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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 2023

FINANCIAL HIGHLIGHTS			
	FY2023	FY2022	Change
	HK\$'million	HK\$'million	
Revenue	16,750.2	22,363.7	-25%
EBITDA*	2,450.3	4,378.6	-44%
Profit before tax*	1,276.5	3,451.3	-63%
Net profit attributable to owners of the Company			
– Underlying net profit*	991.0	2,002.7	-51%
– Reported net profit	907.4	1,909.1	-52%
Earnings per share			
– Based on underlying net profit*	HK31.8 cents	HK64.2 cents	-50%
– Based on reported net profit	HK29.1 cents	HK61.2 cents	-52%
Full-year dividend per share	HK16.0 cents	HK35.0 cents	-54%
– Interim dividend per share	HK6.0 cents	HK15.0 cents	-60%
– Proposed final dividend per share	HK10.0 cents	HK20.0 cents	-50%
Net asset value per share	HK\$4.79	HK\$4.82	-1%
Net gearing	16%	7%	

* Excluding:

FY2023: Loss on fair value changes of investment properties of HK\$34.9 million and share-based payments of HK\$48.8 million.

FY2022: Loss on fair value changes of investment properties of HK\$45.6 million and share-based payments of HK\$48.0 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 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	2	16,750,248	22,363,680
Cost of sales		<u>(14,073,125)</u>	<u>(17,274,238)</u>
Gross profit		2,677,123	5,089,442
Other income, gains and losses	4	100,420	112,931
Distribution expenses		(426,155)	(514,890)
Administrative expenses		(791,848)	(942,478)
Loss on fair value changes of equity instruments at fair value through profit or loss		(69,854)	(24,780)
Gain on disposal of debt instruments at fair value through other comprehensive income		12,071	–
Loss on fair value changes of investment properties		(34,867)	(45,566)
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income		(270)	(186,501)
Finance costs	5	<u>(273,694)</u>	<u>(130,392)</u>
Profit before taxation		1,192,926	3,357,766
Income tax expense	7	<u>(284,282)</u>	<u>(1,448,382)</u>
Profit for the year		<u>908,644</u>	<u>1,909,384</u>
Profit for the year attributable to:			
Owners of the Company		907,402	1,909,169
Non-controlling interests		<u>1,242</u>	<u>215</u>
		<u>908,644</u>	<u>1,909,384</u>
Earnings per share	9		
– Basic		<u>HK\$0.291</u>	<u>HK\$0.612</u>
– Diluted		<u>HK\$0.291</u>	<u>HK\$0.612</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>908,644</u>	<u>1,909,384</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>(186,506)</u>	<u>(1,884,486)</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	270	186,501
Fair value loss on debt instruments at fair value through other comprehensive income	(44,641)	(38,979)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(12,071)</u>	<u>–</u>
	<u>(56,442)</u>	<u>147,522</u>
Other comprehensive expense for the year	<u>(242,948)</u>	<u>(1,736,964)</u>
Total comprehensive income for the year	<u>665,696</u>	<u>172,420</u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	664,793	174,409
Non-controlling interests	<u>903</u>	<u>(1,989)</u>
	<u>665,696</u>	<u>172,420</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,266,313	1,268,425
Property, plant and equipment		7,332,606	7,217,777
Right-of-use assets		589,061	585,750
Equity instruments at fair value through profit or loss		356,334	860,415
Debt instruments at fair value through other comprehensive income		96,452	89,532
Deposits paid for acquisition of property, plant and equipment		101,338	553,269
Deferred tax assets		3,607	3,113
Goodwill		238	238
		<u>9,745,949</u>	<u>10,578,519</u>
Current assets			
Inventories		2,734,446	2,429,643
Trade and other receivables and prepayments	<i>10</i>	3,765,005	3,833,741
Bills receivables	<i>10</i>	2,638,096	2,509,628
Properties held for development		110,816	175,068
Equity instruments at fair value through profit or loss		1,681,470	561,303
Debt instruments at fair value through other comprehensive income		–	14,820
Amounts due from fellow subsidiaries		859,923	889,018
Taxation recoverable		–	18,119
Cash and cash equivalents		2,027,179	3,289,953
		<u>13,816,935</u>	<u>13,721,293</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	2,257,166	2,544,365
Bills payables	<i>11</i>	477,593	474,379
Contract liabilities		347,123	374,150
Dividends payable		187,200	468,000
Lease liabilities		563	560
Amounts due to fellow subsidiaries		46,767	47,587
Taxation payable		519,813	598,525
Bank borrowings – amount due within one year		1,759,086	200,000
		<u>5,595,311</u>	<u>4,707,566</u>
Net current assets		<u>8,221,624</u>	<u>9,013,727</u>
Total assets less current liabilities		<u>17,967,573</u>	<u>19,592,246</u>
Non-current liabilities			
Lease liabilities		1,075	1,293
Deferred tax liabilities		298,953	318,962
Bank borrowings – amount due after one year		2,692,308	4,200,000
		<u>2,992,336</u>	<u>4,520,255</u>
Net assets		<u>14,975,237</u>	<u>15,071,991</u>
Capital and reserves			
Share capital		312,000	312,000
Reserves		14,639,235	14,736,892
Equity attributable to owners of the Company		14,951,235	15,048,892
Non-controlling interests		24,002	23,099
Total equity		<u>14,975,237</u>	<u>15,071,991</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”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Account Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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:

