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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 2022

FINANCIAL HIGHLIGHTS			
	FY2022	FY2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	22,363.7	28,799.8	-22%
EBITDA*	4,378.6	9,200.3	-52%
Profit before tax*	3,451.3	8,386.9	-59%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,002.7	6,781.7	-70%
– Reported net profit	1,909.1	6,781.7	-72%
Earnings per share			
– Based on underlying net profit*	HK64.2 cents	HK217.4 cents	-70%
– Based on reported net profit	HK61.2 cents	HK217.4 cents	-72%
Full-year dividend per share	HK35.0 cents	HK150.0 cents	-77%
– Interim dividend per share	HK15.0 cents	HK30.0 cents	-50%
– Proposed final dividend per share	HK20.0 cents	HK120.0 cents	-83%
Net asset value per share	HK\$4.82	HK\$6.10	-21%
	Net gearing 7%	Net cash 150.0	

* Excluding:

FY2022: Loss on fair value changes of investment properties of HK\$45.6 million and share-based payments of HK\$48 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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	22,363,680	28,799,810
Cost of sales		<u>(17,274,238)</u>	<u>(19,004,119)</u>
Gross profit		5,089,442	9,795,691
Other income, gains and losses	4	112,931	84,917
Distribution costs		(514,890)	(514,764)
Administrative costs		(942,478)	(938,999)
(Loss) gain on fair value changes of equity instruments at fair value through profit or loss		(24,780)	15,713
Gain on disposal of debt instruments at fair value through other comprehensive income		–	25,022
Loss on fair value changes of investment properties		(45,566)	–
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income		(186,501)	–
Finance costs	5	<u>(130,392)</u>	<u>(80,665)</u>
Profit before taxation		3,357,766	8,386,915
Income tax expense	7	<u>(1,448,382)</u>	<u>(1,603,436)</u>
Profit for the year		<u>1,909,384</u>	<u>6,783,479</u>
Profit for the year attributable to:			
Owners of the Company		1,909,169	6,781,656
Non-controlling interests		<u>215</u>	<u>1,823</u>
		<u>1,909,384</u>	<u>6,783,479</u>
Earnings per share	9		
– Basic		<u>HK\$0.612</u>	<u>HK\$2.174</u>
– Diluted		<u>HK\$0.612</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>1,909,384</u>	<u>6,783,479</u>
Other comprehensive (expense) income for the year		
<i>Item that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	<u>(1,884,486)</u>	<u>561,621</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income included in profit or loss	186,501	–
Fair value loss on debt instruments at fair value through other comprehensive income	(38,979)	(121,610)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>–</u>	<u>(25,022)</u>
	<u>147,522</u>	<u>(146,632)</u>
Other comprehensive (expense) income for the year	<u>(1,736,964)</u>	<u>414,989</u>
Total comprehensive income for the year	<u>172,420</u>	<u>7,198,468</u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	174,409	7,195,891
Non-controlling interests	<u>(1,989)</u>	<u>2,577</u>
	<u>172,420</u>	<u>7,198,468</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,268,425	1,441,259
Property, plant and equipment		7,217,777	6,247,809
Right-of-use assets		585,750	667,056
Equity instruments at fair value through profit or loss		860,415	1,177,398
Debt instruments at fair value through other comprehensive income		89,532	103,798
Deposits paid for acquisition of property, plant and equipment		553,269	878,135
Deferred tax assets		3,113	2,810
Goodwill		238	238
		<u>10,578,519</u>	<u>10,518,503</u>
Current assets			
Inventories		2,429,643	2,653,835
Trade and other receivables and prepayments	<i>10</i>	3,833,741	6,639,167
Bills receivables	<i>10</i>	2,509,628	4,243,905
Properties held for development		175,068	1,460,556
Equity instruments at fair value through profit or loss		561,303	442,125
Debt instruments at fair value through other comprehensive income		14,820	11,256
Amounts due from fellow subsidiaries		889,018	978,831
Taxation recoverable		18,119	8,718
Cash and cash equivalents		3,289,953	2,864,889
		<u>13,721,293</u>	<u>19,303,282</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued*At 31 December 2022*

