

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2020

FINANCIAL HIGHLIGHTS			
	FY 2020	FY 2019	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	43,510.3	41,160.9	+6%
EBITDA*	10,059.2	8,245.9	+22%
Profit before tax*	7,912.1	5,565.0	+42%
Net profit attributable to owners of the Company			
– Underlying net profit*	4,685.8	3,415.8	+37%
– Reported net profit	4,702.9	3,094.4	+52%
Basic earnings per share			
– Based on underlying net profit*	HK\$4.241	HK\$3.146	+35%
– Based on reported net profit	HK\$4.257	HK\$2.850	+49%
Dividend per share for the year	HK228 cents	HK138 cents	+65%
– Interim dividend per share	HK28 cents	HK28 cents	–
– Proposed final dividend per share	HK100 cents	HK60 cents	+67%
– Proposed special final dividend per share	HK100 cents	HK50 cents	+100%
Net asset value per share	HK\$50.5	HK\$45.4	+11%
Net gearing	18%	31%	

* Excluding:

- (1) Loss on fair value changes of investment properties with gross amount of HK\$5.4 million, net amount of HK\$5.2 million after share of non-controlling shareholders and deferred tax (2019: Gain on fair value changes of investment properties with gross amount of HK\$6.3 million, net amount of HK\$1.1 million after share of non-controlling shareholders and deferred tax).
- (2) A share-based payment in 2019 of HK\$229.2 million, net amount of HK\$199.8 million after share of non-controlling shareholders and deferred tax (2020: Nil).
- (3) Gain on disposal of subsidiaries in 2020 with gross amount of HK\$29.8 million, net amount of HK\$22.4 million after share of non-controlling shareholders and deferred tax (2019: Nil).
- (4) Written off of property, plant and equipment in 2019 with gross amount of HK\$219.1 million, net amount of HK\$122.7 million after share of non-controlling shareholders (2020: Nil).

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 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