	2023 HK\$’000	2022 HK\$’000
Revenue recognised at a point in time		
Sales of glass epoxy laminates (<i>note a</i>)	10,210,574	12,443,665
Sales of paper laminates (<i>note a</i>)	1,373,613	1,544,064
Sales of upstream materials (<i>note a</i>)	3,643,628	4,035,387
Sales of properties	113,592	3,064,620
Sales of specialty resin (<i>note a</i>)	1,030,273	891,967
Others	189,719	219,245
Revenue recognised over time (<i>note b</i>)	55,143	44,255
Revenue from contracts with customers	16,616,542	22,243,203
Rental income	58,081	61,535
Interest income from debt instruments	4,342	8,433
Dividend income	71,283	50,509
	<u>16,750,248</u>	<u>22,363,680</u>

2. REVENUE – continued

Notes:

- (a) Sales of laminates, its upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper and sales of specialty resin. The payment terms are ranged from 0 day to 120 days.
- (b) Revenue recognised over time represents income from hotel accommodation of HK\$55,143,000 (2022: HK\$44,255,000).

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 or loss incurred 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 2023

	Laminates <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>16,447,807</u>	<u>226,816</u>	<u>75,625</u>	<u>16,750,248</u>
Segment results	<u>1,516,358</u>	<u>42,336</u>	<u>4,182</u>	1,562,876
Unallocated corporate income				47,157
Unallocated corporate expenses				(94,663)
Share-based payments				(48,750)
Finance costs				<u>(273,694)</u>
Profit before taxation				<u>1,192,926</u>

3. SEGMENT INFORMATION – continued

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>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The PRC (country of domicile)	15,410,846	20,804,359
Other foreign countries:		
Other Asian countries	1,073,565	1,266,750
Europe	138,363	135,644
America	<u>127,474</u>	<u>156,927</u>
	<u>16,750,248</u>	<u>22,363,680</u>

Revenue from one of the Group's customers, being KHL's subsidiaries in fellow subsidiaries of the Group, in laminates segment amounted to HK\$3,488,683,000 (2022: HK\$4,096,187,000), which individually accounted for over 10% of the Group's revenue for the year.

4. OTHER INCOME, GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income, gains and losses includes:		
Government grants	47,309	56,612
Interest income on bank balances and deposits	35,644	31,204
Loss on disposal and written off of property, plant and equipment	(642)	(1,821)
Others	<u>18,109</u>	<u>26,936</u>
	<u>100,420</u>	<u>112,931</u>

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	285,159	146,117
Interest on lease liabilities	70	81
Less: Amounts capitalised in the construction in progress	<u>(11,535)</u>	<u>(15,806)</u>
	<u>273,694</u>	<u>130,392</u>

6. DEPRECIATION

During the year, depreciation of approximately HK\$886.1 million (2022: HK\$781.5 million) was charged in respect of the Group's property, plant and equipment.