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	2,544,365	2,732,637
Bills payables	<i>11</i>	474,379	602,496
Contract liabilities		374,150	2,773,455
Dividends payable		468,000	936,000
Lease liabilities		560	570
Amounts due to fellow subsidiaries		47,587	47,581
Taxation payable		598,525	870,454
Bank borrowings – amount due within one year		200,000	1,814,902
		<u>4,707,566</u>	<u>9,778,095</u>
Net current assets		<u>9,013,727</u>	<u>9,525,187</u>
Total assets less current liabilities		<u>19,592,246</u>	<u>20,043,690</u>
Non-current liabilities			
Lease liabilities		1,293	1,623
Deferred tax liabilities		318,962	76,943
Bank borrowings – amount due after one year		4,200,000	900,000
		<u>4,520,255</u>	<u>978,566</u>
Net assets		<u>15,071,991</u>	<u>19,065,124</u>
Capital and reserves			
Share capital		312,000	312,000
Reserves		14,736,892	18,726,483
Equity attributable to owners of the Company		15,048,892	19,038,483
Non-controlling interests		23,099	26,641
Total equity		<u>15,071,991</u>	<u>19,065,124</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 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 following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. REVENUE

Analysis of revenue for the year is as follows:

	2022 HK\$’000	2021 HK\$’000
Revenue recognised at a point in time		
Sales of glass epoxy laminates	12,443,665	20,795,401
Sales of paper laminates	1,544,064	2,240,799
Sales of upstream materials (<i>note a</i>)	4,035,387	3,857,153
Sales of properties	3,064,620	592,273
Others (<i>note b</i>)	1,111,212	1,100,421
Revenue recognised over time (<i>note c</i>)	44,255	59,813
Revenue from contracts with customers	22,243,203	28,645,860
Rental income	61,535	70,838
Interest income from debt instruments	8,433	37,918
Dividend income	50,509	45,194
	<u>22,363,680</u>	<u>28,799,810</u>

2. REVENUE – continued

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\$891,967,000 (2021: HK\$775,778,000).
- (c) Revenue recognised over time represents income from hotel accommodation of HK\$44,255,000 (2021: HK\$59,813,000).

3. 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 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 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 represents the profit earned by or loss incurred from 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 2022

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>19,134,328</u>	<u>3,170,410</u>	<u>58,942</u>	<u>22,363,680</u>
Segment results	<u>2,266,378</u>	<u>1,560,948</u>	<u>(201,122)</u>	3,626,204
Unallocated corporate income				44,460
Unallocated corporate expenses				(134,506)
Share-based payments				(48,000)
Finance costs				<u>(130,392)</u>
Profit before taxation				<u>3,357,766</u>

3. SEGMENT INFORMATION – continued

For the year ended 31 December 2021

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>27,993,774</u>	<u>722,924</u>	<u>83,112</u>	<u>28,799,810</u>
Segment results	<u>8,116,680</u>	<u>320,693</u>	<u>118,022</u>	8,555,395
Unallocated corporate income				36,217
Unallocated corporate expenses				(124,032)
Finance costs				<u>(80,665)</u>
Profit before taxation				<u>8,386,915</u>

Other information

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 investee or debtor.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC (country of domicile)	20,804,359	26,666,134
Other foreign countries:		
Other Asian countries	1,266,750	1,871,965
Europe	135,644	144,357
America	<u>156,927</u>	<u>117,354</u>
	<u>22,363,680</u>	<u>28,799,810</u>

Revenue from one of the Group's customers, being Kingboard Holdings Limited's subsidiaries, in laminates segment amounted to HK\$4,096,187,000 (2021: HK\$4,856,648,000), which individually accounted for over 10% of the Group's revenue for the year.

4. OTHER INCOME, GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income, gains and losses includes:		
Government grants	56,612	56,491
Interest income on bank balances and deposits	31,204	22,388
Loss on disposal and written off of property, plant and equipment	(1,821)	(20,749)
Others	<u>26,936</u>	<u>26,787</u>
	<u>112,931</u>	<u>84,917</u>

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	146,117	94,619
Imputed interest on contract liabilities	–	1,810
Interest on lease liabilities	81	95
Less: Amounts capitalised in the construction in progress	(15,806)	(14,049)
Amounts capitalised in the properties held for development	–	(1,810)
	<u>130,392</u>	<u>80,665</u>

For the year ended 31 December 2021, bank and other borrowing costs capitalised during the year include imputed interest on contract liabilities of HK\$1,810,000 (2022: nil) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.87% (2022: nil) per annum to expenditure on qualifying assets.

6. DEPRECIATION

During the year, depreciation of approximately HK\$781.5 million (2021: HK\$717.9 million) was charged in respect of the Group's property, plant and equipment.