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	2	43,510,274	41,160,851
Cost of sales and services rendered		<u>(31,283,450)</u>	<u>(32,146,545)</u>
Gross profit		12,226,824	9,014,306
Other income, gains and losses	3	96,969	(93,519)
Distribution costs		(1,165,401)	(1,185,765)
Administrative costs		(1,992,291)	(2,194,975)
(Loss) gain on fair value changes of equity instruments at fair value through profit or loss		(978,285)	40,920
Gain on disposal of debt instruments at fair value through other comprehensive income		106,245	142,140
(Loss) gain on fair value changes of investment properties		(5,437)	6,263
Gain on disposal of subsidiaries	11	29,776	–
Finance costs	4	(457,179)	(752,001)
Share of results of joint ventures		77,868	93,867
Share of result of an associate		<u>(2,673)</u>	<u>51,677</u>
Profit before taxation		7,936,416	5,122,913
Income tax expense	6	<u>(2,108,063)</u>	<u>(1,353,933)</u>
Profit for the year		<u>5,828,353</u>	<u>3,768,980</u>
Profit for the year attributable to:			
Owners of the Company		4,702,884	3,094,421
Non-controlling interests		<u>1,125,469</u>	<u>674,559</u>
		<u>5,828,353</u>	<u>3,768,980</u>
		HK\$	HK\$
Earnings per share	8		
Basic		<u>4.257</u>	<u>2.850</u>
Diluted		<u>4.252</u>	<u>2.849</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>5,828,353</u>	<u>3,768,980</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	3,658,394	(472,420)
Investment revaluation reserve:		
Fair value loss on equity instruments at fair value through other comprehensive income	(162,918)	(1,206)
Property revaluation reserve:		
Gain on revaluation of property, plant and equipment upon transfer to investment properties	<u>–</u>	<u>24,211</u>
	<u>3,495,476</u>	<u>(449,415)</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	(38,148)	786,356
Reclassify to profit or loss upon disposal of debt instruments at fair value value through other comprehensive income	(106,245)	(142,140)
Translation reserve:		
Exchange differences arising from translation of foreign operations	<u>13,268</u>	<u>41,538</u>
	<u>(131,125)</u>	<u>685,754</u>
Other comprehensive income for the year	<u>3,364,351</u>	<u>236,339</u>
Total comprehensive income for the year	<u>9,192,704</u>	<u>4,005,319</u>
Total comprehensive income attributable to:		
Owners of the Company	7,804,070	3,244,353
Non-controlling interests	<u>1,388,634</u>	<u>760,966</u>
	<u>9,192,704</u>	<u>4,005,319</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		20,053,947	19,082,748
Property, plant and equipment		14,576,075	14,800,958
Right-of-use assets		1,736,680	1,692,326
Goodwill		2,670,528	2,670,528
Intangible assets		54,360	60,840
Interests in an associate		369,314	397,950
Interests in joint ventures		2,609,520	2,536,434
Equity instruments at fair value through profit or loss		3,327,715	2,366,024
Equity instruments at fair value through other comprehensive income		–	162,918
Debt instruments at fair value through other comprehensive income		1,741,763	7,016,503
Loan receivable		–	600,000
Entrusted loans	9	398,241	465,859
Deposits paid for acquisition of property, plant and equipment and investment properties		150,858	611,724
Deferred tax assets		2,667	2,539
		<u>47,691,668</u>	<u>52,467,351</u>
Current assets			
Inventories		3,010,897	2,962,386
Properties held for development		19,842,807	21,115,592
Trade and other receivables and prepayments	9	8,953,048	8,771,416
Bills receivables	9	3,768,013	4,085,752
Loan receivable		600,000	–
Equity instruments at fair value through profit or loss		2,333,796	491,397
Debt instruments at fair value through other comprehensive income		461,584	866,041
Taxation recoverable		18,468	18,227
Bank balances and cash		6,568,857	6,256,964
		<u>45,557,470</u>	<u>44,567,775</u>
Current liabilities			
Trade and other payables	10	6,538,122	5,841,173
Bills payables	10	377,036	359,920
Contract liabilities		3,789,029	6,374,105
Dividend payable		1,930,710	–
Taxation payable		1,880,064	1,369,201
Bank borrowings – amount due within one year		8,612,099	7,862,991
Lease liabilities		4,212	2,906
		<u>23,131,272</u>	<u>21,810,296</u>
Net current assets		<u>22,426,198</u>	<u>22,757,479</u>
Total assets less current liabilities		<u>70,117,866</u>	<u>75,224,830</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued*At 31 December 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	690,621	697,954
Bank borrowings – amount due after one year	8,618,747	16,546,918
Lease liabilities	9,792	10,308
	<u>9,319,160</u>	<u>17,255,180</u>
	<u>60,798,706</u>	<u>57,969,650</u>
Capital and reserves		
Share capital	110,579	110,576
Reserves	55,754,324	50,077,989
	<u>55,864,903</u>	<u>50,188,565</u>
Equity attributable to owners of the Company	55,864,903	50,188,565
Non-controlling interests	4,933,803	7,781,085
	<u>60,798,706</u>	<u>57,969,650</u>
Total equity	<u>60,798,706</u>	<u>57,969,650</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. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” (“HKFRS 8”) 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 printed circuit boards (“PCBs”), (iii) manufacture and sale of chemicals, (iv) sales and rental of properties, (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income, equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income) 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 segments 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 (loss) earned by each segment with certain items not included (share of result of an associate, share of results of joint ventures, gain on disposal of subsidiaries, 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 2020

	Laminates <i>HK\$'000</i>	PCBs <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue								
External sales	13,931,952	10,551,111	9,910,485	8,332,128	349,886	434,712	–	43,510,274
Inter-segment sales	<u>2,660,970</u>	<u>–</u>	<u>648,370</u>	<u>–</u>	<u>–</u>	<u>9,679</u>	<u>(3,319,019)</u>	<u>–</u>
Total	<u>16,592,922</u>	<u>10,551,111</u>	<u>10,558,855</u>	<u>8,332,128</u>	<u>349,886</u>	<u>444,391</u>	<u>(3,319,019)</u>	<u>43,510,274</u>
Result								
Segment results	<u>3,312,673</u>	<u>1,066,321</u>	<u>1,156,980</u>	<u>3,516,996</u>	<u>(517,717)</u>	<u>34,487</u>		8,569,740
Gain on disposal of subsidiaries								29,776
Unallocated corporate income								57,347
Unallocated corporate expenses								(338,463)
Finance costs								(457,179)
Share of results of joint ventures								77,868
Share of result of an associate								<u>(2,673)</u>
Profit before taxation								<u>7,936,416</u>

