

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

KB

KINGBOARD HOLDINGS LIMITED

建滔集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		Change
	2018	2017	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	22,018.6	18,665.6	+18%
EBITDA*	5,141.4	4,545.8	+13%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,597.8	2,183.3	+19%
– Reported net profit	4,169.0	2,180.2	+91%
Basic earnings per share			
– Based on underlying net profit*	HK\$2.436	HK\$2.103	+16%
– Based on reported net profit	HK\$3.909	HK\$2.100	+86%
Interim dividend per share	HK\$0.60	HK\$0.60	–
Special interim dividend per share	HK\$0.50	–	N/A
Net asset value per share	HK\$45.1	HK\$39.3	+15%
Net gearing	35%	20%	

* *Excluding:*

- (1) *Share-based payments of HK\$3.1 million from 1 January 2017 to 30 June 2017 (1 January 2018 to 30 June 2018: Nil).*
- (2) *Gain on disposal of a subsidiary of HK\$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).*
- (3) *Written off of properties, plant and equipment of HK\$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: 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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	22,018,609	18,665,562
Cost of sales and services rendered		<u>(17,297,696)</u>	<u>(14,187,713)</u>
Gross profit		4,720,913	4,477,849
Other income, gains and losses	5	268,933	200,999
Distribution costs		(563,056)	(519,576)
Administrative expenses		(945,347)	(840,869)
Loss on equity instruments at fair value through profit or loss		(116,389)	–
Gain on disposal of equity instruments at fair value through profit or loss		75,110	–
Gain on disposal of available-for-sale investments		–	246,220
Gain on disposal of a subsidiary	13	2,089,808	–
Share-based payments		–	(3,136)
Finance costs	6	(202,651)	(157,693)
Share of result of a joint venture		35,717	–
Share of results of associates		<u>113,538</u>	<u>42,201</u>
Profit before taxation		5,476,576	3,445,995
Income tax expense	7	<u>(739,867)</u>	<u>(611,605)</u>
Profit for the period		<u>4,736,709</u>	<u>2,834,390</u>
Profit for the period attributable to:			
Owners of the Company		4,169,007	2,180,202
Non-controlling interests		<u>567,702</u>	<u>654,188</u>
		<u>4,736,709</u>	<u>2,834,390</u>
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Earnings per share	9		
Basic		<u>3.909</u>	<u>2.100</u>
Diluted		<u>3.870</u>	<u>2.083</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>4,736,709</u>	<u>2,834,390</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	(671,719)	892,731
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	–	558,098
Fair value loss on debt instruments measured at fair value through other comprehensive income	(335,661)	–
Translation reserve:		
Exchange differences arising from translation of foreign operations	<u>1,186</u>	<u>(4,466)</u>
Other comprehensive (expenses) income for the period (net of tax)	<u>(1,006,194)</u>	<u>1,446,363</u>
Total comprehensive income for the period	<u>3,730,515</u>	<u>4,280,753</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	3,183,959	3,465,076
Non-controlling interests	<u>546,556</u>	<u>815,677</u>
	<u>3,730,515</u>	<u>4,280,753</u>

Condensed Consolidated Statement of Financial Position

		30 June 2018	31 December 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		17,166,271	17,151,915
Properties, plant and equipment	10	15,030,794	14,529,533
Prepaid lease payments		1,536,511	931,029
Goodwill		2,499,291	2,288,149
Interest in an associate		478,953	504,090
Interest in a joint venture		2,240,920	–
Available-for-sale investments		–	5,746,584
Equity instruments at fair value through profit or loss		3,072,925	–
Equity instruments at fair value through other comprehensive income		164,124	–
Debt instruments at fair value through other comprehensive income		5,195,445	–
Entrusted loans	11	695,991	788,860
Other non-current assets		685,318	691,213
Deposits paid for acquisition of properties, plant and equipment and investment properties		267,504	485,451
Deferred tax assets		4,425	3,768
		<u>49,038,472</u>	<u>43,120,592</u>
Current assets			
Inventories		2,660,626	2,115,557
Properties held for development		21,788,748	15,637,824
Trade and other receivables and prepayments	11	9,144,897	11,763,029
Bills receivables	11	4,823,925	5,036,119
Available-for-sale investments		–	778,986
Debt instruments at fair value through other comprehensive income		850,422	–
Prepaid lease payments		32,321	24,363
Taxation recoverable		8,505	7,964
Bank balances and cash		7,048,965	8,113,756
		<u>46,358,409</u>	<u>43,477,598</u>
Assets classified as held for sale		–	1,696,193
		<u>46,358,409</u>	<u>45,173,791</u>
Current liabilities			
Trade and other payables	12	8,298,795	9,569,089
Bills payables	12	416,394	691,834
Deposit received from pre-sale of residential units		–	3,551,562
Contract liabilities		3,218,753	–
Taxation payable		981,418	886,418
Bank borrowings – amount due within one year		6,197,817	5,290,745
		<u>19,113,177</u>	<u>19,989,648</u>
Net current assets		<u>27,245,232</u>	<u>25,184,143</u>
Total assets less current liabilities		<u>76,283,704</u>	<u>68,304,735</u>

