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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
	2019	2018	
	HK\$'million	HK\$'million (Restated)	
Revenue	18,246.4	22,236.3	-18%
EBITDA*	3,505.6	5,141.4	-32%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,441.6	2,597.8	-45%
– Reported net profit	1,441.6	4,169.0	-65%
Basic earnings per share			
– Based on underlying net profit*	HK\$1.331	HK\$2.436	-45%
– Based on reported net profit	HK\$1.331	HK\$3.909	-66%
Interim dividend per share	HK\$0.28	HK\$0.60	-53%
Special interim dividend per share	–	HK\$0.50	N/A
Net asset value per share	HK\$44.9	HK\$45.1	–
Net gearing	37%	35%	

* *Excluding:*

- (1) *Gain on disposal of a subsidiary of HK\$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2019 to 30 June 2019: Nil).*
- (2) *Written off of properties, plant and equipment of HK\$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2019 to 30 June 2019: 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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited) (Restated)
Revenue	3	18,246,352	22,236,280
Cost of sales and services rendered		(14,424,921)	(17,297,696)
Gross profit		3,821,431	4,938,584
Other income, gains and losses	5	62,423	51,262
Distribution costs		(539,117)	(563,056)
Administrative expenses		(964,019)	(945,347)
Gain (Loss) on fair value changes of equity instruments at fair value through profit or loss		88,633	(41,656)
Gain on disposal of debt instruments at fair value through other comprehensive income		3,912	377
Gain on disposal of a subsidiary		–	2,089,808
Finance costs	6	(361,464)	(202,651)
Share of results of joint ventures		46,079	35,717
Share of results of associates		34,721	113,538
Profit before taxation		2,192,599	5,476,576
Income tax expense	7	(408,843)	(739,867)
Profit for the period		<u>1,783,756</u>	<u>4,736,709</u>
Profit for the period attributable to:			
Owners of the Company		1,441,626	4,169,007
Non-controlling interests		342,130	567,702
		<u>1,783,756</u>	<u>4,736,709</u>
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Earnings per share	9		
Basic		<u>1.331</u>	<u>3.909</u>
Diluted		<u>1.331</u>	<u>3.870</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,783,756</u>	<u>4,736,709</u>
Other comprehensive income (expenses) 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	(3,533)	(671,719)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value gain (loss) on debt instruments measured at fair value through other comprehensive income	467,088	(335,661)
Translation reserve:		
Exchange differences arising from translation of foreign operations	<u>—</u>	<u>1,186</u>
Other comprehensive income (expenses) for the period (net of tax)	<u>463,555</u>	<u>(1,006,194)</u>
Total comprehensive income for the period	<u>2,247,311</u>	<u>3,730,515</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,871,866	3,183,959
Non-controlling interests	<u>375,445</u>	<u>546,556</u>
	<u>2,247,311</u>	<u>3,730,515</u>

Condensed Consolidated Statement of Financial Position

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		17,957,187	16,925,863
Properties, plant and equipment	10	15,096,795	14,879,768
Prepaid lease payments		–	1,539,781
Right-of-use assets		1,620,693	–
Goodwill		2,467,076	2,467,076
Intangible asset		27,000	27,000
Interests in an associate		393,142	540,681
Interests in joint ventures		2,510,457	2,466,504
Equity instruments at fair value through profit or loss		2,290,487	1,291,534
Equity instruments at fair value through other comprehensive income		164,124	164,124
Debt instruments at fair value through other comprehensive income		10,682,467	8,876,637
Entrusted loans	11	539,415	605,789
Deposits paid for acquisition of properties, plant and equipment and investment properties		329,005	332,890
Deferred tax assets		3,139	3,653
		<u>54,080,987</u>	<u>50,121,300</u>
Current assets			
Inventories		3,114,419	2,956,116
Properties held for development		21,914,921	20,023,136
Trade and other receivables and prepayments	11	7,852,205	8,514,957
Bills receivables	11	3,285,595	4,545,599
Debt instruments at fair value through other comprehensive income		120,654	78,195
Other current assets		656,835	659,429
Prepaid lease payments		–	38,410
Taxation recoverable		20,332	19,873
Bank balances and cash		7,031,615	7,473,324
		<u>43,996,576</u>	<u>44,309,039</u>
Current liabilities			
Trade and other payables	12	6,645,015	6,424,456
Bills payables	12	453,685	512,566
Contract liabilities		5,172,370	3,448,068
Lease liabilities		2,940	–
Taxation payable		1,037,279	1,167,261
Bank borrowings – amount due within one year		8,750,730	7,254,600
		<u>22,062,019</u>	<u>18,806,951</u>
Net current assets		<u>21,934,557</u>	<u>25,502,088</u>
Total assets less current liabilities		<u>76,015,544</u>	<u>75,623,388</u>