2. SEGMENT INFORMATION – continued

For the year ended 31 December 2019

	Laminates <i>HK\$'000</i>	PCBs <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>2,213,957</u>	<u>–</u>	<u>619,626</u>	<u>–</u>	<u>–</u>	<u>8,146</u>	<u>(2,841,729)</u>	<u>–</u>
Total	<u>16,351,538</u>	<u>9,623,169</u>	<u>13,427,862</u>	<u>3,293,039</u>	<u>788,959</u>	<u>518,013</u>	<u>(2,841,729)</u>	<u>41,160,851</u>
Result								
Segment results	<u>2,185,346</u>	<u>487,139</u>	<u>735,017</u>	<u>1,943,012</u>	<u>966,015</u>	<u>1,537</u>		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								<u>51,677</u>
Profit before taxation								<u>5,122,913</u>

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

The Group operates principally in the People's Republic of China (the "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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC (country of domicile)	39,249,965	36,658,300
Other Asian countries (including Thailand, Japan, Korea and Singapore)	2,096,079	2,102,731
Europe	1,506,308	1,657,659
America	<u>657,922</u>	<u>742,161</u>
	<u>43,510,274</u>	<u>41,160,851</u>

No single external customer of the Group contributed over 10% of the Group's revenue for each of the years ended 31 December 2020 and 31 December 2019.

3. OTHER INCOME, GAINS AND LOSSES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income, gains and losses includes:		
Interest income on bank balances and deposits	58,960	64,929
Interest income on entrusted loans	22,333	34,210
Interest income from loan receivable	45,682	21,581
Government grants	84,692	83,000
Loss on disposal and written off of property, plant and equipment	(91,624)	(228,249)
Others	(23,074)	(68,990)
	<u>96,969</u>	<u>(93,519)</u>

4. FINANCE COSTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	499,273	819,619
Imputed interest on contract liabilities	41,758	24,007
Interest on lease liabilities	597	584
Less: Amount capitalised in the properties held for development	(80,168)	(78,193)
Amount capitalised in the construction in progress	(4,281)	(14,016)
	<u>457,179</u>	<u>752,001</u>

Bank and other borrowing costs capitalised during the year include imputed interest on contract liabilities of HK\$41,758,000 (2019: HK\$24,007,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.92% (2019: 2.95%) per annum to expenditure on qualifying assets.

5. DEPRECIATION

During the year, depreciation of approximately HK\$1,636 million (2019: HK\$1,880 million) was charged in respect of the Group's property, plant and equipment.

6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The amount comprises:		
PRC Enterprise Income Tax	1,227,159	902,287
PRC Land Appreciation Tax ("LAT")	361,356	248,146
Hong Kong Profits Tax	219,757	46,903
Taxation arising in other jurisdictions	22,309	20,164
Withholding tax in the PRC	273,193	157,321
Underprovision in previous years	2,858	9,379
	<hr/>	<hr/>
	2,106,632	1,384,200
Deferred taxation	1,431	(30,267)
	<hr/>	<hr/>
	2,108,063	1,353,933

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% 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 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends declared		
2020 Interim dividend of HK28 cents per ordinary share	<u>309,618</u>	<u>–</u>
Dividends declared and paid		
2019 Interim dividend of HK28 cents per ordinary share	–	303,206
2019 Final dividend of HK60 cents (2018: HK70 cents) per ordinary share	662,430	758,207
2019 Special final dividend of HK50 cents (2018: Nil) per ordinary share	<u>552,025</u>	<u>–</u>
	<u>1,214,455</u>	<u>1,061,413</u>
Dividends proposed		
Proposed 2020 Final dividend of HK100 cents (2019: HK60 cents) per ordinary share	1,105,792	662,795
Proposed 2020 Special final dividend of HK100 cents (2019: HK50 cents) per ordinary share	<u>1,105,792</u>	<u>552,329</u>
	<u>2,211,584</u>	<u>1,215,124</u>