	30 June 2018 <i>HK\$'000</i> (Unaudited)	31 December 2017 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	746,909	783,418
Bank borrowings – amount due after one year	<u>20,021,567</u>	<u>13,797,597</u>
	<u>20,768,476</u>	<u>14,581,015</u>
	<u>55,515,228</u>	<u>53,723,720</u>
Capital and reserves		
Share capital	106,645	106,645
Reserves	<u>48,026,199</u>	<u>45,932,874</u>
Equity attributable to owners of the Company	48,132,844	46,039,519
Non-controlling interests	<u>7,382,384</u>	<u>7,684,201</u>
Total equity	<u>55,515,228</u>	<u>53,723,720</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 changes in accounting policies resulting from application of new and 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 2018 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

3. 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 the Chief Operating Decision Maker (“CODM”) in order to allocate resources to segments and to assess their performance. Specifically, the Group’s operating and reportable segments under HKFRS 8 were organised into five main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of printed circuit boards (“PCBs”), (iii) manufacture and sale of chemicals, (iv) sales and rental of properties (“Properties”) and (v) others (including service income, manufacture and sale of magnetic products and hotel business). No other operating segment identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

3. Segment information – continued

Under HKFRS 8, segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. The CODM assesses segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (share of results of associates, share of result of a joint venture, gain on disposal of available-for-sale investments, gain on disposal of equity instruments at fair value through profit or loss, loss on equity instruments at fair value through profit or loss, written off of properties, plant and equipment, gain on disposal of a subsidiary, finance costs, share-based payments and unallocated corporate income and expenses).

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)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2018							
Segment revenue							
External sales	7,914,490	4,456,752	8,324,933	1,087,758	234,676	–	22,018,609
Inter-segment sales	1,147,818	–	411,609	–	1,073	(1,560,500)	–
Total	<u>9,062,308</u>	<u>4,456,752</u>	<u>8,736,542</u>	<u>1,087,758</u>	<u>235,749</u>	<u>(1,560,500)</u>	<u>22,018,609</u>
Result							
Segment result	<u>1,913,176</u>	<u>280,472</u>	<u>1,114,269</u>	<u>652,977</u>	<u>(18,801)</u>		3,942,093
Gain on disposal of equity instruments at fair value through profit or loss							75,110
Gain on disposal of a subsidiary							2,089,808
Loss on equity instruments at fair value through profit or loss							(116,389)
Written off of properties, plant and equipment							(518,608)
Unallocated corporate income							249,661
Unallocated corporate expenses							(191,703)
Finance costs							(202,651)
Share of result of a joint venture							35,717
Share of result of an associate							113,538
Profit before taxation							<u>5,476,576</u>

3. Segment information – continued

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2017							
Segment revenue							
External sales	6,381,047	3,844,857	6,252,840	1,995,133	191,685	–	18,665,562
Inter-segment sales	1,101,100	–	280,086	–	2,654	(1,383,840)	–
Total	<u>7,482,147</u>	<u>3,844,857</u>	<u>6,532,926</u>	<u>1,995,133</u>	<u>194,339</u>	<u>(1,383,840)</u>	<u>18,665,562</u>
Result							
Segment result	<u>2,104,522</u>	<u>277,345</u>	<u>304,334</u>	<u>672,251</u>	<u>12,583</u>		3,371,035
Gain on disposal of available-for-sale investments							246,220
Share-based payments							(3,136)
Unallocated corporate income							101,558
Unallocated corporate expenses							(154,190)
Finance costs							(157,693)
Share of results of associates							42,201
Profit before taxation							<u>3,445,995</u>

Inter-segment sales are charged at a price mutually agreed by both parties.

