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KINGBOARD HOLDINGS LIMITED

建滔集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	HK\$'million	HK\$'million	
Revenue	27,828.2	26,701.5	+4%
EBITDA*	5,767.4	8,352.6	-31%
Profit before tax*	4,646.0	7,343.2	-37%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,522.3	5,061.7	-50%
– Reported net profit	2,409.6	5,061.7	-52%
Basic earnings per share			
– Based on underlying net profit*	HK\$2.275	HK\$4.573	-50%
– Based on reported net profit	HK\$2.173	HK\$4.573	-52%
Interim dividend per share	HK\$0.30	HK\$0.56	-46%
Net asset value per share	HK\$55.4	HK\$53.0	+5%
Net gearing	19%	20%	

* *Excluding:*

From 1 January 2022 to 30 June 2022, share-based payments with gross amount of HK\$125.3 million, and net amount of HK\$112.7 million after share of non-controlling shareholders (From 1 January 2021 to 30 June 2021: Nil).

The board of directors (the “Board”) of Kingboard Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows:

Condensed Consolidated Statement of Profit or Loss

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	27,828,186	26,701,492
Cost of sales and services rendered		<u>(19,643,720)</u>	<u>(18,011,631)</u>
Gross profit		8,184,466	8,689,861
Other income, gains and losses	5	129,289	116,277
Distribution costs		(831,228)	(639,023)
Administrative expenses		(1,257,541)	(1,228,597)
(Loss) gain on fair value changes of equity instruments at fair value through profit or loss		(93,723)	370,352
Gain on disposal of debt instruments at fair value through other comprehensive income		92,359	49,133
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income		(1,575,440)	–
Share-based payments		(125,300)	–
Finance costs	6	(155,221)	(108,078)
Share of results of joint ventures		40,659	41,926
Share of result of an associate		112,427	51,380
		<u>4,520,747</u>	<u>7,343,231</u>
Profit before taxation		4,520,747	7,343,231
Income tax expense	7	<u>(1,619,114)</u>	<u>(1,401,987)</u>
Profit for the period		<u>2,901,633</u>	<u>5,941,244</u>
Profit for the period attributable to:			
Owners of the Company		2,409,616	5,061,729
Non-controlling interests		492,017	879,515
		<u>2,901,633</u>	<u>5,941,244</u>
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Earnings per share	9		
Basic		<u>2.173</u>	<u>4.573</u>
Diluted		<u>2.173</u>	<u>4.569</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>2,901,633</u>	<u>5,941,244</u>
Other comprehensive (expenses) income for the period:		
<i>Item that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	<u>(2,778,449)</u>	<u>515,527</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	1,575,440	–
Fair value loss on debt instruments measured at fair value through other comprehensive income	(292,242)	(2,331)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(92,359)</u>	<u>(49,133)</u>
	<u>1,190,839</u>	<u>(51,464)</u>
Other comprehensive (expenses) income for the period	<u>(1,587,610)</u>	<u>464,063</u>
Total comprehensive income for the period	<u><u>1,314,023</u></u>	<u><u>6,405,307</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,061,731	5,490,283
Non-controlling interests	<u>252,292</u>	<u>915,024</u>
	<u><u>1,314,023</u></u>	<u><u>6,405,307</u></u>

