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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)

INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS	Six months ended 30 June		Change
	2023	2022	
	HK\$'million	HK\$'million	
Revenue	8,109.9	13,176.0	-38%
EBITDA*	1,163.1	3,305.4	-65%
Profit before tax*	567.3	2,867.6	-80%
Net profit attributable to owners of the Company			
– Underlying net profit*	422.2	1,873.9	-77%
– Reported net profit	422.2	1,825.9	-77%
Basic earnings per share			
– Based on underlying net profit*	HK13.5 cents	HK60.1 cents	-78%
– Based on reported net profit	HK13.5 cents	HK58.5 cents	-77%
Interim dividend per share	HK6.0 cents	HK15.0 cents	-60%
Net asset value per share	HK\$4.49	HK\$5.26	-15%
	Net Gearing 18%	Net Cash 1,151.7	

* Excluding

From 1 January 2022 to 30 June 2022, share-based payment of HK\$48 million (From 1 January 2023 to 30 June 2023: Nil).

The board of directors (the “Board”) of Kingboard Laminates 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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	8,109,913	13,175,953
Cost of sales		<u>(6,812,063)</u>	<u>(9,172,836)</u>
Gross profit		1,297,850	4,003,117
Other income, gains and losses	5	69,179	45,190
Distribution costs		(204,650)	(391,212)
Administrative costs		(406,161)	(543,918)
Loss on fair value changes of equity instruments at fair value through profit or loss		(69,042)	(67,578)
Gain on disposal of debt instruments at fair value through other comprehensive income		12,071	–
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income		(270)	(181,660)
Finance costs	6	<u>(131,689)</u>	<u>(44,301)</u>
Profit before taxation		567,288	2,819,638
Income tax expense	8	<u>(144,713)</u>	<u>(993,563)</u>
Profit for the period		<u>422,575</u>	<u>1,826,075</u>
Profit for the period attributable to:			
Owners of the Company		422,244	1,825,883
Non-controlling interests		<u>331</u>	<u>192</u>
		<u>422,575</u>	<u>1,826,075</u>
Earnings per share	10		
– Basic		<u>HK\$0.135</u>	<u>HK\$0.585</u>
– Diluted		<u>HK\$0.135</u>	<u>HK\$0.585</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>422,575</u>	<u>1,826,075</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>(789,165)</u>	<u>(884,729)</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	181,660
Fair value loss on debt instruments at fair value through other comprehensive income	(34,415)	(46,600)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(12,071)</u>	<u>–</u>
	<u>(46,216)</u>	<u>135,060</u>
Other comprehensive expenses for the period	<u>(835,381)</u>	<u>(749,669)</u>
Total comprehensive (expenses) income for the period	<u>(412,806)</u>	<u>1,076,406</u>
Total comprehensive (expenses) income for the period attributable to:		
Owners of the Company	(412,405)	1,077,391
Non-controlling interests	<u>(401)</u>	<u>(985)</u>
	<u>(412,806)</u>	<u>1,076,406</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		1,299,388	1,268,425
Property, plant and equipment	<i>11</i>	7,256,079	7,217,777
Right-of-use assets		587,503	585,750
Equity instruments at fair value through profit or loss		183,552	860,415
Debt instruments at fair value through other comprehensive income		106,678	89,532
Deposits paid for acquisition of property, plant and equipment		272,103	553,269
Deferred tax assets		3,113	3,113
Goodwill		238	238
		9,708,654	10,578,519
Current assets			
Inventories		3,267,476	2,429,643
Trade and other receivables and prepayments	<i>12</i>	3,617,054	3,833,741
Bills receivables	<i>12</i>	2,554,570	2,509,628
Properties held for development		117,410	175,068
Equity instruments at fair value through profit or loss		899,800	561,303
Debt instruments at fair value through other comprehensive income		–	14,820
Amounts due from fellow subsidiaries		925,630	889,018
Taxation recoverable		15,825	18,119
Cash and cash equivalents		3,225,026	3,289,953
		14,622,791	13,721,293

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	<i>13</i>	2,255,323	2,544,365
Bills payables	<i>13</i>	458,458	474,379
Contract liabilities		370,137	374,150
Dividend payable		624,000	468,000
Lease liabilities		376	560
Amounts due to fellow subsidiaries		47,586	47,587
Taxation payable		541,230	598,525
Bank borrowings – amount due within one year		1,918,393	200,000
		<u>6,215,503</u>	<u>4,707,566</u>
Net current assets		<u>8,407,288</u>	<u>9,013,727</u>
Total assets less current liabilities		<u>18,115,942</u>	<u>19,592,246</u>
Non-current liabilities			
Lease liabilities		1,156	1,293
Deferred tax liabilities		298,832	318,962
Bank borrowings – amount due after one year		3,780,769	4,200,000
		<u>4,080,757</u>	<u>4,520,255</u>
Net assets		<u>14,035,185</u>	<u>15,071,991</u>
Capital and reserves			
Share capital		312,000	312,000
Reserves		13,700,487	14,736,892
Equity attributable to owners of the Company		14,012,487	15,048,892
Non-controlling interests		22,698	23,099
Total equity		<u>14,035,185</u>	<u>15,071,991</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.