4. Depreciation

During the reporting period, depreciation of approximately HK\$1,018,796,000 (1 January 2017 to 30 June 2017: HK\$926,814,000) was charged in respect of the Group's properties, plant and equipment.

5. Other income, gains and losses

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Dividends from equity instruments at fair value through profit or loss	63,540	–
Interest income from debt instruments at fair value through other comprehensive income	154,132	–
Dividends from available-for-sale investments	–	6,622
Interest income from available-for-sale investments	–	88,676
Interest income from bank balances and cash	5,524	8,491
Interest income from entrusted loans	<u>26,466</u>	<u>38,659</u>

6. Finance costs

	Six months ended 30 June	
	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank borrowings	228,554	176,531
Less: Amount capitalised in the cost of qualifying assets	(25,903)	(18,838)
	<u>202,651</u>	<u>157,693</u>

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK\$18,633,000 (1 January 2017 to 30 June 2017: HK\$14,074,000) arose from a bank borrowing specific for the property development project and bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.5% (1 January 2017 to 30 June 2017: 2.3%) per annum to expenditure on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	3,680	2,665
Taxation arising in other jurisdictions	<u>734,737</u>	<u>606,561</u>
	738,417	609,226
Deferred taxation		
Charge for the period	<u>1,450</u>	<u>2,379</u>
	<u>739,867</u>	<u>611,605</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

8. Interim dividend

The directors of the Company (the "Director") have resolved to declare an interim dividend and a special interim dividend for the six months ended 30 June 2018 of HK\$0.60 per share (1 January 2017 to 30 June 2017: HK\$0.60 per share) and HK\$0.50 per share (1 January 2017 to 30 June 2017: Nil) respectively to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 31 October 2018. The dividend warrants will be dispatched on or around Friday, 7 December 2018.

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	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>4,169,007</u>	<u>2,180,202</u>
	Number of shares	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,066,452,236	1,038,400,136
Add: Effect of potentially dilutive ordinary shares relating to: – outstanding share options granted on 19 March 2015	<u>10,776,706</u>	<u>8,333,064</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,077,228,942</u>	<u>1,046,733,200</u>

10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$1,824,535,000 (1 January 2017 to 30 June 2017: HK\$849,115,000) on acquisition of properties, plant and equipment.

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

	30 June 2018 <i>HK\$'000</i> (Unaudited)	31 December 2017 <i>HK\$'000</i> (Audited)
Trade receivables	6,988,953	6,276,643
Advance to suppliers	512,220	492,792
Entrusted loans (<i>Note</i>)	742,965	845,616
Prepayment and deposits	879,185	728,573
Value added tax recoverable	300,949	247,852
Land appreciation tax on pre-sale properties	97,000	96,763
Deposits for acquisition of land use rights for development of properties held for sale	–	3,590,431
Other receivables	<u>319,616</u>	<u>273,219</u>
	9,840,888	12,551,889
Less: Non-current portion of entrusted loans	<u>(695,991)</u>	<u>(788,860)</u>
	<u>9,144,897</u>	<u>11,763,029</u>

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

Note: The entrusted loans of HK\$742,965,000 (31 December 2017: HK\$845,616,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2017: four) commercial banks in the PRC (the “Lending Agents”). The entrusted loans are interest bearing ranging from 3.92% to 5.39% (31 December 2017: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2017: 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.

The Group allows credit period of up to 120 days (31 December 2017: 120 days), depending on the products sold, to its trade customers. The following is an aging analysis of trade receivables net of allowance for doubtful debts based on invoice date at the end of the reporting period:

	30 June 2018 <i>HK\$’000</i> (Unaudited)	31 December 2017 <i>HK\$’000</i> (Audited)
0–90 days	5,378,828	4,873,171
91–120 days	918,287	786,520
121–150 days	448,081	399,032
151–180 days	143,597	123,979
Over 180 days	100,160	93,941
	<u>6,988,953</u>	<u>6,276,643</u>

Bills receivables of the Group are aged within 90 days (31 December 2017: 90 days) 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 2018 <i>HK\$’000</i> (Unaudited)	31 December 2017 <i>HK\$’000</i> (Audited)
0–90 days	2,263,683	2,073,037
91–180 days	466,018	432,894
Over 180 days	51,660	192,514
	<u>2,781,361</u>	<u>2,698,445</u>

All bills payables of the Group are aged within 90 days (31 December 2017: 90 days) at the end of the reporting period.

