,789,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

The Group allows credit period 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:

	2019	**2018**
	HK$'000	*HK$'000*
0–90 days	5,465,173	4,852,418
91-120 days	652,244	672,327
121-150 days	449,808	522,472
151-180 days	111,067	178,065
Over 180 days	86,158	90,403
	6,764,450	6,315,685

Bills receivables of the Group are all aged within 90 days (2018: 90 days) based on invoice date at the end of the reporting period.

10. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

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

	2019	**2018**
	HK$'000	*HK$'000*
0–90 days	2,455,074	2,549,851
91–180 days	304,775	397,210
Over 180 days	375,036	266,458
	3,134,885	3,213,519

Bills payables of the Group are aged within 90 days (2018: 90 days) based on issue date at the end of the reporting period. 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$57,316,000).

11. GAIN ON DISPOSAL OF A SUBSIDIARY

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

BUSINESS REVIEW

On behalf of the board ("Board") of directors ("Directors") of Kingboard Holdings Limited, I am delighted to report a healthy performance for the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019. The year 2019 has seen the electronics sector reviving from a year-beginning low to stronger demand towards the latter part of the year. During the first half of the year, US-China trade disputes and a slowdown in domestic consumption growth in China have impacted the industry leading to comparatively weaker demand. Stepping into the second half, the industry rebounded significantly, helped by expedited investments in 5G telecommunications equipment, as well as consumption growth for automobile and home appliances. The laminates division leveraged the opportunity afforded by the market revival to maintain its global leading position through an active sales strategy. The printed circuit boards ("PCB") division has taken steps to enhance its product mix to meet the requirements of niche value-added markets, thereby raising the yield of this business stream. However, both the chemicals and property divisions reported declines in segment results owing respectively to a lower average selling price for chemical products and a drop in the booking of sales of residential units.

Compared to 2018, revenue of the Group decreased 11% to HK$41,160.9 million in 2019, posting an underlying net profit (excluding non-recurring items) of HK$3,415.8 million, down by 26%. The Group maintained a robust financial position, and the Board has therefore proposed a final dividend of HK60 cents per share with a special final dividend of HK50 cents per share, subject to approval by the Shareholders of the Company.

FINANCIAL HIGHLIGHTS

	FY 2019 *HK$'million*	FY 2018 *HK$'million*	Change
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EBITDA*	8,245.9	10,212.2	-19%
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Proposed final dividend per share	HK60 cents	HK70 cents	-14%
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* Excluding:

(1) Gain on fair value changes of investment properties with gross amount of HK$6.3 million, net amount of HK$1.1 million after sharing by non-controlling shareholders and deferred tax (2018: gross amount of HK$174.9 million, net amount of HK$138.0 million after sharing by non-controlling shareholders and deferred tax)

(2) Share-based payment of HK$229.2 million, net amount of HK$199.8 million after sharing by non-controlling shareholders and deferred tax (2018: Nil)

(3) Gain on disposal of a subsidiary of HK$2,089.8 million in 2018 (2019: Nil)

(4) Written off of property, plant and equipment with gross amount of HK$219.1 million, net amount of HK$122.7 million after sharing by non-controlling shareholders (2018: gross amount of HK$764.1 million, net amount of HK$755.1 million after sharing by non-controlling shareholders)

PERFORMANCE

Leveraging on the laminates division's strategic execution capability, the Group has secured the top position in the global ranking of laminates producers for many consecutive years. The laminates division utilised a competitive pricing strategy to increase penetration into existing clientele and to develop new customers during the first half of the year, amid subdued demand for electronics products. As demand began to be unleashed during the second half, the division was able to significantly increase shipments on the back of its supply chain advantage. However, as product prices did not start to pick up until nearly the end of the year, the average selling price achieved was lower than that of 2018, resulting in a 5% decline in segment turnover (including inter-segment sales) to HK$16,351.5 million. Earnings before interest, tax, depreciation and amortisation ("EBITDA") fell 21% to HK$2,790.4 million.