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 new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, 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 period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS17)	Insurance Contracts
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting 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

The application of the new and amendments to HKFRSs in the current interim 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. REVENUE

Analysis of revenue for the period is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue recognised at a point in time		
Sales of glass epoxy laminates	4,877,455	7,190,895
Sales of paper laminates	660,149	804,267
Sales of upstream materials (<i>note a</i>)	1,822,264	1,879,190
Sales of properties	109,275	2,672,606
Others (<i>note b</i>)	554,853	545,668
Revenue recognised overtime (<i>note c</i>)	27,008	24,629
Revenue from contracts with customers	8,051,004	13,117,255
Rental income	27,880	32,701
Interest income from debt instruments	1,222	6,488
Dividend income	29,807	19,509
	<u>8,109,913</u>	<u>13,175,953</u>

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 day to 120 days.
- (b) Others mainly includes sales of specialty resin of HK\$468,558,000 (six months ended 30 June 2022: HK\$437,290,000).
- (c) Income from hotel accommodation of HK\$27,008,000 (six months ended 30 June 2022: HK\$24,629,000).

4. SEGMENT INFORMATION

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by Chief Operating Decision Maker (“CODM”) in order to allocate resources to segments and to assess their performance. Specifically, the Group’s reportable segments under HKFRS 8 are organised into three main operating divisions – (i) manufacturing and sale of laminates; (ii) properties; and (iii) investments.

The accounting policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. Segment result represent 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:

Six months ended 30 June 2023	Laminates <i>HK\$’000</i> (Unaudited)	Properties <i>HK\$’000</i> (Unaudited)	Investments <i>HK\$’000</i> (Unaudited)	Consolidated <i>HK\$’000</i> (Unaudited)
Segment revenue	7,914,721	164,163	31,029	8,109,913
Segment results	703,396	59,871	(31,556)	731,711
Unallocated corporate income				23,498
Unallocated corporate expenses				(56,232)
Finance costs				(131,689)
Profit before taxation				567,288
Six months ended 30 June 2022	Laminates <i>HK\$’000</i> (Unaudited)	Properties <i>HK\$’000</i> (Unaudited)	Investments <i>HK\$’000</i> (Unaudited)	Consolidated <i>HK\$’000</i> (Unaudited)
Segment revenue	10,420,020	2,729,936	25,997	13,175,953
Segment results	1,830,156	1,356,295	(239,177)	2,947,274
Unallocated corporate income				20,254
Unallocated corporate expenses				(55,589)
Share-based payments				(48,000)
Finance costs				(44,301)
Profit before taxation				2,819,638

For the six months ended 30 June 2023, revenue from one of the Group’s customers, being Kingboard Holdings Limited’s subsidiaries, in laminates segment, amounted to HK\$1,732,980,000 (six months ended 30 June 2022: HK\$2,292,619,000), which individually accounted for more than 10% of the Group’s revenue for the period.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income, gains and losses include:		
Interest income on bank balances and deposits	17,635	13,154
Gain (loss) on disposal and write off of property, plant and equipment	7,462	(990)
Government grants	31,676	16,797
Others	12,406	16,229
	<u>69,179</u>	<u>45,190</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on bank borrowings	137,459	49,780
Interest on lease liabilities	38	43
Imputed interest on contract liabilities	–	136
Less: Amounts capitalised in the construction in progress	(5,808)	(5,522)
Less: Amounts capitalised in the properties held for development	–	(136)
	<u>131,689</u>	<u>44,301</u>

Bank and other borrowing costs capitalised during the period includes imputed interest on contract liabilities of HK\$136,000 for the six months ended 30 June 2022 (six months ended 30 June 2023: Nil) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.7% for the six months ended 30 June 2022 (six months ended 30 June 2023: Nil) per annum to expenditure on qualifying assets.