Condensed Consolidated Statement of Financial Position

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		24,333,397	21,820,016
Property, plant and equipment	<i>10</i>	16,323,016	15,598,376
Right-of-use assets		1,934,079	1,840,942
Goodwill		2,670,528	2,670,528
Intangible asset		44,640	47,880
Interest in an associate		480,170	563,247
Interests in joint ventures		2,593,387	2,598,657
Equity instruments at fair value through profit or loss		2,584,882	4,403,025
Debt instruments at fair value through other comprehensive income		594,384	617,950
Loan receivable		1,880,000	1,880,000
Entrusted loans	<i>11</i>	302,151	331,126
Deposits paid for acquisition of property, plant and equipment		1,044,965	1,176,731
Deferred tax assets		1,716	2,294
		<u>54,787,315</u>	<u>53,550,772</u>
Current assets			
Inventories		4,814,655	3,913,206
Properties held for development		17,482,358	19,675,817
Trade and other receivables and prepayments	<i>11</i>	9,663,185	11,474,250
Bills receivables	<i>11</i>	4,077,080	5,103,644
Equity instruments at fair value through profit or loss		3,249,795	4,139,071
Debt instruments at fair value through other comprehensive income		27,751	416,505
Taxation recoverable		25,606	30,146
Bank balances and cash		6,826,867	5,512,357
		<u>46,167,297</u>	<u>50,264,996</u>
Current liabilities			
Trade and other payables	<i>12</i>	6,351,667	7,046,191
Bills payables	<i>12</i>	362,466	728,144
Contract liabilities		2,121,545	5,301,996
Dividend payable		3,686,380	866,769
Taxation payable		1,899,735	2,161,015
Bank borrowings – amount due within one year		7,834,452	10,737,949
Lease liabilities		3,175	3,969
		<u>22,259,420</u>	<u>26,846,033</u>
Net current assets		<u>23,907,877</u>	<u>23,418,963</u>
Total assets less current liabilities		<u>78,695,192</u>	<u>76,969,735</u>

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	602,396	612,023
Bank borrowings – amount due after one year	11,651,786	7,667,985
Lease liabilities	4,774	6,434
	<u>12,258,956</u>	<u>8,286,442</u>
	<u>66,436,236</u>	<u>68,683,293</u>
Capital and reserves		
Share capital	110,879	110,879
Reserves	61,339,872	62,906,293
	<u>61,450,751</u>	<u>63,017,172</u>
Equity attributable to owners of the Company	61,450,751	63,017,172
Non-controlling interests	4,985,485	5,666,121
	<u>66,436,236</u>	<u>68,683,293</u>
Total equity	<u>66,436,236</u>	<u>68,683,293</u>

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRS

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group’s condensed 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 amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 the executive directors of the Company, who are the Chief Operating Decision Makers (“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) laminates, (ii) PCBs, (iii) chemicals, (iv) properties, (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income and equity instruments at fair value through profit or loss) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business).

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, share-based payments, finance costs and unallocated corporate income and expenses). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenues and results by reportable segments are presented below:

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2022								
Segment revenue								
External sales	8,574,489	6,985,757	7,487,008	4,352,201	168,000	260,731	–	27,828,186
Inter-segment sales	2,172,586	–	449,407	–	–	2,998	(2,624,991)	–
Total	10,747,075	6,985,757	7,936,415	4,352,201	168,000	263,729	(2,624,991)	27,828,186
Result								
Segment result	1,863,785	502,745	1,698,323	2,129,767	(1,416,804)	(2,477)		4,775,339
Unallocated corporate income								95,025
Unallocated corporate expenses								(222,182)
Share-based payments								(125,300)
Finance costs								(155,221)
Share of results of joint ventures								40,659
Share of result of an associate								112,427
Profit before taxation								4,520,747

3. Segment information-continued

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2021								
Segment revenue								
External sales	12,233,357	6,462,444	7,003,928	575,343	180,726	245,694	–	26,701,492
Inter-segment sales	2,207,193	–	547,644	–	–	4,151	(2,758,988)	–
Total	<u>14,440,550</u>	<u>6,462,444</u>	<u>7,551,572</u>	<u>575,343</u>	<u>180,726</u>	<u>249,845</u>	<u>(2,758,988)</u>	<u>26,701,492</u>
Result								
Segment result	<u>4,099,898</u>	<u>623,257</u>	<u>1,924,912</u>	<u>426,327</u>	<u>590,417</u>	<u>(78,737)</u>		7,586,074
Unallocated corporate income								22,656
Unallocated corporate expenses								(250,727)
Finance costs								(108,078)
Share of result of joint ventures								41,926
Share of results of an associate								51,380
Profit before taxation								<u>7,343,231</u>

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

4. Depreciation

During the reporting period, depreciation of approximately HK\$939,773,000 (six months ended 30 June 2021: HK\$871,284,000) was charged in respect of the Group's property, plant and equipment.