13. Gain on disposal of a subsidiary

On 10 January 2018, the Group disposed its interest in a subsidiary, Win Real Group Limited, to an independent third party for a cash consideration of HK\$3,786,000,000 with a gain of HK\$2,089,808,000. The subsidiary has an indirect equity interest of 49% in an associate established in the PRC.

BUSINESS REVIEW

On behalf of the Board, I am delighted to report that Kingboard Holdings Limited and its subsidiaries (the “Group”) delivered outstanding results during the six months ended 30 June 2018 (the “Period”). During the Period, the ongoing Sino-US trade clashes have slightly derailed the uptrend of the electronics sector, leading to challenges in the operating environment. Nevertheless, the laminates and printed circuit board (“PCB”) divisions continued their respective paces of growth by leveraging their comprehensive business coverage from upstream to downstream. Robust growth momentum was maintained for these two segments. The chemicals division benefited from China’s supply-side reform to eradicate ineffective capacity, as well as state efforts to raise domestic demand. Prices of the Group’s major chemical products, including coke, caustic soda, acetic acid, methanol and phenol acetone, showed substantial price increases. As a result, the chemical segment recorded a significant profit growth. With the rental contribution from the newly acquired commercial properties in London and Shanghai, the property division achieved steady growth in rental income. On the back of the Group’s diversified business portfolio development, the Group has boosted profitability steadily, resulting in strong growth momentum against volatility of market condition.

Group revenue grew 18% year on year to HK\$22,018.6 million, while the underlying net profit expanded by 19% to HK\$2,597.8 million. Taking into account a pre-tax gain of HK\$2,089.8 million from the disposal of a subsidiary, reported net profit surged 91% to HK\$4,169.0 million. The Board has resolved an interim dividend of HK\$0.60 per share which, together with a special interim dividend of HK\$0.50 per share, representing a total dividend of HK\$1.10 per share.

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		Change
	2018	2017	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	22,018.6	18,665.6	+18%
EBITDA*	5,141.4	4,545.8	+13%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,597.8	2,183.3	+19%
– Reported net profit	4,169.0	2,180.2	+91%
Basic earnings per share			
– Based on underlying net profit*	HK\$2.436	HK\$2.103	+16%
– Based on reported net profit	HK\$3.909	HK\$2.100	+86%
Interim dividend per share	HK\$0.60	HK\$0.60	–
Special interim dividend per share	HK\$0.50	–	N/A
Net asset value per share	HK\$45.1	HK\$39.3	+15%
Net gearing	35%	20%	

* *Excluding:*

- (1) *Share-based payments of HK\$3.1 million from 1 January 2017 to 30 June 2017 (1 January 2018 to 30 June 2018: Nil).*
- (2) *Gain on disposal of a subsidiary of HK\$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).*
- (3) *Written off of properties, plant and equipment of HK\$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).*

PERFORMANCE

The Group continued to be the world's top laminates producer for the thirteenth consecutive year. During the Period, capacity expansion of glass yarn, glass fabric and glass epoxy laminates ("FR4"), coupled with price increases of these products, drove the laminates division's turnover (including inter-segment sales) up by 21% to HK\$9,062.3 million. However, the price increases were not able to fully offset cost inflation. EBITDA therefore declined by 7% to HK\$2,234.9 million.

The PCB division's business was driven by consumption upgrade in China, with strong sales continuing to be recorded in the automobile and consumer electronics sectors. The division's product portfolio moved further upmarket towards a higher layers and higher value-added offering. Additionally, with the completion of the acquisition of Kin Yip Technology Electronics Co., Ltd., a high-end PCB plant in Huizhou, Guangdong Province, the acquired capacity has been fully incorporated into the Group. Segment turnover grew 16% to HK\$4,456.8 million, with EBITDA expanding 3% to HK\$546.8 million.

As China has tightened up its safety and environmental protection policies, the chemical industry has had to adopt more stringent production standards. This has led to the phasing out of inefficient capacity, and thus an improvement in the supply/demand conditions of the sector's competitive environment. The market has demonstrated a strong demand for the Group's chemical products. All major products, in particular, caustic soda, acetic acid and phenol acetone, recorded substantial period-over-period price increases. Segment turnover (including inter-segment sales) went up by 34% to HK\$8,736.5 million, with EBITDA surging 125% to HK\$1,520.6 million.

