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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 2020

FINANCIAL HIGHLIGHTS

	FY2020 <i>HK\$'million</i>	FY2019 <i>HK\$'million</i>	Change
Revenue	17,301.2	18,384.0	-6%
EBITDA*	4,307.3	4,142.8	+4%
Profit before tax*	3,635.8	3,408.2	+7%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,776.0	2,493.3	+11%
– Reported net profit	2,802.9	2,402.2	+17%
Earnings per share			
– Based on underlying net profit*	HK89.8 cents	HK80.9 cents	+11%
– Based on reported net profit	HK90.6 cents	HK78.0 cents	+16%
Full-year dividend per share	HK250.0 cents	HK80.0 cents	+213%
– Interim dividend per share	HK10.0 cents	HK10.0 cents	–
– Special interim dividend per share	HK190.0 cents	–	N/A
– Proposed final dividend per share	HK35.0 cents	HK30.0 cents	+17%
– Proposed special final dividend per share	HK15.0 cents	HK40.0 cents	-63%
Net asset value per share	HK\$4.59	HK\$6.07	-24%
	Net cash 3,756.1	Net gearing 0%	

* Excluding:

FY2020: Loss on fair value changes of investment properties of HK\$0.7 million and gain on disposal of a subsidiary with amount of HK\$27.6 million.

FY2019: Gain on fair value changes of investment properties of HK\$5.6 million and share-based payments of HK\$96.6 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 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	2	17,301,186	18,383,952
Cost of sales		<u>(12,594,178)</u>	<u>(13,970,306)</u>
Gross profit		4,707,008	4,413,646
Other income, gains and losses	4	119,488	32,435
Distribution costs		(414,692)	(391,448)
Administrative costs		(691,349)	(718,174)
(Loss) gain on fair value changes of equity instruments at fair value through profit or loss		(95,723)	7,643
Gain on disposal of debt instruments at fair value through other comprehensive income		87,667	99,465
Gain on disposal of a subsidiary	12	27,642	–
(Loss) gain on fair value changes of investment properties		(742)	5,600
Finance costs	5	<u>(76,634)</u>	<u>(131,947)</u>
Profit before taxation		3,662,665	3,317,220
Income tax expense	7	<u>(854,685)</u>	<u>(908,490)</u>
Profit for the year		<u>2,807,980</u>	<u>2,408,730</u>
Profit for the year attributable to:			
Owners of the Company		2,802,885	2,402,247
Non-controlling interests		<u>5,095</u>	<u>6,483</u>
		<u>2,807,980</u>	<u>2,408,730</u>
Earnings per share	9		
– Basic and diluted		<u>HK\$0.906</u>	<u>HK\$0.780</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>2,807,980</u>	<u>2,408,730</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	1,057,834	(342,623)
Investment revaluation reserve:		
Fair value loss on equity instrument at fair value through other comprehensive income	<u>(6,918)</u>	<u>(1,206)</u>
	<u>1,050,916</u>	<u>(343,829)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value (loss) gain on debt instruments at fair value through other comprehensive income	(61,625)	530,478
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(87,667)</u>	<u>(99,465)</u>
	<u>(149,292)</u>	<u>431,013</u>
Other comprehensive income for the year	<u>901,624</u>	<u>87,184</u>
Total comprehensive income for the year	<u>3,709,604</u>	<u>2,495,914</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	3,701,133	2,491,732
Non-controlling interests	<u>8,471</u>	<u>4,182</u>
	<u>3,709,604</u>	<u>2,495,914</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties		1,438,063	1,402,295
Property, plant and equipment		5,613,910	4,779,863
Right-of-use assets		567,754	573,011
Equity instruments at fair value through profit or loss		88,583	376,092
Equity instruments at fair value through other comprehensive income		–	6,918
Debt instruments at fair value through other comprehensive income		611,231	3,559,196
Deposits paid for acquisition of property, plant and equipment		97,201	398,195
Deferred tax assets		3,190	3,076
Goodwill		238	238
		<u>8,420,170</u>	<u>11,098,884</u>
Current assets			
Inventories		1,739,106	1,818,691
Trade and other receivables and prepayments	10	4,743,914	4,236,656
Bills receivables	10	3,507,802	2,844,205
Properties held for development		1,427,224	1,666,994
Equity instruments at fair value through profit or loss		776,904	5,442
Debt instrument at fair value through other comprehensive income		148,740	791,630
Amounts due from fellow subsidiaries		693,081	424,684
Taxation recoverable		9,009	7,868
Bank balances and cash		4,909,965	2,908,117
		<u>17,955,745</u>	<u>14,704,287</u>