5. Other income, gains and losses

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Interest income from bank balances and deposits	28,041	19,692
Interest income on entrusted loans	9,450	11,311
Interest income on loan receivable	66,984	20,252
Government grants	27,005	47,963
Others	(2,191)	17,059
	<u>129,289</u>	<u>116,277</u>

6. Finance costs

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	161,353	139,263
Imputed interest on contract liabilities	1,915	4,722
Interest on lease liabilities	219	292
Less: Amounts capitalised in the construction in progress	(5,522)	(5,835)
Amounts capitalised in the properties held for development	(2,744)	(30,364)
	<u>155,221</u>	<u>108,078</u>

Bank and other borrowing costs capitalised during the reporting period include imputed interest on contract liabilities of HK\$1,915,000 (six months ended 30 June 2021: HK\$4,722,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.73% (six months ended 30 June 2021: 3%) per annum to expenditure on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The amount comprises:		
PRC Enterprise Income Tax (“EIT”)	885,763	1,283,610
PRC Land Appreciation Tax (“LAT”)	515,333	–
Hong Kong Profits Tax	12,603	15,875
Taxation arising in other jurisdictions	26,925	28,868
Withholding tax in the PRC	187,539	79,852
	<u>1,628,163</u>	<u>1,408,205</u>
Deferred taxation	(9,049)	(6,218)
	<u>1,619,114</u>	<u>1,401,987</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 periods.

Under the EIT Law, withholding tax of 5%–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 of the Company in the PRC obtained official endorsement as a High-New Technology Enterprise and with the expiry dates on or before 2024 (2021: 2023).

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.

7. Income tax expense – continued

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 periods.

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

8. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2022 of HK\$0.30 per share (2021: interim dividend of HK\$0.56 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 9 December 2022. The dividend warrants will be dispatched on or around Friday, 6 January 2023.

9. Earnings per share

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>2,409,616</u>	<u>5,061,729</u>
	Number of shares	
	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,108,791,736	1,106,786,211
Add: Effect of potentially dilutive ordinary shares arising from share options	<u>10,470</u>	<u>1,090,282</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,108,802,206</u>	<u>1,107,876,493</u>

10. Additions to property, plant and equipment

During the reporting period, the Group had addition of approximately HK\$2,457,534,000 (six months ended 30 June 2021: HK\$905,694,000) on property, plant and equipment.

11. Trade and other receivables and prepayments, entrusted loans and bills receivables

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables	9,209,759	10,836,887
Less: Allowance for credit losses	<u>(1,161,618)</u>	<u>(1,257,523)</u>
Trade receivables, net	8,048,141	9,579,364
Advance to suppliers	414,957	563,151
Entrusted loans (<i>Note</i>)	324,196	359,006
Prepayment and deposits	512,767	575,712
Value added tax recoverables	471,267	480,584
Other receivables	<u>194,008</u>	<u>247,559</u>
	9,965,336	11,805,376
Less: Non-current portion of entrusted loans (<i>Note</i>)	<u>(302,151)</u>	<u>(331,126)</u>
	<u>9,663,185</u>	<u>11,474,250</u>

Note: The entrusted loans of HK\$324,196,000 (31 December 2021: HK\$359,006,000) are due from certain purchasers of properties developed by the Group in the PRC through four (31 December 2021: four) commercial banks in the PRC (the “Lending Agents”). The entrusted loans carry interest at variable rates ranging from 3.43% to 5.39% (31 December 2021: 3.43% to 5.39%) per annum, payable on monthly basis and the principal will be payable on or before 2034 (31 December 2021: 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 30 June 2022, entrusted loans amounting to HK\$302,151,000 (31 December 2021: HK\$331,126,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

11. Trade and other receivables and prepayments, entrusted loans and bills receivables – continued

The Group allows credit period of up to 120 days (31 December 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:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–90 days	6,785,607	8,088,409
91–120 days	808,915	827,309
121–150 days	291,852	464,477
151–180 days	78,047	115,439
Over 180 days	83,720	83,730
	<u>8,048,141</u>	<u>9,579,364</u>

Bills receivables of the Group are all aged within 90 days (31 December 2021: 90 days) based on invoice date at the end of the reporting period.