7. DEPRECIATION

During the period, depreciation of approximately HK\$456,200,000 (six months ended 30 June 2022: HK\$385,700,000) was charged in respect of the Group's property, plant and equipment.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The amount comprises:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax	91,887	422,209
The PRC Land Appreciation Tax ("LAT")	16,331	446,513
Hong Kong Profits Tax	1,385	3,141
Taxation arising in other jurisdiction	5,206	9,136
Withholding tax in the PRC	34,863	117,257
	<hr/>	<hr/>
	149,672	998,256
Deferred taxation		
Credit for the period	(4,959)	(4,693)
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	144,713	993,563
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Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Under the EIT Law of the PRC, withholding tax of 5% to 10% is imposed on dividends declared in respect of profits earned by subsidiaries in Mainland China from 1 January 2008 onwards.

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 (2022: 2024).

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 condensed 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.

9. DIVIDENDS

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2023 of HK6.0 cents per share (six month ended 30 June 2022: interim dividend HK15.0 cents per share) to the shareholders whose names appear on the register of members of the Company on Friday, 15 December 2023. The dividend warrants will be dispatched on or around Thursday, 4 January 2024.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	422,244	1,825,883
	Number of shares	
	30 June 2023 '000	30 June 2022 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,120,000	3,120,000
Add: Effect of dilutive potential ordinary shares arising from share options	–	15
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,120,000	3,120,015

The computation of diluted earnings per share for six months ended 30 June 2023 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 period ended 30 June 2023. For the six months ended 30 June 2022, the computation of diluted earnings per share assumed the exercise of the Company's share options because the exercise price of these share options was lower than the average market price.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group had addition of approximately HK\$766,000,000 (six months ended 30 June 2022: HK\$1,482,800,000) on property, plant and equipment.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	3,286,089	3,715,273
Less: Allowance for credit losses	(542,715)	(574,985)
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Trade receivables, net	2,743,374	3,140,288
Advance to suppliers	227,272	183,371
Prepaid expenses and deposits	85,856	84,999
Value-added tax (“VAT”) recoverable	337,358	244,531
Other receivables	223,194	180,552
	<hr/>	<hr/>
Bills receivables	3,617,054	3,833,741
	2,554,570	2,509,628
	<hr/>	<hr/>
	6,171,624	6,343,369

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.

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

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–90 days	2,303,374	2,672,381
91–180 days	419,459	440,570
Over 180 days	20,541	27,337
	<hr/>	<hr/>
	2,743,374	3,140,288

Bills receivables of the Group are aged within 90 days (31 December 2022: 90 days) at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

13. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	834,332	964,300
Accrued expenses	443,875	496,766
Payables for acquisition of property, plant and equipment	186,191	134,314
Other tax payables	575,852	661,868
VAT payables	121,035	136,536
LAT payables	–	61,096
Other payables	94,038	89,485
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	2,255,323	2,544,365
Bills payables (<i>Note</i>)	458,458	474,379
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	2,713,781	3,018,744
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Note:

Included in bills payables as at 30 June 2023 was payables for acquisition of property, plant and equipment of HK\$18,064,000 (31 December 2022: HK\$10,148,000).

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

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–90 days	754,436	858,646
91–180 days	37,311	43,435
Over 180 days	42,585	62,219
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	834,332	964,300
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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”) of Kingboard Laminates Holdings Limited (the “Company”), I am delighted to report to our shareholders for the result of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 (the “Period”). During the Period, businesses have faced multiple headwinds, including geopolitical conflicts, rising inflation and interest rates, weakened consumer sentiments, and subdued demand in the electronics market. In addition, the general excess capacity resulting from the expansion of the laminates industry participants two years ago, has contributed to a decline in both sales volume and selling prices of laminates compared to the same period last year. Despite the challenging market conditions and rising costs, the Laminates Division demonstrated remarkable resilience, fuelled by its comprehensive vertical supply chain, extensive customer network, sustained technical advancements, and effective cost control. As the remaining saleable properties diminished, the Property Division recorded a decline in revenue. The Group’s revenue decreased 38% year on year to HK\$8,109.9 million, along with a 77% decrease in underlying profit attributable to the owners of the Company (excluding non-recurring items) to HK\$422.2 million. On consideration of the Group’s robust financial position, the Board has proposed an interim dividend of HK6.0 cents per share.

Financial Highlights

	Six months ended 30 June		Change
	2023	2022	
	HK\$'million	HK\$'million	
Revenue	8,109.9	13,176.0	-38%
EBITDA*	1,163.1	3,305.4	-65%
Profit before tax*	567.3	2,867.6	-80%
Net profit attributable to owners of the Company*			
– Underlying net profit*	422.2	1,873.9	-77%
– Reported net profit	422.2	1,825.9	-77%
Basic earnings per share			
– Based on underlying net profit*	HK13.5 cents	HK60.1 cents	-78%
– Based on reported net profit	HK13.5 cents	HK58.5 cents	-77%
Interim dividend per share	HK6.0 cents	HK15.0 cents	-60%
Net asset value per share	HK\$4.49	HK\$5.26	-15%
	Net Gearing 18%	Net Cash 1,151.7	

* Excluding

From 1 January 2022 to 30 June 2022, share-based payment of HK\$48 million (From 1 January 2023 to 30 June 2023: Nil).