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	11	2,777,696	2,920,282
Bills payables	11	347,631	272,604
Contract liabilities		617,304	189,050
Dividend payable		6,240,000	–
Lease liabilities		553	549
Amounts due to fellow subsidiaries		47,582	47,203
Taxation payable		723,426	597,150
Bank borrowings – amount due within one year		923,077	1,291,418
		<u>11,677,269</u>	<u>5,318,256</u>
Net current assets		<u>6,278,476</u>	<u>9,386,031</u>
Total assets less current liabilities		<u>14,698,646</u>	<u>20,484,915</u>
Non-current liabilities			
Lease liabilities		1,771	901
Deferred tax liabilities		78,095	81,089
Bank borrowings – amount due after one year		230,769	1,653,846
		<u>310,635</u>	<u>1,735,836</u>
		<u>14,388,011</u>	<u>18,749,079</u>
Capital and reserves			
Share capital		312,000	308,100
Reserves		14,021,065	18,393,322
Equity attributable to owners of the Company		14,333,065	18,701,422
Non-controlling interests		54,946	47,657
Total equity		<u>14,388,011</u>	<u>18,749,079</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

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year 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:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Revenue recognised at a point in time		
Sales of glass epoxy laminates	11,166,932	10,598,388
Sales of paper laminates	1,855,539	2,035,661
Sales of upstream materials (<i>note a</i>)	2,453,947	2,283,051
Sales of properties	683,986	1,581,184
Others (<i>note b</i>)	889,537	1,185,567
Revenue recognised overtime (<i>note c</i>)	48,289	138,480
Revenue from contracts with customers	17,098,230	17,822,331
Interest income from debt instruments	125,888	417,848
Rental and licence fee income	65,789	125,845
Dividend income	11,279	17,928
	17,301,186	18,383,952

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\$517,300,000 (2019: HK\$624,077,000).
- (c) Revenue recognised overtime represents income from drilling services of HK\$1,830,000 (2019: HK\$74,230,000) and income from hotel accommodation of HK\$46,459,000 (2019: HK\$64,250,000).

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 2020

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>16,367,785</u>	<u>796,234</u>	<u>137,167</u>	<u>17,301,186</u>
Segment results	<u>3,310,550</u>	<u>356,339</u>	<u>126,438</u>	3,793,327
Unallocated corporate income				37,581
Unallocated corporate expenses				(91,609)
Finance costs				<u>(76,634)</u>
Profit before taxation				<u>3,662,665</u>

For the year ended 31 December 2019

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <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>	<u>3,561,655</u>
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>

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC (country of domicile)	16,034,691	17,387,696
Other foreign countries:		
Other Asian countries	1,141,895	922,823
Europe	88,899	45,883
America	<u>35,701</u>	<u>27,550</u>
	<u>17,301,186</u>	<u>18,383,952</u>

Revenue from one of the Group's customers in laminates segment amounted to HK\$2,703,185,000 (2019: HK\$2,223,204,000), which individually accounted for over 10% of the Group's revenue for the year.

4. OTHER INCOME, GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income, gains and losses includes:		
Government grants	55,531	36,748
Interest income on bank balances and deposits	34,420	34,044
Gain (loss) on disposal and written off of property, plant and equipment	2,439	(10,498)
Others	<u>27,098</u>	<u>(27,859)</u>
	<u>119,488</u>	<u>32,435</u>

5. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	80,860	145,901
Imputed interest on contract liabilities	3,951	2,264
Interest on lease liabilities	55	62
Less: Amounts capitalised in the construction in progress	(4,281)	(14,016)
Amounts capitalised in the properties held for development	(3,951)	(2,264)
	<u>76,634</u>	<u>131,947</u>

Bank and other borrowing costs capitalised during the year include imputed interest on contract liabilities of HK\$3,951,000 (2019: HK\$2,264,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.90% (2019: 2.92%) per annum to expenditure on qualifying assets.