12. Trade and other payables and bills payables

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

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–90 days	2,302,479	2,530,420
91–180 days	486,199	508,466
Over 180 days	352,959	393,073
	<u>3,141,637</u>	<u>3,431,959</u>

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 (31 December 2021: 90 days) at the end of the reporting period. Included in bills payables as at 30 June 2022 was payables for acquisition of property, plant and equipment of HK\$47,611,000 (31 December 2021: HK\$30,633,000).

BUSINESS REVIEW

On behalf of the board of directors of Kingboard Holdings Limited, I am delighted to report to our shareholders the results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 (the ‘Period’). During the Period, the pandemic lingering in China and global high inflation continued to bring broad and deep impact to the business sector. On the back of a balanced business portfolio and developing in different market areas, the Printed Circuit Boards (PCBs) Division, thus registering increased segment revenue. The Chemicals Division recorded a slight revenue growth compared to the same period last year, having benefitted from the high prices and strong sales of the Group’s major chemical products including caustic soda, acetic acid and phenol acetone. With increased handover of residential properties during the Period, the Property Division achieved significant revenue growth. In the face of the complex market challenges, the Group continued its market expansion effort centred around its diversified business portfolio. As a result, the Group’s revenue increased by 4% year on year to HK\$27,828.2 million. Underlying net profit attributable to the owners of the Company (excluding non-recurring items) decreased 50% to HK\$2,522.3 million, on account of the decline in laminates sales volume and unit prices, as well as a provision of HK\$1,527.8 million made for the credit impairment of the bond investments the Group held (net of the share attributable to non-controlling shareholders) during the Period. The Board has resolved to declare an interim dividend of HK\$0.30 per share.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	HK\$'million	HK\$'million	
Revenue	27,828.2	26,701.5	+4%
EBITDA*	5,767.4	8,352.6	-31%
Profit before tax*	4,646.0	7,343.2	-37%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,522.3	5,061.7	-50%
– Reported net profit	2,409.6	5,061.7	-52%
Basic earnings per share			
– Based on underlying net profit*	HK\$2.275	HK\$4.573	-50%
– Based on reported net profit	HK\$2.173	HK\$4.573	-52%
Interim dividend per share	HK\$0.30	HK\$0.56	-46%
Net asset value per share	HK\$55.4	HK\$53.0	+5%
Net gearing	19%	20%	

* Excluding:

From 1 January 2022 to 30 June 2022, share-based payments with gross amount of HK\$125.3 million, and net amount of HK\$112.7 million after share of non-controlling shareholders (From 1 January 2021 to 30 June 2021: Nil).

PERFORMANCE

Laminates Division: In spite of a slide in demand in the electronics industry during the Period, the Laminates Division achieved satisfactory progress with its product portfolio enhancement efforts as it actively developed new market arenas. A significant increase in the share of sales of high-end and high-value-added products was witnessed. This high-end product portfolio included thin laminates for portable devices, lead-free and halogen-free laminates with high environmental compliance, fire-resistant laminates with broad compatibility, and high-frequency and high-speed laminates with low loss and high transmission speed. Segment revenue of the Laminates Division declined 26% to HK\$10,747.1 million. During the Period, the Division's experienced management team has actively mitigated the impact of high commodity, energy and transportation costs by raising efficiency and lowering energy consumption through technical enhancements. The Division has also effectively cushioned the pressure of cost increases by raising the rate of automation to achieve savings on labour expenses. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") were down 49% to HK\$2,260.8 million during the Period.