The final dividend of HK100 cents and the special final dividend of HK100 cents per ordinary share amounted to HK\$1,105,792,000 and HK\$1,105,792,000 respectively in respect of the year ended 31 December 2020 (2019: 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) 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 calculation of the basic and diluted earnings per share attributable to 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	<u>4,702,884</u>	<u>3,094,421</u>
	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,104,852,097	1,085,720,924
Effect of dilutive potential ordinary shares arising from share options	<u>1,168,976</u>	<u>381,238</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,106,021,073</u>	<u>1,086,102,162</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	8,532,641	7,904,344
Less: Allowance for credit losses	<u>(1,171,133)</u>	<u>(1,139,894)</u>
Total receivables, net	7,361,508	6,764,450
Advance to suppliers	400,161	338,991
Entrusted loans (Note)	431,771	505,083
Prepayment and deposits	581,777	745,897
Value added tax (“VAT”) recoverables	435,787	592,133
Other receivables	<u>140,285</u>	<u>290,721</u>
	9,351,289	9,237,275
Less: Non-current portion of entrusted loans (Note)	<u>(398,241)</u>	<u>(465,859)</u>
	<u>8,953,048</u>	<u>8,771,416</u>

Note:

The entrusted loans of HK\$431,771,000 (2019: HK\$505,083,000) are due from certain purchasers of properties developed by the Group in the PRC through four (2019: four) commercial banks in the PRC (the “Lending Agents”). The entrusted loans carry interest at variable rates ranging from 3.43% to 5.39% (2019: 3.92% to 5.39%) per annum, payable on monthly basis and the principal will be payable on or before 2034 (2019: 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.

As at 31 December 2020, entrusted loans amounting to HK\$398,241,000 (2019: HK\$465,859,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

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

The Group allows credit period 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	6,306,076	5,465,173
91-120 days	538,622	652,244
121-150 days	341,673	449,808
151-180 days	88,230	111,067
Over 180 days	86,907	86,158
	<u>7,361,508</u>	<u>6,764,450</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	2,333,350	2,455,074
91–180 days	470,960	304,775
Over 180 days	350,693	375,036
	<u>3,155,003</u>	<u>3,134,885</u>

Bills payables of the Group are aged within 90 days (2019: 90 days) based on issue date at the end of the reporting period. 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).

11. GAIN ON DISPOSAL OF SUBSIDIARIES

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.

On 5 March 2020, the Group disposed of its entire equity interest in a subsidiary, Shanxi Kingboard Wanxinda Chemical Limited (山西建滔萬鑫達化工有限責任公司), to the non-controlling shareholder of the subsidiary, for a cash consideration of RMB60,000,000 (equivalent to approximately HK\$66,999,000) with a gain of HK\$2,134,000.

BUSINESS REVIEW

On behalf of the board of directors (the “Board”) of Kingboard Holdings Limited, I am delighted to report the full-year performance of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2020 (the “Period under Review”).

2020 was out of the ordinary, with the outbreak of the coronavirus pandemic and the uncertain geopolitical environment adding downward pressure to the world economy, rendering the business environment more complex and volatile. However, on the back of a strategy underpinning a diversified business portfolio, the Group was able to leverage on the synergies derived from its vertical operations, upstream through to downstream. The management team’s forward-looking market planning and cost control efforts also helped underscore the Group’s brilliant performance.