6. DEPRECIATION

During the year, depreciation of approximately HK\$581.0 million (2019: HK\$590.9 million) was charged in respect of the Group's property, plant and equipment.

7. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
The amount comprises:		
PRC Enterprise Income Tax	680,114	613,340
PRC Land Appreciation Tax ("LAT")	89,946	207,568
Hong Kong Profits Tax	5,040	3,842
Taxation arising in other jurisdiction	4,541	2,139
Withholding tax in the PRC	78,152	85,567
	<u>857,793</u>	<u>912,456</u>
Deferred taxation		
Credit for the year	(3,108)	(3,966)
	<u>854,685</u>	<u>908,490</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% for both years.

Under the EIT Law of the PRC, withholding tax of 5% to 10% is imposed on dividends declared in respect of profits earned by subsidiaries in Mainland China 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

	2020 HK\$'000	2019 HK\$'000
Dividends declared		
2020 Interim dividend of HK10.0 cents per ordinary share	312,000	–
2020 Special interim dividend of HK190.0 cents (2019: nil) per ordinary share	5,928,000	–
	<u>6,240,000</u>	<u>–</u>
Dividends declared and paid		
2019 Interim dividend of HK10.0 cents per ordinary share	–	308,100
2019 Final dividend of HK30.0 cents (2018: HK35.0 cents) per ordinary share	924,300	1,078,350
2019 Special final dividend of HK40.0 cents (2018: nil) per ordinary share	1,232,400	–
	<u>2,156,700</u>	<u>1,386,450</u>
Dividends proposed		
Proposed 2020 Final dividend of HK35.0 cents (2019: HK30.0 cents) per ordinary share	1,092,000	924,300
Proposed 2020 Special final dividend of HK15.0 cents (2019: HK40.0 cents) per ordinary share	468,000	1,232,400
	<u>1,560,000</u>	<u>2,156,700</u>

The final dividend of HK35.0 cents per ordinary share amounted to HK\$1,092,000,000 in respect of the year ended 31 December 2020 (2019: final dividend of HK30.0 cents per ordinary share amounted to HK\$924,300,000 in respect of the year ended 31 December 2019) and special final dividend of HK15.0 cents per ordinary share amounted to HK\$468,000,000 in respect of the year ended 31 December 2020 (2019: 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) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	2,802,885	2,402,247
	Number of shares	
	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,092,792	3,081,000
Effect of dilutive potential ordinary shares arising from share options	38	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,092,830	3,081,000

As at 31 December 2019, the computation of diluted earnings per share did not assume the exercise of the Company's share option 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	4,491,454	4,222,258
Less: Allowance for credit losses	(579,750)	(603,257)
Trade receivables, net	3,911,704	3,619,001
Advance to suppliers	350,161	203,997
Prepaid expenses and deposits	193,758	112,547
Value-added tax ("VAT") recoverable	203,561	208,155
Other receivables	84,730	92,956
	4,743,914	4,236,656
Bills receivables	3,507,802	2,844,205
	8,251,716	7,080,861

The Group allows credit periods of up to 120 days (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	3,298,866	2,664,212
91–180 days	572,483	912,064
Over 180 days	40,355	42,725
	3,911,704	3,619,001

Bills receivables of the Group are all aged within 0–90 days (2019: 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

	2020 HK\$'000	2019 HK\$'000
Trade payables	1,005,225	1,231,111
Accrued expenses	508,512	510,884
Payables for acquisition of property, plant and equipment	159,175	142,351
Other tax payables	649,342	528,770
VAT payables	155,328	174,312
LAT payables	43,238	182,863
Other payables	256,876	149,991
	2,777,696	2,920,282
Bills payables (<i>Note</i>)	347,631	272,604
	3,125,327	3,192,886

Note: Included in bills payables as at 31 December 2020 was payables for acquisition of property, plant and equipment of HK\$18,420,000 (2019: HK\$1,379,000).

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

	2020 HK\$'000	2019 HK\$'000
0–90 days	855,324	1,172,366
91–180 days	73,474	20,682
Over 180 days	76,427	38,063
	1,005,225	1,231,111

The average credit period on purchase of goods is 90 days (2019: 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 (2019: 90 days) at the end of the reporting period.