PERFORMANCE

Laminates Division: During the Period, the electronics industry faced a decline in demand which resulted in a 8% decrease in shipment volume compared with the same period last year. Monthly shipment volume dropped to 7.4 million sheets. Despite this challenging market condition, the Laminates Division made satisfactory progress with its product portfolio enhancement efforts as it actively pursued new market arenas. There was a significant rise in the share of sales attributed to high-end and high-value-added products. This high-end product portfolio includes thin laminates designed for portable devices, lead-free and halogen-free laminates complying with stringent environmental standards, fire-resistant laminates and low thermal expansion coefficient 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 24% to HK\$7,914.7 million. The division's experienced management team worked diligently during the Period to mitigate the impact of high commodity, energy and transportation costs. Through technical enhancements, the division was able to reduce energy consumption and improve productivity. Additionally, the division increased the utilisation of automation, resulting in lower labour costs. These initiatives effectively helped offset the impact of cost inflation. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") were down 48% to HK\$1,160.0 million.

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 94% to HK\$164.2 million. EBITDA also were down 95% to HK\$67.8 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2023, Group's net current assets and current ratio (current assets divided by current liabilities) were approximately HK\$8,407.3 million (31 December 2022: HK\$9,013.7 million) and 2.35 (31 December 2022: 2.91) respectively.

The net working capital cycle increased from 86 days as at 31 December 2022 to 134 days as at 30 June 2023 on the following key metrics:

- Inventories, in terms of stock turnover days, were 87 days (31 December 2022: 51 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, were 82 days (31 December 2022: 66 days).
- Trade and bills payables (excluding bills payable for property, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditor turnover days, were 35 days (31 December 2022: 31 days).

As at 30 June 2023, net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 18% (31 December 2022: 7%). The ratio of short-term to long-term bank borrowings stood at 34%:66% (31 December 2022: 5%:95%). During the Period, the Group invested approximately HK\$500 million in 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 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 during the Period. 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 has adequate financial resources in reserve to fulfil its requirements for future market developments.

HUMAN RESOURCES

As at 30 June 2023, the Group employed a workforce of approximately 10,200 (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

Entering the second half of the year, a gradual resumption of consumer confidence is leading to a return to growth in shipments. After a downward cycle of more than a year, the inventories of printed circuit board makers and end-user customers have substantially cleared up. It is anticipated that the laminates market will gradually stabilise and rebound, owing to multiple factors, including the rise of export orders, the rapid growth of new energy vehicles and its peripheral products like charging stations, the growing adoption of photovoltaic and other clean energy sources and artificial intelligence. 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, it is worth noting that almost all raw materials used in laminates, save for copper, had now reached extremely low price points. This is set to improve the Group's gross profit margin in the second half of the year. 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 invested by the Group will gradually yield positive results and deliver high-quality growth. Moving forward, the division will continue to collaborate with premium customers, working together towards the certification of high-end products. The Group added 450 tonnes of copper foil monthly capacities in Lianzhou, Guangdong Province during the first half of the year. An additional 300 tonnes per month will be added over the second half. The Group's upstream materials have gained wide recognition from external customers, and this expansion plan will drive increased external upstream sales and earnings, while also meeting internal business needs. The Group also has plans to expand its laminates monthly capacities in Thailand by 400,000 sheets to address the development pace. In alignment with the state's call for energy savings and emissions reduction, the Group is adopting a professional and systematic approach to

establish distributed solar photovoltaics within its facilities. This initiative demonstrates the Group's commitment to achieving its environment, social, and governance (ESG) goals and is expected to yield long-term benefits for the Group. We have full confidence in the continuous development of the Group. The Group has gained customers' trust and recognition through its consistent product quality and on-time delivery. The management team remains committed to generating enhanced returns for our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our shareholders, customers, 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, 14 December 2023 to Friday, 15 December 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving an interim dividend, the Company's shareholders are reminded to ensure 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 13 December 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 period ended 30 June 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 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 period ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S 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 period ended 30 June 2023.

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 2023.

By Order of the Board
Kingboard Laminates Holdings Limited
Cheung Kwok Wa
Chairman

Hong Kong, 28 August 2023

As at the date of this announcement, the board of directors of Kingboard Laminates Holdings Limited 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.