PCBs Division: The Division has made relentless efforts in expanding sales in different markets, including the automobile, telecommunications and consumer electronics. In support of this, the PCBs segment has continued to bring in high-calibre management and technical talents, while investing in state-of-the-art machinery and forging highly automated production lines. By constantly seeking room for improvement in the technical aspects and overcoming industry-wide obstacles one after another, the Division made progress towards advanced PCBs. Putting the market and efficiency as the primary considerations, the PCB Division adopted modern manufacturing execution system ("MES"), and also precise quality tracing and analysis were launched throughout the entire process to drive production efficiency and product quality enhancements. Segment revenue of the PCBs Division increased 8% to HK\$6,985.8 million, but as high inflation pushed up costs, EBITDA fell by 10% to HK\$838.6 million.

Chemicals Division: The high prices and strong sales of the Group's major chemical products, including caustic soda, acetic acid and phenol acetone, drove up segment revenue (including inter-segment sales) by 5% to HK\$7,936.4 million during the Period. However, following an oil price hike, raw materials consumed by the Division saw a general price surge, bringing EBITDA down by 11% to HK\$1,887.2 million.

Property Division: Due to an increased delivery of residential properties during the Period, revenue derived from property sales increased to HK\$3,747.6 million. Rental income also rose by 5% to HK\$604.6 million. As a result, segment revenue of the Property Division went up by 657% to HK\$4,352.2 million, with EBITDA also up by 397% to HK\$2,131.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2022, Group net current assets and current ratio (current assets divided by current liabilities) were HK\$23,907.9 million (31 December 2021: HK\$23,419.0 million) and 2.07 (31 December 2021: 1.87) respectively.

The net working capital cycle increased to 64 days as at 30 June 2022 from 60 days as at 31 December 2021 on the following key metrics:

- Inventories, in terms of stock turnover days, were 44 days (31 December 2021: 38 days).
- Trade receivables, in terms of debtor turnover days, were 52 days (31 December 2021: 62 days).
- Trade and bills payable (excluding bills payable for property, plant and equipment), in terms of creditor turnover days, were 32 days (31 December 2021: 40 days).

The Group's net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 19% (31 December 2021: 19%). The ratio of short-term to long-term bank borrowings stood at 40%:60% (31 December 2021: 58%:42%). During the Period, the Group invested approximately HK\$2,300 million in new production capacity and HK\$900 million in property construction expenses. Leveraging on the management team's ample professional experience, solid business foundation and a strong financial position, the Group strongly believes these investments will create stable and satisfactory returns for shareholders in the long run. During the Period, the Group continued to adopt a prudent financial management policy. 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. During the Period, Kingboard Laminates Holdings Limited (Stock Code: 1888), a subsidiary of 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 30 June 2022, the Group employed a global workforce of approximately 36,000 (31 December 2021: 36,000). Considering staff an important asset, the Group continues to adopt sound human resources management and planning which help deliver satisfactory results. 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. Kingboard Management Academy established by the Group has actively nurtured mid-rank and senior management personnel over the years. Furthermore, the Group recruits and nurtures several hundred promising university graduates from mainland China, Hong Kong and Taiwan every year. The Group will continue to implement training to retain talents in a bid to gain fresh energy for long-term development and to drive the Group's continued growth.

PROSPECTS

Entering the second half of the year, the global macro environment, characterised by the dynamics of international relations and high inflation, will complicate the internal and external environments in which corporations operate. The Group will remain committed to strengthening its cash flow management. Echoing the state's aim for peak carbon dioxide emissions 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. Making use of the advanced and low-energy-consuming carbon capture technology developed by the School of Environment, Tsinghua University, the Hebei acetic acid project is expected to capture and recycle 200,000 tonnes of carbon dioxide per year, moving forward our vision of being a green corporation. On the back of robust results, the Group will carry through its strategy of maintaining a diversified and synergistic business portfolio, while deriving competitive advantage from its vertical production model. Strict cost control will be our emphasis alongside boosting technological impetus and proactively deploying big data management to further enhance operational efficiency. The Group will also continue to focus on research and development upgrades, safe production and improving environmental performance, in order to achieve balanced and sustainable development.