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The amount comprises:		
PRC Enterprise Income Tax ("EIT")	427,922	1,295,764
PRC Land Appreciation Tax ("LAT")	528,034	97,850
Hong Kong Profits Tax	7,389	14,463
Taxation arising in other jurisdictions	13,309	17,489
Withholding tax in the PRC	230,012	178,642
	<u>1,206,666</u>	<u>1,604,208</u>
Deferred taxation		
Charge (credit) for the year	<u>241,716</u>	<u>(772)</u>
	<u>1,448,382</u>	<u>1,603,436</u>

Under the Law of the People's Republic of China on EIT (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, 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.

Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed. Certain subsidiaries in the PRC obtained official endorsement as a High-New Technology Enterprise and with the expiry dates on or before 2024 (2021: 2023).

7. INCOME TAX EXPENSE – continued

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 (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.

8. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends declared and/or paid		
2022 Interim dividend of HK15.0 cents (2021: HK30.0 cents) per ordinary share	468,000	936,000
2021 Final dividend of HK120.0 cents (2020: HK35.0 cents) per ordinary share	3,744,000	1,092,000
2020 Special final dividend of HK15.0 cents per ordinary share (2022: Nil)	–	468,000
	<u>4,212,000</u>	<u>2,496,000</u>
Dividends proposed		
Proposed 2022 Final dividend of HK20.0 cents (2021: HK120.0 cents) per ordinary share	<u>624,000</u>	<u>3,744,000</u>
	<u>624,000</u>	<u>3,744,000</u>

The final dividend of HK20.0 cents per ordinary share amounted to HK\$624,000,000 in respect of the year ended 31 December 2022 (2021: final dividend of HK120.0 cents per ordinary share amounted to HK\$3,744,000,000 in respect of the year ended 31 December 2021) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (2021: basic earnings per share)	<u>1,909,169</u>	<u>6,781,656</u>
	Number of shares	
	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,120,000	3,120,000
Effect of dilutive potential ordinary shares arising from share options (<i>Note</i>)	<u>–</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,120,000</u>	<u>N/A</u>

Note: The computation of diluted earnings per share for the year ended 31 December 2022 did not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market prices of shares of the Company during the year ended 31 December 2022.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	3,715,273	6,243,668
Less: Allowance for credit losses	<u>(574,985)</u>	<u>(661,595)</u>
Trade receivables, net	3,140,288	5,582,073
Advance to suppliers	183,371	517,652
Prepaid expenses and deposits	84,999	204,704
Value-added tax ("VAT") recoverable	244,531	190,197
Other receivables	<u>180,552</u>	<u>144,541</u>
	3,833,741	6,639,167
Bills receivables	<u>2,509,628</u>	<u>4,243,905</u>
	<u>6,343,369</u>	<u>10,883,072</u>

As at 1 January 2021, the gross amount of trade receivables from contracts with customers amounted to HK\$4,491,454,000 with allowance for credit losses of HK\$579,750,000.

**10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES
– continued**

The Group allows credit periods of up to 120 days (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	2,672,381	4,483,570
91–180 days	440,570	1,056,609
Over 180 days	27,337	41,894
	<u>3,140,288</u>	<u>5,582,073</u>

Bills receivables of the Group are all aged within 0–90 days (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	964,300	1,050,633
Accrued expenses	496,766	523,032
Payables for acquisition of property, plant and equipment	134,314	124,495
Other tax payables	661,868	726,214
VAT payables	136,536	222,553
LAT payables	61,096	10,672
Other payables	89,485	75,038
	<u>2,544,365</u>	<u>2,732,637</u>
Bills payables (<i>Note</i>)	474,379	602,496
	<u>3,018,744</u>	<u>3,335,133</u>

Note: Included in bills payables as at 31 December 2022 was payables for acquisition of property, plant and equipment of HK\$10,148,000 (2021: HK\$30,633,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	858,646	950,860
91–180 days	43,435	30,691
Over 180 days	62,219	69,082
	<u>964,300</u>	<u>1,050,633</u>

The average credit period on purchase of goods is 90 days (2021: 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 related to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables, which are aged within 90 days (2021: 90 days) at the end of the reporting period.

BUSINESS REVIEW

On behalf of the board of directors (the “Board”), I am delighted to report the annual results of Kingboard Laminates Holdings Limited and its subsidiaries (the “Group”) for the financial year ended 31 December 2022.