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The amount comprises:		
PRC Enterprise Income Tax ("EIT")	162,437	427,922
PRC Land Appreciation Tax ("LAT")	14,646	528,034
Hong Kong Profits Tax	3,423	7,389
Taxation arising in other jurisdictions	9,918	13,309
Withholding tax in the PRC	<u>114,361</u>	<u>230,012</u>
	304,785	1,206,666
Deferred taxation (Credit) charge for the year	<u>(20,503)</u>	<u>241,716</u>
	<u>284,282</u>	<u>1,448,382</u>

Under the Law of the PRC 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 2025 (2022: 2024).

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.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Dividends declared and/or paid		
2023 Interim dividend of HK6.0 cents (2022: HK15.0 cents) per ordinary share	187,200	468,000
2022 Final dividend of HK20.0 cents (2021: HK120.0 cents) per ordinary share	624,000	3,744,000
	<u>811,200</u>	<u>4,212,000</u>
Dividends proposed		
Proposed 2023 Final dividend of HK10.0 cents (2022: HK20.0 cents) per ordinary share	312,000	624,000
	<u>312,000</u>	<u>624,000</u>

The final dividend of HK10 cents per ordinary share amounted to HK\$312,000,000 in respect of the year ended 31 December 2023 (2022: final dividend of HK20.0 cents per ordinary share amounted to HK\$624,000,000 in respect of the year ended 31 December 2022) 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (2022: basic and diluted earnings per share)	<u>907,402</u>	<u>1,909,169</u>
	Number of shares	
	2023 <i>'000</i>	2022 <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>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,120,000</u>	<u>3,120,000</u>

Note: The Company's share options can potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted earnings per share because they are antidilutive for the years presented.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	3,565,346	3,715,273
Less: Allowance for credit losses	<u>(464,189)</u>	<u>(574,985)</u>
Trade receivables, net	3,101,157	3,140,288
Advance to suppliers	126,611	183,371
Prepaid expenses and deposits	75,704	84,999
Value-added tax ("VAT") recoverable	297,851	244,531
Other receivables	<u>163,682</u>	<u>180,552</u>
	3,765,005	3,833,741
Bills receivables	<u>2,638,096</u>	<u>2,509,628</u>
	<u>6,403,101</u>	<u>6,343,369</u>

As at 1 January 2022, the gross amount of trade receivables from contracts with customers amounted to HK\$6,243,668,000 with allowance for credit losses of HK\$661,595,000.

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

The Group allows credit periods of up to 120 days (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	2,615,687	2,672,381
91–180 days	452,670	440,570
Over 180 days	32,800	27,337
	<u>3,101,157</u>	<u>3,140,288</u>

Bills receivables of the Group are all aged within 0–90 days (2022: 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	792,963	964,300
Accrued expenses	468,353	496,766
Payables for acquisition of property, plant and equipment	164,893	134,314
Other tax payables	578,619	661,868
VAT payables	125,502	136,536
LAT payables	–	61,096
Other payables	126,836	89,485
	<u>2,257,166</u>	<u>2,544,365</u>
Bills payables (<i>Note</i>)	477,593	474,379
	<u>2,734,759</u>	<u>3,018,744</u>

Note: Included in bills payables as at 31 December 2023 was payables for acquisition of property, plant and equipment of HK\$78,944,000 (2022: HK\$10,148,000).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	702,995	858,646
91–180 days	35,121	43,435
Over 180 days	54,847	62,219
	<u>792,963</u>	<u>964,300</u>

The average credit period on purchase of goods is 90 days (2022: 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 (2022: 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 2023 (the “Period”).