12. GAIN ON DISPOSAL OF A SUBSIDIARY

On 1 September 2020, the Group disposed of its entire equity interest in a subsidiary, Jiangyin Guotao Real Estate Co., Ltd. (江陰國滔置業有限公司), a subsidiary holding the properties held for development in the PRC, to an independent third party for a cash consideration of RMB199,000,000 (equivalent to approximately HK\$223,870,000) with a gain of HK\$27,642,000.

BUSINESS REVIEW

On behalf of the board of directors (the “Board”), I am pleased to report to our shareholders the results of Kingboard Laminates Holdings Limited and its subsidiaries (the “Group”) for the financial year ended 31 December 2020.

2020 was a challenge-ridden year with the spread of the coronavirus pandemic, putting downward pressure on the global economy. In spite of the unfavourable macro-environment, the electronics industry performed well. Aided by increased remote work and time spent staying at home, the demands for computers and new home electronic appliances flourished. Popular products in the past like cars and phones also saw their demands back on the growth track in the second half of the year. The electronics industry is rebounding at a pace ahead of the world economy.

During the first half of the year under review, the Laminates Division stayed focused on resumption of work and manufacturing activities, in a bid to minimise the impacts of the pandemic on production. The second half witnessed the Group capturing the opportunities of the recovering domestic economy and resurgent consumption. Based on its advantage of a vertically integrated supply chain, the Group, on the one hand, rapidly enhanced the utilisation of its production capacity, and, on the other, steadily adjusted product prices upward. These simultaneous actions brought remarkable outcomes. Laminates monthly shipments marked a new all-time high, while this business segment’s profitability was also on track for strong growth. However, as the Group’s Property Division was mainly engaged in the sales of remaining units, its turnover was lower compared to that of 2019, resulting in a 6% decrease in the Group’s full-year turnover to HK\$17,301.2 million. Increases in product prices starting from the second half, coupled with cost control efforts, helped drive a surge in profit margins. Growth in the Laminates Division’s profit contribution more than offset the drop in the property business. Therefore, the Group’s underlying net profit soared 11% to HK\$2,776.0 million. In view of the Group’s sturdy and healthy financial situation, the Board has proposed a final dividend of HK35 cents per share with a special final dividend of HK15 cents per share, subject to Shareholders’ approval.

Financial Highlights

	FY2020 <i>HK\$'million</i>	FY2019 <i>HK\$'million</i>	Change
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EBITDA*	4,307.3	4,142.8	+4%
Profit before tax*	3,635.8	3,408.2	+7%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,776.0	2,493.3	+11%
– Reported net profit	2,802.9	2,402.2	+17%
Earnings per share			
– Based on underlying net profit*	HK89.8 cents	HK80.9 cents	+11%
– Based on reported net profit	HK90.6 cents	HK78.0 cents	+16%
Full-year dividend per share	HK250.0 cents	HK80.0 cents	+213%
– Interim dividend per share	HK10.0 cents	HK10.0 cents	–
– Special interim dividend per share	HK190.0 cent	–	N/A
– Proposed final dividend per share	HK35.0 cents	HK30.0 cents	+17%
– Proposed special final dividend per share	HK15.0 cents	HK40.0 cents	-63%
Net asset value per share	HK\$4.59	HK\$6.07	-24%
	Net cash 3,756.1	Net gearing 0%	

* Excluding:

FY2020: Loss on fair value changes of investment properties of HK\$0.7 million and gain on disposal of a subsidiary with amount of HK\$27.6 million

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

PERFORMANCE

During the period under review, the Laminates Division held tight to the pulse of market demand, in order to strengthen its penetration into existing customers and to expand into new market areas. It also sought to expand market share for advanced and high-value-adding products such as thin laminates and their high-frequency, high-speed and halogen-free counterparts. The Group accomplished a desirable increase in output volume, which stood at an average of 1,150 million square meters per month over the entire year. Owing to a surge in demand in the second half for upstream materials like copper foil, epoxy resin, glass yarn and glass fabric, shortages of supply were witnessed to varying degrees. Increases in material prices drove up those of laminates. In command of a vertically integrated supply chain, the Group was self-sufficient in all upstream materials, thereby fully enjoying the benefits of price rises in upstream materials and laminates. Price increases, along with cost control, helped bring a surge in the Group's profit margins. Revenue of the Laminates Division was up by 1% to HK\$16,367.8 million, with earnings before interest, taxes, depreciation and amortisation ("EBITDA") also increasing 43% to HK\$3,869.6 million.