Amid an under-supply of laminates and upstream materials in 2021, industry participants responded by investing in capacity expansion, albeit to varying degrees. At the same time, multiple headwinds during 2022, including the Russia-Ukraine war and other geopolitical clashes, sporadic COVID-19 outbreaks in China, in particular the wave that hit Shanghai in the second quarter, as well as global inflation, have brought some negative impact on the electronics industry. The Group’s laminate sales and unit prices both went down during the year. In addition, a provision was made for inventory impairment in light of lower stock turnover rates and falling unit prices of laminates and upstream materials of the Group in the first two months of 2023. Despite the soft market conditions and high costs, the Group has worked hard to build further on its advantage of a vertical value chain and extensive client network which, together with successful cost control, has enabled it to deliver an underlying profit of over HK\$2 billion. The Property Division recorded a significant revenue growth on the back of increased residential property deliveries. A provision of HK\$186.5 million was made during the year for credit impairment of the Group’s bond investments.

The Group’s revenue decreased 22% over that of 2021 to HK\$22,363.7 million. Net profit attributable to owners of the Company (excluding non-recurrent items) was down 70% to HK\$2,002.7 million. On the basis of a healthy financial position, the Board has proposed a final dividend of HK20 cents, subject to shareholders’ approval.

Financial Highlights

	FY2022	FY2021	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	22,363.7	28,799.8	-22%
EBITDA*	4,378.6	9,200.3	-52%
Profit before tax*	3,451.3	8,386.9	-59%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,002.7	6,781.7	-70%
– Reported net profit	1,909.1	6,781.7	-72%
Earnings per share			
– Based on underlying net profit*	HK64.2 cents	HK217.4 cents	-70%
– Based on reported net profit	HK61.2 cents	HK217.4 cents	-72%
Full-year dividend per share	HK35.0 cents	HK150.0 cents	-77%
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– Proposed final dividend per share	HK20.0 cents	HK120.0 cents	-83%
Net asset value per share	HK\$4.82	HK\$6.10	-21%
	Net gearing 7%	Net cash 150.0	

* Excluding:

FY2022: Loss on fair value changes of investment properties of HK\$45.6 million and share-based payments of HK\$48.0 million.

PERFORMANCE

Laminates Division: Despite a demand drop in the electronics industry, the Laminates Division has forged ahead with active market development, and satisfactory progress was achieved in terms of product portfolio enhancement. As a result, there was a significant proportionate expansion in the sales of high-end and high-value-added products, including thin laminates used in portable devices, lead-free and halogen-free laminates meeting high environmental standards, fire-retardant laminates with broad compatibility, and high-frequency and high-speed laminates with low loss and high transmission speed. With improvements made to certain laminate products, the Group was able to fulfil more sophisticated client requirements while yielding better price-performance, thus gaining strong recognition from clients. Revenue of the Laminates Division dropped 32% to HK\$19,134.3 million. In the face of the challenges brought by commodity, energy and transportation cost hikes, the Group's experienced management team has worked hard to raise production efficiency and lower energy consumption through technical enhancements. With a higher level of automation employed in production, the Group was also able to achieve savings in labour expenses, thus helping to cushion the pressure of cost increases. A provision was made for inventory impairment in light of lower stock turnover rates and falling unit prices of laminates and upstream materials of the Group in the first two months of 2023. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") decreased 65% to HK\$3,047.7 million.

PERFORMANCE – continued

Property Division: As the Group continued to focus on the development of its laminates business, the Property Division was mainly engaged in the sales of the remaining units. Due to an increased delivery of residential properties during the year, segment revenue jumped 3.4 times to HK\$3,170.4 million. EBITDA also surged 3.7 times to HK\$1,576.1 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position remained robust. As at 31 December 2022, the Group net current assets and current ratio (current assets divided by current liabilities) were HK\$9,013.7 million (31 December 2021: HK\$9,525.2 million) and 2.91 (31 December 2021: 1.97) respectively.

The net working capital cycle decreased to 86 days as at 31 December 2022 from 102 days as at 31 December 2021 on the following key metrics:

- Inventories, in terms of stock turnover days, were 51 days (31 December 2021: 51 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, were 66 days (31 December 2021: 83 days).
- Trade and bills payable (excluding bills payable for properties, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditor turnover days, were 31 days (31 December 2021: 32 days).