During the Period, geopolitical conflicts persisted while inflation and interest rates remained high, leading to weak consumer confidence and overall subdued demand in the electronics market. In addition, the overall expansion in laminates production capacity over the previous two years has led to excess capacity in the industry. Despite the resulting intense market competition, the Group has successfully leveraged its vertically integrated supply chain, continuous technological enhancements and stringent cost control to strengthen its competitive position. Together with active new business development and end customer certification, the Group now commands a broader and more diversified clientele network, enabling the Group to achieve a 3% increase in annual sales volume. However, segment revenue of the Laminates Division was adversely affected by the general decline in laminate market’s selling prices. As the remaining saleable properties diminished, the Property Division recorded a decline in revenue.

The Group’s revenue decreased 25% over that of 2022 to HK\$16,750.2 million. Net profit attributable to owners of the Company was down 51% to HK\$991.0 million. On the basis of a healthy financial position, the Board has proposed a final dividend of HK10 cents, subject to shareholders’ meeting approval.

Financial Highlights

	FY2023 <i>HK\$'million</i>	FY2022 <i>HK\$'million</i>	Change
Revenue	16,750.2	22,363.7	-25%
EBITDA*	2,450.3	4,378.6	-44%
Profit before tax*	1,276.5	3,451.3	-63%
Net profit attributable to owners of the Company			
– Underlying net profit*	991.0	2,002.7	-51%
– Reported net profit	907.4	1,909.1	-52%
Earnings per share			
– Based on underlying net profit*	HK31.8 cents	HK64.2 cents	-50%
– Based on reported net profit	HK29.1 cents	HK61.2 cents	-52%
Full-year dividend per share	HK16.0 cents	HK35.0 cents	-54%
– Interim dividend per share	HK6.0 cents	HK15.0 cents	-60%
– Proposed final dividend per share	HK10.0 cents	HK20.0 cents	-50%
Net asset value per share	HK\$4.79	HK\$4.82	-1%
Net gearing	16%	7%	

* Excluding:

FY2023: Loss on fair value changes of investment properties of HK\$34.9 million and share-based payments of HK\$48.8 million.

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: The Period saw the electronics industry facing a decline in demand, but the Laminates Division made satisfactory progress with its product portfolio enhancement efforts as it actively pursued growth in new market arenas. There was a continued rise in the sales of high-end and high-value-added products. This high-end portfolio includes thin laminates designed for portable devices, lead-free and halogen-free laminates complying with stringent environmental standards, and fire-resistant laminates with wide compatibility, as well as high-frequency and high-speed laminates ensuring low loss and high transmission speed. Segment revenue of the Laminates Division declined 14% to HK\$16,447.8 million. Fierce competition in the industry during the Period, with selling prices dropping more steeply than production costs, resulted in a year-on-year decrease in gross profit margin, leading many industry participants to incur losses in 2023. Nevertheless, with its experienced management team's continuous efforts to raise efficiency and reduce energy consumption through technological enhancements, and to achieve labour cost savings by increasing automation at its facilities, the Group has effectively buffered the pressure brought by the decline in gross profit margin. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") were down 21% to HK\$2,402.3 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. As the number of remaining saleable units diminished, segment revenue dropped by 93% to HK\$226.8 million. EBITDA also down 96% to HK\$57.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 31 December 2023, the Group net current assets and current ratio (current assets divided by current liabilities) were HK\$8,221.6 million (31 December 2022: HK\$9,013.7 million) and 2.47 (31 December 2022: 2.91) respectively.

The net working capital cycle increased to 125 days as at 31 December 2023 from 86 days as at 31 December 2022 on the following key metrics:

- Inventories, in terms of stock turnover days, were 71 days (31 December 2022: 51 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, were 86 days (31 December 2022: 66 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 32 days (31 December 2022: 31 days).