In a market clouded by a weak economy and waning consumption, the electronics industry displayed decent resilience as demands for different end-user products were gradually unleashed. The market bloom during the second half of the year injected a further stream of momentum into the electronics manufacturing industry. Premised on the vertically integrated production model of the Laminates Division, the Group adopted a proactive sales and marketing strategy to grasp the opportunities stemming from the market rebound. Equipped with capabilities in both laminates and printed circuit boards (“PCBs”), the Group is able to capture a satisfactory growth in orders. Meanwhile, under the demand drive, the market was faced with a shortage of supply. This, coupled with the Group’s product portfolio enhancement efforts, has fuelled a steady improvement in the average prices of our products. Both the Laminates and PCBs Divisions hence achieved significant growth. Benefitting from the Mainland economy’s early recovery and abating competition from imported products, product prices bounced back rapidly and profit margins expanded. The Property Division recorded partial recognition of sales of The Cavaridge project in Shatin, Hong Kong, thereby boosting its contribution to the Group.

During the Period under Review, revenue of the Group increased 6% to HK\$43,510.3 million, posting an underlying net profit (excluding non-recurring items) of HK\$4,685.8 million, up significantly by 37%. The Group maintained a robust financial position, and the Board has therefore proposed a final dividend of HK100 cents per share and a special final dividend of HK100 cents per share, subject to approval by the Shareholders of the Company.

FINANCIAL HIGHLIGHTS

	FY 2020 <i>HK\$'million</i>	FY 2019 <i>HK\$'million</i>	Change
Revenue	43,510.3	41,160.9	+6%
EBITDA*	10,059.2	8,245.9	+22%
Profit before tax*	7,912.1	5,565.0	+42%
Net profit attributable to owners of the Company			
– Underlying net profit*	4,685.8	3,415.8	+37%
– Reported net profit	4,702.9	3,094.4	+52%
Basic earnings per share			
– Based on underlying net profit*	HK\$4.241	HK\$3.146	+35%
– Based on reported net profit	HK\$4.257	HK\$2.850	+49%
Dividend per share for the year	HK228 cents	HK138 cents	+65%
– Interim dividend per share	HK28 cents	HK28 cents	–
– Proposed final dividend per share	HK100 cents	HK60 cents	+67%
– Proposed special final dividend per share	HK100 cents	HK50 cents	+100%
Net asset value per share	HK\$50.5	HK\$45.4	+11%
Net gearing	18%	31%	

* Excluding:

- (1) Loss on fair value changes of investment properties with gross amount of HK\$5.4 million, net amount of HK\$5.2 million after share of non-controlling shareholders and deferred tax (2019: Gain on fair value changes of investment properties with gross amount of HK\$6.3 million, net amount of HK\$1.1 million after share of non-controlling shareholders and deferred tax).
- (2) A share-based payment in 2019 of HK\$229.2 million, net amount of HK\$199.8 million after share of non-controlling shareholders and deferred tax (2020: Nil).
- (3) Gain on disposal of subsidiaries in 2020 with gross amount of HK\$29.8 million, net amount of HK\$22.4 million after share of non-controlling shareholders and deferred tax (2019: Nil).
- (4) Written off of property, plant and equipment in 2019 with gross amount of HK\$219.1 million, net amount of HK\$122.7 million after share of non-controlling shareholders (2020: Nil).

PERFORMANCE

Laminates Division: On the back of a sound vertical production model, the Group has established market-leading positions for its laminates and upstream materials such as glass yarn, glass fabric and copper foil, in terms of production scale and technological standards. The first half of the year saw a weak demand in the electronics market, but the division demonstrated a strong competitive edge based on its cost advantage. As the demand for electronic products picked up approaching the second half, our orders for laminates rose substantially, with monthly shipment volume breaking an all-time high. Whilst demands for upstream materials grew fast, their supply did not manage to catch up, shooting up these products' prices and thus that of laminates. Since the division is self-sufficient in all upstream materials, it managed to translate the price increase of laminates into enhanced profitability. Segment revenue (including inter-segment sales) went up by 1% to HK\$16,592.9 million. Earnings before interest, tax, depreciation and amortisation ("EBITDA") surged by 40% to HK\$3,914.3 million.