The Property Division recorded partial recognition of sales of the Huaqiao Kingboard Yu Garden Phases 4 and 5 in Eastern China. Segment revenue amounted to HK\$796.2 million, a decline of 53%. EBITDA went down by 60% to HK\$371.8 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's integrated financial and liquidity conditions remained robust. As at 31 December 2020, net current assets and current ratio were approximately HK\$6,278.5 million (31 December 2019: HK\$9,386.0 million) and 1.54 (31 December 2019: 2.76) respectively.

The net working capital cycle increased to 107 days as at 31 December 2020 from 88 days as at 31 December 2019, on the following key metrics:

- Inventories, in terms of stock turnover days, was 50 days (31 December 2019: 48 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtors turnover days, was 97 days (31 December 2019: 80 days).
- Trade and bills payable (excluding bills payable to property, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditors turnover days, was 40 (31 December 2019: 40 days).

As at 31 December 2020, the Group possessed net cash (bank balances and cash net of bank borrowings) of HK\$3,756.1 million (31 December 2019: Net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity): 0%). In 2020, the Group invested HK\$1,126 million in acquiring new production facilities and HK\$132 million in its property business. Backed by a highly experienced professional management team, a sound business foundation and 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 80%:20% (31 December 2019: 44%:56%). The Group possesses 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 it 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 2020, the Group maintained a workforce of approximately 9,500 (31 December 2019: 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

We team with confidence in the Group's development in 2021. In the first quarter of 2021, the Group continued its strong performance at the end of last year. According to preliminary unaudited operating data, the Group's turnover in the first two months increased significantly compared with the same period last year, and its profit was several times that of the same period last year. The management expects that the business growth momentum will remain strong throughout the year. Moving into 2021, the electronics industry will continue to prosper, with pent-up demand in overseas markets beginning to be unleashed. Supply will grow increasingly tense within the laminates sector, rendering the competitive edge of the Group's vertically integrated supply chain more pronounced. Laminates orders currently carry powerful momentum from the second half of 2020. The Group's facilities have been operating at full capacity to meet the market demand. As the Group continues to maintain reliable quality and delivery, it will be able to win more customers while enjoying pricing power for its laminates products.

As 5G is introduced into the commercial arena, along with upgrades in the smart operation of cars, and the return of renewal demand for home appliances, the laminates industry will enter a new growth cycle. Against the background of a demand upswing, the Group also plans to go into a new development stage where both production capacity and functionality are emphasized. With regard to the former, 800,000 sheets of monthly laminates capacity will be added to facilities in Shaoguan City, Guangdong Province. New facilities will be established in Lianzhou City and Fogang County, Guangdong Province, to add a monthly capacity of 350 tonnes of copper foil to the current output. The Group will also expedite the construction of new plants for glass yarn and glass fabric, with the objective of launching trial production within this year. In terms of product quality, the marketing, production and research and development teams will work closely to accelerate upgrades of products like thin laminates and high-frequency, high-speed and halogen-free offerings. The Group also joins hands with customers to broaden the accreditations of high-end products. The demonstration of technology-driven momentum will help realise cost reduction and efficiency enhancement, paving the way for long-term sustainable growth.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my sincere gratitude for the unreserved support from all Shareholders, customers, banks, the management and staff members over the previous year.

FINAL DIVIDEND

The proposed final dividend of HK35 cents and special final dividend of HK15 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, 24 May 2021 ("2021 AGM"), is to be payable on Thursday, 10 June 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 1 June 2021.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) From Tuesday, 18 May 2021 to Monday, 24 May 2021, 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 2021 AGM. In order to be eligible to attend and vote at the 2021 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 Monday, 17 May 2021; and
- (ii) From Friday, 28 May 2021 to Tuesday, 1 June 2021, 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, 27 May 2021.

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 2020, 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 ensuring 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of their 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 2020.

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 2020 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, 22 March 2021

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.