The proliferation of 5G telecommunications has brought about strong demand for network equipment. The PCB division has grasped the opportunity to enhance its product portfolio. With extensive production experience in high-density interconnect ("HDI") PCB, the segment has successfully increased the proportion of high value-adding products for telecommunication applications. At the same time, the PCB division has deepened its collaboration with leading downstream automobile and consumer electronic plants. These efforts have helped drive the Group's foray into high-end, high value-adding market segments, thereby expanding the segment's profitability. During this transition of product portfolio enhancement, the PCB segment recorded a 1% decrease in segment turnover to HK$9,623.2 million, while EBITDA expanded 4% to HK$1,096.0 million.

In the chemicals division, the average selling price of the key products declined compared with 2018 as the growth of domestic investments in mainland China slowed down. Despite the commissioning of a new project contributing an additional monthly capacity of 5,000 tonnes of epichlorohydrin, this capacity growth could not fully offset the impact of the sliding selling prices. Segment turnover (including inter-segment sales) dropped 17% to HK$13,427.8 million, with EBITDA also down by 36% to HK$1,364.0 million.

During the year, the property division recorded a 30% decrease in segment turnover to HK$3,293.0 million, with EBITDA down by 10% to HK$1,947.7 million. The decline mainly reflected the impact of mainland China's housing control measures, which led to a drop in the booking of unit sales. Residential sales turnover decreased 41% to HK$2,137.7 million, whereas rental income grew steadily by 9% to HK$1,155.3 million upon expiry of rent-free periods and as occupancy rates improved.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position continued to be robust. As at 31 December 2019, net current assets and current ratio of the Group were approximately HK$22,757.5 million (31 December 2018: HK$25,502.1 million) and 2.04 (31 December 2018: 2.36) respectively.

The net working capital cycle increased from 42 days as at 31 December 2018 to 54 days as at 31 December 2019 on the following key metrics:

– Inventories, in terms of stock turnover days, was 34 days (31 December 2018: 30 days).

– Trade receivables, in terms of debtors turnover days, was 60 days (31 December 2018: 50 days).

– Trade and bills payable (excluding bills payable for acquisition of properties, plant and equipment), in terms of creditors turnover days, was 40 days (31 December 2018: 38 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was approximately 31% (31 December 2018: 37%), while the proportion of bank borrowings between short term and long term stood at 32%:68% (31 December 2018: 26%:74%). During the year, the Group invested approximately HK$2.5 billion and HK$3.4 billion in acquiring new production capacity and property construction expenses respectively. Backed by a highly experienced professional management team, the Group is confident that these investments will deliver stable and satisfactory returns to Shareholders over the long term.

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

HUMAN RESOURCES

As at 31 December 2019, the Group employed a global workforce of approximately 39,000 (31 December 2018: 41,900) to cope with business development requirements. 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. The Group's continued success relies on a solid human resources strategy. The establishment of the Kingboard Institute of Management helps nurture middle and senior managers over the years. In addition, the Group recruits fresh graduates from mainland China, Hong Kong and Taiwan every year for focused training and development. The Group will continue to carry out training for all types of talents, who will give the Group new impetus to its long-term development.

PROSPECTS

As the Sino-US trade negotiations are locked in a see-saw situation, the global economy is fraught with risks on the macro level. The sudden outbreak of the coronavirus and its worldwide spread have posed extra challenges to the manufacturing industry. On condition that the Group can safeguard the welfare and health of its employees, it will maintain stable production and urge partners along its supply chain to restart work, in line with the national strategy of concurrently combatting the epidemic and developing the economy. Currently, the Group has resumed work at all Mainland plants, most of which have returned to normal production.