PCBs Division: Despite the global economic impact of the coronavirus pandemic, the electronics market has not been short of demand. Following a spike in the demand for remote work in the first half of the year, sales of computer-related products rocketed. When the Mainland economy revived in the second half, pent-up demands for home appliances and cars were gradually released. With a market-oriented strategy, the division successfully capitalised on these demand changes to achieve orders and facilities utilisation growth. Drawing on its experience in high-end, high-density inter-connected PCBs, the division seized the opportunity to optimise its product mix. By strengthening its in-depth cooperation with leading downstream factories, the division made a major stride forward into the high-end and high-value-adding market segment. Driven by increased utilisation rates and an optimised product portfolio, the division was able to enjoy increased profitability. Division revenue soared 10% to HK\$10,551.1 million, while EBITDA was up by 53% to HK\$1,677.6 million. During the Period under Review, the Group completed the privatisation of Elec & Eltek International Holdings Limited, a subsidiary listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Stock Exchange.

Chemicals Division: Capacities of the chemicals industry remained relatively stable, with prices guided mainly by changes in demand. As the Mainland economy returned to the growth track, domestic demand thrived and drove up the prices of such major chemical products. Prices jumped across all our products, in particular during the latter half of the year, with profit margins rising significantly. The Group ceased production of coke and methanol in Xingtai City, Hebei Province during the Period under Review, leading to a 21% decrease in division revenue (including inter-segment sales) to HK\$10,558.9 million. Nevertheless, with significant expansion in the profit margins of the other major chemical products, EBITDA reached HK\$1,543.4 million on a 13% rise.

Property Division: Spurred by the partial recognition of sales of the Cavaridge project in Shatin, Hong Kong, Kunshan Development Zone Kingboard Yu Garden Phase 1, Qiandeng Kingboard Yu Garden Phase 4, and Huaqiao Kingboard Yu Garden Phases 3, 4 and 5 in Eastern China, the Property Division recorded an increase in revenue by 153% to HK\$8,332.1 million. EBITDA also surged 81% to HK\$3,521.6 million. Sales turnover from residential projects totalled HK\$7,218.1 million, up by 238%. Rental income amounted to HK\$1,114.0 million, down by 4%, mainly owing to a slight drop in occupancy amid the pandemic.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position continued to be robust. As at 31 December 2020, net current assets and current ratio of the Group were approximately HK\$22,426.2 million (31 December 2019: HK\$22,757.5 million) and 1.97 (31 December 2019: 2.04) respectively.

The net working capital cycle increased from 54 days as at 31 December 2019 to 56 days as at 31 December 2020 on the following key metrics:

- Inventories, in terms of stock turnover days, was 35 days (31 December 2019: 34 days).
- Trade receivables, in terms of debtors turnover days, was 62 days (31 December 2019: 60 days).
- Trade and bills payable (excluding bills payable for acquisition of property, plant and equipment), in terms of creditors turnover days, was 41 days (31 December 2019: 40 days).

The Group's net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 18% (31 December 2019: 31%), while the proportion of bank borrowings between short term and long term stood at 50%:50% (31 December 2019: 32%:68%). During the Period under Review, the Group invested approximately HK\$2.0 billion in acquiring new production capacity and a further HK\$2.0 billion in property construction expenses. 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 Period under Review. 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 employed a global workforce of approximately 36,000 (31 December 2019: 39,000). In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and individual employee performance. The Group's continued success relies on a solid human resources strategy. The establishment of the Kingboard Institute of Management has helped nurture middle and senior managers over the years. In addition, the Group recruits potential-filled 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 new impetus to the Group's long-term development.

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. Grasping opportunities from the global 'new development model', the Group will stay steadfast to the synergistic development of its diversified portfolio of businesses. While committed to cost control, it is keen on achieving technology-driven momentum, bringing every business division into a new chapter of growth. The management will remain focused on promoting research and development, safe production, and environmental responsibilities. With sound cash flow management to safeguard its robust financial position, the Group has the capability to proactively grow its market share by pursuing new development opportunities. With a number of large-scale investment projects currently in the pipeline, the Group anticipates its business volume to double within the next decade.