As at 31 December 2022, the Group's net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 7% (31 December 2021: net cash (bank balances and cash net of bank borrowings) of HK\$150.0 million). In 2022, the Group invested approximately HK\$2.4 billion on new capacity. The Group believes that with an experienced management team, solid business foundations and a strong financial position, these investments will deliver stable and satisfactory returns for shareholders in the long term. The proportion of short-term to long-term bank borrowings stood at 5%:95% (31 December 2021: 67%:33%). It continued to adopt a prudent financial management policy, and 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.

During the review period, the Group successfully signed a 5-year sustainability-linked loan facility agreement with 14 major international and local banks. The syndicated facility received an overwhelming response from the market and was significantly oversubscribed. The final size of the loan came to HK\$7 billion, reflecting the Group's efforts towards its sustainability goals, as well as the banking industry's trust and support of the Group's environmental, social and governance (ESG) work.

HUMAN RESOURCES

As at 31 December 2022, the Group employed a workforce of approximately 10,300 (31 December 2021: 9,900). 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 employees' individual performance.

PROSPECTS

The first two months of 2023 saw weak demand in the laminates market, but with the relaxation of pandemic prevention measures and virus transmission declining, consumer confidence is picking up, and is expected to move the laminates industry forward to a new growth cycle. The new laminates plant in Shaoguan, Guangdong Province, has been fully commissioned, adding capacities for the Group in strategic locations. Commanding a more extensive offering of laminate products, the Group will focus on the development of high-quality products, supported by further upgrades in thin, fire-retardant, high-frequency, high-speed, lead-free and halogen-free laminates. The Group will also further its collaboration with high-end clients to drive certification for the Group's products. During the year, the Group actively added monthly capacities of the upstream materials including 4,200 tonnes of glass yarn and 1,050 tonnes of copper foil in Lianzhou, Guangdong Province and 13 million metres of glass fabric in Shaoguan, Guangdong Province. Further in the first half of 2023, an additional monthly capacity of 750 tonnes of copper foil will be introduced to the plant in Lianzhou, Guangdong Province. The quality of the Group's upstream materials is widely recognised by external clients, and strategic cooperation agreements have been signed with some of these upstream clients. The aforesaid expansion plan will serve the dual goal of coping with internal business needs and driving external sales and earnings from upstream materials. New growth momentum will also be derived from plans to increase capacities for laminates and upstream materials in Thailand, with a view to supporting the Group's overseas expansion.

The Group is proactively deploying big data management to further enhance operational efficiency. This will enable the Group to respond to market-driven and customer-led demand changes in a faster and more precise way. A modernized manufacturing execution system ("MES") will also be deployed to enhance production efficiency. Echoing the state's aim for peak carbon dioxide by 2030 and carbon neutrality by 2060, the Group is establishing solar photovoltaic power projects within its facilities in stages. It is expected that these projects will be able to recoup their costs within five years, while continuing to bring long-term benefits to the Group. The Group holds full confidence in its future development, as it enjoys the strong leverage of its over thirty years of vertical operating experience from upstream materials to laminates. Efforts in putting forward multi-year research and development and technical enhancements are expected to bear fruit, with notable progress achieved in recent years. In an end-user client forum held in October 2022, the Group received strong client response which will add further steam to forthcoming sales. With a significant cost advantage over its peers, the Group has achieved consistent growth in market share, validating its competitiveness. The Group is well recognised by clients for the quality and timely delivery of laminates. Together with a growing number of active accounts, the Group is also able to forge deeper collaboration with existing clients. As always, the Group's management will pledge their full efforts in creating greater returns for shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, clients, banks, the management and employees for their unreserved support to the Group during the past year.

FINAL DIVIDEND

The proposed final dividend of HK20 cents, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 29 May 2023 (“2023 AGM”), is to be payable on Thursday, 6 July 2023 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 June 2023.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) From Tuesday, 23 May 2023 to Monday, 29 May 2023, 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 2023 AGM. In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Monday, 22 May 2023; and
- (ii) From Friday, 16 June 2023 to Tuesday, 20 June 2023, 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. In order to qualify for the proposed 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Thursday, 15 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the code provisions as set out in the Corporate Governance 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 2022.

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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There has been no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries during the year.

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 2022.

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 2022 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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, 27 March 2023

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. Ip Shu Kwan, Stephen, Zhang Lu Fu, Kung, Peter and Ho Kwok Ming, being the independent non-executive Directors.