In 2020, the laminates segment will seek both "qualitative" and "quantitative" growth. On one hand, it has built a state-level laminates research and development base in Shenzhen, Guangdong Province, taking aim at the advanced and high value-adding market through upgrading its thin, high-frequency, high-speed and halogen-free laminates among other products. On the other hand, the segment will build new capacity for glass epoxy laminates in Shaoguan, Guangdong Province, in three phases. The first phase, with a monthly capacity of 400,000 sheets, will go into trial production within the first half of this year.

As for PCBs, 5G telecommunications-related products are surfacing one after another. Electrification is also taking the automobile market by storm. The PCB division will seize this opportunity to bring to the fore its capacity advantage in telecommunications and automobiles, and to bolster up its collaboration with leading customers downstream. On the back of an improving product portfolio, the segment has been able to increase its yield. In the next stage, the segment will focus on boosting its capacity utilisation rate, so as to achieve a further sales volume breakthrough.

The chemicals division is committed to improving resources utilisation and strengthening environmental protection. Growth will be driven by the new caustic soda and epichlorohydrin production lines of the halogens chemical plant in Hengyang, Hunan Province, which will contribute full-year capacity in 2020. As China's economy continues to demonstrate resilience, the Group looks forward to a rebound in chemicals demand as infrastructure and other investments are expected to resume after the pandemic subsides.

Regarding the property business, the Kau To project in Shatin, Hong Kong is planned for completion and delivery within the first half of this year, with booking of sales revenue expected. Meanwhile, the commercial property connected to the High Speed Rail Station in Kunshan, Jiangsu Province, is close to completion, with leasing commitments received from some core tenants. This project will provide impetus for the segment's rental income growth.

The Group has readied itself to cope with market fluctuations. With an industry-leading position, cost advantage derived from a vertically integrated supply chain, and the management team's high efficiency and operational maturity, the Group is dedicated to securing existing sales channels and opening up new avenues. With a focus on cash flow management, the Group also seeks to lower its gearing ratio and build a robust balance sheet, in a bid to achieve substantial growth.

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 in the past financial year.

FINAL DIVIDEND

The proposed final dividend of HK60 cents per share and special final dividend of HK50 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 Friday, 12 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 Secretaries 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 Secretaries 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 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 2019, save for the deviation from paragraph A.4.1 of the CG Code since the independent non-executive Directors are not appointed for a specific term. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association. As such, the Company considers that steps have been taken with a view to ensure that the Company's corporate governance practices are in line with the principles of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, each Director has confirmed that he or she has complied with the required standard set out in the Model Code and the code of conduct regarding Director's securities transactions adopted by the Company throughout the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended December 31, 2019, the Company purchased 1,824,500 Shares on the Stock Exchange for an aggregate consideration of HK$39,089,145 before expenses pursuant to the share buy-back mandate approved by our shareholders at the annual general meeting held on May 27, 2019. The bought-back Shares were subsequently cancelled. The purchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares purchases are as follows:

Date of for purchase	Purchase consideration per share		No. of shares purchased	Aggregate consideration
	Highest price paid	Lowest price paid		
	HK$	*HK$*		*HK$*
September 25, 2019	20.00	19.90	196,000	3,917,420
September 26, 2019	20.80	20.80	50,000	1,040,000
September 27, 2019	20.80	20.75	30,000	623,900
October 14, 2019	21.00	20.85	200,000	4,193,700
October 15, 2019	20.85	20.55	500,000	10,365,200
October 16, 2019	20.70	20.55	200,000	4,126,750
October 17, 2019	20.85	20.85	48,500	1,011,225
December 20, 2019	23.00	22.95	366,000	8,406,000
December 23, 2019	23.10	23.05	234,000	5,404,950
Total			1,824,500	39,089,145

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during year ended 31 December 2019.

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 auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board
Kingboard Holdings Limited
Cheung Kwok Wing
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Cheung Ka Shing, and Chen Maosheng, being the executive Directors and Messrs.Cheung Ming Man, Chong Kin Ki, Leung Tai Chiu and Chan Wing Kee, being the independent non-executive Directors.