Laminates Division: The strong demands for laminates and other upstream materials were carried through into 2021, keeping the Group's facilities in full capacities and sales. In the wake of further demand growth, the division has made multiple upward adjustments to its product prices. In the future, the division will synchronise the growth paces of production capacity and market development. To this end, the division will increase the capacity for FR4 (epoxy glass laminates) in Shaoguan City, Guangdong Province, 800,000 sheets per month, in rhythm with the building of new capacities for upstream materials including copper foil, glass yarn, glass fabric and epoxy resins. On the other hand, taking aim at the advanced and high-value-adding market through upgrading its thin, high-frequency, high-speed and halogen-free laminates, the division will endeavour to seek customer accreditation and establish a sales network to pursue higher market penetration.

PCBs Division: The electronics market is on a rapid uptrend, helped by the demand growth for car-related products. With multiple-year experience and comprehensive product certifications in automobile PCBs, the division is positioned ahead of its peers in terms of product quality and delivery lead time, helping it to reap a desirable volume of orders. The introduction of 5G into the commercial arena will be a driving force for the imminent upgrade and renewal demand for a widened scope of electronic products. This will bring new growth momentum to the PCBs market. Keeping a close eye on the pulse of market development, the division will reinforce its connection with leading customers downstream, in fostering an upgrade in its product mix and steadily cultivating added value into its products. Capacities at all factories are currently at high levels. In order to meet the demand of a constantly growing market, the division has plans to add 1.2 million square feet of multi-layered PCBs to its monthly capacity.

Chemicals Division: With crude oil prices treading a dynamic path, and a reduction in chemicals import to China due to overseas capacities contraction, both trends are conducive to the development of the Mainland’s chemicals industry. As the Mainland economy recuperates step by step with domestic demand flourishing, the price of chemical products will be further stimulated. The division is committed to improving the use of resources and enhancing environmental protection. It will continue to fully utilise existing facilities on a low-carbon production model as it seeks to increase profitability. Having ploughed its way through the years in the chemicals industry, the Group has accumulated rich experience in the supply chain of phenol acetone, caustic soda and acetic acid. Around these three supply chains, the Group is mapping out various critical investment projects that will yield handsome long-term returns.

Property Division: With the aim of expediting capital recovery, the division will speed up the sales of the residential project in eastern China. Following the expiration of the rent-free period for the commercial properties within the project neighbouring the high-speed railway station in Kunshan City, Jiangsu Province, stable rental income is expected to be generated for the division.

ACKNOWLEDGEMENT

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 HK100 cents and special final dividend of HK100 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 Friday, 11 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 Secretaries 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 Secretaries 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 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 2020, 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 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 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Company purchased 2,016,000 Shares on the Stock Exchange for an aggregate consideration of HK\$44,948,120 before expenses pursuant to the share buy-back mandates approved by our shareholders at the annual general meetings held on 27 May 2019 and 25 May 2020. 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 purchase	Purchase consideration per share		No. of shares purchased	Aggregate consideration HK\$
	Highest price paid HK\$	Lowest price paid HK\$		
9 January 2020	24.85	24.20	500,000	12,314,450
30 March 2020	17.82	17.62	580,000	10,297,830
2 April 2020	17.76	17.76	29,500	523,920
12 June 2020	20.25	19.80	300,000	6,006,220
3 November 2020	26.40	26.35	300,000	7,918,775
9 November 2020	25.75	25.70	306,500	7,886,925
Total			<u>2,016,000</u>	<u>44,948,120</u>

During the year, the Group has, by way of a voluntary conditional cash offer, purchased 49,289,543 ordinary shares of Elec & Eltek International Company Limited (“E&E”) with an aggregate sum of HK\$875,382,000. E&E was listed on the main Board of SGX-ST and main board of the Stock Exchange. Following the abovementioned purchase, E&E was delisted from the Official List of SGX-ST and Stock Exchange on 25 September 2020.

Please refer to the joint announcement of the Company and E&E dated 3 April 2020 and the announcements of E&E dated 6 and 18 August 2020 and 1, 4, 21 and 24 September 2020 for details.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of their listed securities during year ended 31 December 2020.

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 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, 22 March 2021

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, Chan Wing Kee and Stanley Chung Wai Cheong, being the independent non-executive Directors.