As at 31 December 2023, the Group's net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 16% (31 December 2022: net gearing ratio 7%). In 2023, the Group invested approximately HK\$700 million in new capacity. With the management team's wealth of professional experience, a strong business foundation, and a solid financial position, the management firmly believes these investments will generate stable and satisfactory long-term returns for shareholders. The ratio of short-term to long-term bank borrowings stood at 40%:60% (31 December 2022: 5%:95%). The Group continued to adopt a prudent financial management policy. Throughout the year, the Group did not enter into any material derivative financial instruments, nor did the Group have any material foreign exchange exposure. 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. The Group possessed adequate financial resources in reserve to fulfil its requirements for future market developments.

HUMAN RESOURCES

As at 31 December 2023, the Group employed a workforce of approximately 10,000 (31 December 2022: 10,300). 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

Inventories of PCBs makers and end-user customers have substantially been cleared up after a downward cycle of nearly two years. Export orders are gradually picking up, with rapid growth in demand for new energy vehicles and peripheral products such as charging stations, the popularization of photovoltaics and other clean energy sources, and widespread application of artificial intelligence and big data technologies. It is expected that the laminates market will gradually stabilize and rebound. The Group has completed the development of low dielectric constant/low thermal expansion coefficient products for AI computing applications. These products have a high proportion of domestic materials and are currently undergoing comprehensive testing with customers. In line with the demands of the Group's PCBs production and the industry, the products are actively being introduced to the market. Furthermore, raw material prices have been consistently dropping during this market downturn. While this trend has put tremendous price pressure on the Group's inventory materials, it is worth noting that almost all raw materials used in laminates production, save for copper, have now reached extremely low price points. This is set to improve the Group's gross profit margin in 2024. All business units remain steadfast in their commitment to upholding high quality standards while maintaining effective cost controls. It is also anticipated that the years of research and development and technical enhancements invested in by the Group will gradually yield positive results towards its goal of driving new-quality production, thus achieving high-quality sustainable growth. Moving forward, the division will continue to collaborate with premium customers, working together towards the certification of high-end products by end customers. The Group has plans to expand its laminates monthly capacities in Thailand in 2024 by 400,000 sheets to cope with the development pace.

Echoing the state's promotion of energy saving and emissions reduction, the Group is adopting a professional and systematic approach in establishing distributed solar photovoltaic power projects across all buildable area within the facilities in stages. As of 31 December 2023, the project has received a total investment of HK\$300 million, generating 65 million kWh of green electricity per year, equivalent to annual energy saving of 18,000 tons of standard coal, reducing carbon dioxide emissions by 39,000 tons, and saving HK\$58.5 million of electricity expenses when calculated according to the market price. As of 31 December 2024, the project will receive an estimated total investment of approximately HK\$600 million, expecting to generate 130 million kWh of green electricity per year, equivalent to annual energy saving of 36,000 tons of standard coal, reducing carbon dioxide emissions by 78,000 tons, and saving HK\$117 million of electricity expenses when calculated according to the market price. Besides, with about HK\$80 million invested in thermal energy recovery equipment to reduce 37,000 tons of carbon dioxide emissions annually, equivalent to annual energy saving of 15,000 tons of standard coal, the Group saves about HK\$80 million in expenses annually, totally saving more than HK\$230 million, bringing long-term benefits. These efforts reflect the Group's dedication to achieving the sustainable development goals under its ESG mission. We have full confidence in the development of the Group. With decades of experience in the laminates industry and a vertical supply chain integrating with upstream materials, the Group commands a strong cost advantage against competitors. It has gained customers' trust and recognition through consistent product quality and on-time delivery. In addition to achieving rising numbers of active clients, the Group is also able to build deeper collaboration with existing clients. The management remains committed to generating enhanced returns for the 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 HK10 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, 27 May 2024 (“2024 AGM”), is to be payable on Thursday, 4 July 2024 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 18 June 2024.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) From Wednesday, 22 May 2024 to Monday, 27 May 2024, 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 2024 AGM. In order to be eligible to attend and vote at the 2024 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 Tuesday, 21 May 2024; and
- (ii) From Friday, 14 June 2024 to Tuesday, 18 June 2024, 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, 13 June 2024.

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 C1 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 2023.

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 C3 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 2023.

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 2023.

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 2023 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 18 March 2024. 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, 18 March 2024

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.