Laminates Division: During the first half of the year, the Group added monthly capacities of 4,200 tonnes of glass yarn and 300 tonnes of copper foil in Lianzhou, Guangdong Province. In Shaoguan, Guangdong Province, the glass fabric facility with a monthly capacity of 9 million metres has already entered operation, and is planning to add 4 million metres of glass fabric capacity per month during the second half. The quality of the Group's upstream materials has been widely recognised by external customers. The aforesaid expansion plan will drive the Group's external sales of upstream materials to increase earnings, in addition to coping with internal business needs. Some downstream customers maintained strict control of their inventories during the first half of the year, but as inventories have come down to lower levels, it is expected that demand will rebound gradually towards the coming half year as customers begin planning to increase orders. The laminates factory newly built in Shaoguan, Guangdong Province, has been in full commission, strategically increasing the Group's coverage in different regions. The Division will continue to collaborate with premium customers to further the certification of high-end products, and to drive the stable development of the Division.

PCBs Division: The Group possesses multifaceted advantages of supreme craftsmanship, comprehensive certification and good quality in end-user segments including automobile, telecommunications and consumer electronics. The Division now commands a healthy order book, in which demands for PCBs for new energy vehicles and photovoltaic use are particularly outstanding. That the price of laminates, a major raw material for PCBs, came down from the same period last year bodes well for the Division's profit margin. The Division is continuously developing in the direction of higher technical content like high aspect ratio and high precision alignment. These efforts will support the building of a portfolio of higher-value-added products whilst forging a closer collaborative ecology with customers. The Division will continue to bolster the core competitiveness of the various PCBs brands including Elec & Eltek, Techwise Circuits and Express Electronics. The Division will bring in 500,000 square feet of additional capacity for multi-layered PCBs in the second half of the year with a view to increasing the market penetration of Kingboard PCBs.

Chemicals Division: A more sophisticated development mode with consideration given to ecology will remain China's work priorities in 2022, along with the continued defence of the country's clear sky, water and clean land. The Chemicals Division will take part in this national effort by ensuring production safety and emission standards. Meanwhile, it works to enhance factory efficiency, optimise resource usage, and lower energy consumption. Engineering-grade plastic materials used to lower the weight of new energy vehicles, photovoltaic film, and electric cables applied to solar power generators and wing paddles in wind turbines constitute the majority of demands for the Division's phenol acetone and Bisphenol A output. To capture this demand, the Group is preparing to welcome a yearly addition of 450,000 tonnes of phenol acetone and 240,000 tonnes of Bisphenol A in Daya Bay, Huizhou, Guangdong Province.

Property Division: The Division will continue to adopt a prudent operational strategy. Over the past four years, the Division has not replenished its land bank. The Division performed well in the pre-sale of properties in July and August, and going forward, it will launch its residential projects in eastern China as originally planned, as a means to expedite capital recycling. At the same time, driven by the following three factors, the Division's rental income will grow steadily: First, the lease-free period of the commercial property located near the Kunshan high-speed railway station in Jiangsu Province will expire consecutively. Second, the occupancy rate of Shanghai Kingboard Plaza Phase II has increased significantly. Third, the acquisition of a commercial tower, Two London Wall Place in London, the United Kingdom, in June 2022. Rental income in 2022 is expected to be approximately HK\$1,270 million, an increase of approximately 6% over last year. The properties invested by the Group are located in the United Kingdom, Hong Kong, eastern China and southern China, which will help diversify risks and continuously bringing stable cash inflows to the Group.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, clients, banks, the management and employees for their unreserved support to the Group during the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 December 2022 to Friday, 9 December 2022 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 7 December 2022.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2022.

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 unaudited interim financial statements of the Group for the six months ended 30 June 2022.

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 under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 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 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 six months ended 30 June 2022.

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

Hong Kong, 29 August 2022

As at the date of this announcement, the Board consists of Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu, Mr. Cheung Kwong Kwan, Mr. Ho Yin Sang, Mr. Cheung Ka Shing, Ms. Ho Kin Fan and Mr. 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.