The pace of property sales slowed under the impact of restrictive state policies during the Period. Turnover from property sales therefore decreased to HK\$572.0 million, resulting in a 45% drop in segment turnover to HK\$1,087.8 million, despite a growth in rental income to HK\$515.8 million. EBITDA declined 3% to HK\$655.6 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position remained robust. As at 30 June 2018, Group net current assets and current ratio were approximately HK\$27,245.2 million (31 December 2017: HK\$25,184.1 million) and 2.43 (31 December 2017: 2.26) respectively.

The net working capital cycle increased from 41 days as at 31 December 2017 to 52 days as at 30 June 2018 on the following key metrics:

- Inventories, in terms of stock turnover days, were 28 days (31 December 2017: 23 days).
- Trade receivables, in terms of debtor turnover days, were 57 days (31 December 2017: 53 days).
- Trade and bills payables (excluding bills payables to properties, plant and equipment), in terms of creditor turnover days, were 33 days (31 December 2017: 35 days).

The Group's net gearing ratio was 35% (31 December 2017: 20%). The proportion of short-term to long-term bank borrowings stood at 24%:76% (31 December 2017: 28%:72%). During the Period, the Group invested approximately HK\$1.3 billion and HK\$1.3 billion in new production capacity and property construction expenses respectively. With a sound balance sheet and abundant contingency funds, the Group is in an excellent position to respond flexibly to the challenges and opportunities in the market.

The Group continued to adopt a prudent financial management policy. The Group did not enter into any derivative financial instrument, 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.

HUMAN RESOURCES

As at 30 June 2018, the Group employed a global workforce of approximately 44,500 (31 December 2017: 42,800). The increase in the workforce was mainly to cope with business developments. In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance.

PROSPECTS

The second half of the year is the traditional peak season for the electronics sector. With the forthcoming downstream demand and anticipated growth in laminates sales, the division is beginning to adjust its product prices upward. The division has a sufficient supply of upstream materials, readying it for timely expansion of laminates production. The division is also entering a new capacity expansion cycle, with new FR4 capacity soon to be commissioned. The increased proportionate contribution of high-value-added thin, halogen-free and high-temperature resistant laminates will drive the long-term sustainable growth of the division.

The PCB business will benefit from the strong sales momentum of the electronics market, driven by 3C products (computer, communication and consumer electronics) and the accelerated smart evolution of automobiles. The division's high-density interconnect ("HDI") PCBs have already achieved certification by two of the top three mobile phone brands in China, and its orders are growing steadily. The depreciation of the Renminbi has placed the automobile PCBs in an even more advantageous position for export. Future development of the PCB division will be market-led, as it gradually increases the capacity of its competitive products to accommodate the vast and growing demand.

The chemicals division will further its efforts in raising facilities efficiency and environmental standards amid the state's supply-side reform. Commanding a stable production platform in China, the division will also seek to diversify its product portfolio and to capture opportunities for overseas expansion. In the second half of the year, the halogens chemical plant in Hengyang, Hunan Province, will add a new production line for caustic soda, raising its monthly output by 32% to 35,000 tonnes. A new epichlorohydrin production line with a monthly capacity of 4,000 tonnes has also been introduced to the plant. As inefficient capacity exits the market, the prices of chemical products have stabilised in the upper range. The chemicals division's profits are expected to grow consistently.

Despite some impacts from the macroeconomic control policies on residential property sales, the property division has adopted a more effective marketing strategy to expedite sales and cash inflows. As the occupancy of commercial properties in Shanghai steadily increases and with the expiry of rent-free periods, it is expected that the division's rental income will grow at a stable pace.

APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere gratitude to our shareholders, customers, banks, and the management and employees for their unreserved support for the Group during the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 October 2018 to Wednesday, 31 October 2018 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend and special 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 29 October 2018.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2018, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to Code A.4.1 of the CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meetings, in accordance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Following a specific enquiry, each Director has confirmed that he or she has complied with the required standards as 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 2018.

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

Hong Kong, 24 August 2018

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Cheung Ka Shing, and Chen Maosheng, being the executive Directors and Messrs. Cheung Ming Man, Chong Kin Ki, Leung Tai Chiu and Chan Wing Kee being the independent non-executive Directors.