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	12,676	–
Deferred tax liabilities	762,125	731,036
Bank borrowings – amount due after one year	<u>19,159,764</u>	<u>20,259,081</u>
	<u>19,934,565</u>	<u>20,990,117</u>
	<u>56,080,979</u>	<u>54,633,271</u>
Capital and reserves		
Share capital	108,315	108,315
Reserves	<u>48,530,107</u>	<u>47,224,670</u>
Equity attributable to owners of the Company	48,638,422	47,332,985
Non-controlling interests	<u>7,442,557</u>	<u>7,300,286</u>
Total equity	<u>56,080,979</u>	<u>54,633,271</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 2019 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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 organised into six main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of PCBs, (iii) manufacture and sale of chemicals, (iv) sales and rental of properties (“properties”), (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income, equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business). The management aggregated the sales of properties and rental income business into one reportable segment because the financial performance of both businesses are affected by changes in the property market. In addition, the management aggregated service income, hotel business and manufacture and sale of magnetic products into one reportable segment because the revenue, results, assets and liabilities of each business are insignificant to the Group. 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 results of joint ventures, gain on disposal of a subsidiary, finance costs 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)	Investments HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2019								
Segment revenue								
External sales	6,107,758	4,337,534	6,225,181	896,590	398,680	280,609	–	18,246,352
Inter-segment sales	1,030,295	–	311,868	–	–	554	(1,342,717)	–
Total	<u>7,138,053</u>	<u>4,337,534</u>	<u>6,537,049</u>	<u>896,590</u>	<u>398,680</u>	<u>281,163</u>	<u>(1,342,717)</u>	<u>18,246,352</u>
Result								
Segment result	<u>997,442</u>	<u>270,772</u>	<u>378,282</u>	<u>577,012</u>	<u>491,226</u>	<u>(19,742)</u>		2,694,992
Unallocated corporate income								22,194
Unallocated corporate expenses								(243,923)
Finance costs								(361,464)
Share of results of joint ventures								46,079
Share of results of an associate								<u>34,721</u>
Profit before taxation								<u>2,192,599</u>

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) (Restated)
Six months ended 30 June 2018								
Segment revenue								
External sales	7,914,490	4,456,752	8,324,933	1,087,758	217,671	234,676	–	22,236,280
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>217,671</u>	<u>235,749</u>	<u>(1,560,500)</u>	<u>22,236,280</u>
Result								
Segment result	<u>1,913,176</u>	<u>280,472</u>	<u>1,114,269</u>	<u>652,977</u>	<u>176,393</u>	<u>(18,801)</u>		4,118,486
Gain on disposal of a subsidiary								2,089,808
Written off of properties, plant and equipment								(518,608)
Unallocated corporate income								31,989
Unallocated corporate expenses								(191,703)
Finance costs								(202,651)
Share of result of a joint venture								35,717
Share of results of associates								<u>113,538</u>
Profit before taxation								<u>5,476,576</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\$930,261,000 (1 January 2018 to 30 June 2018: HK\$1,018,796,000) was charged in respect of the Group's properties, plant and equipment.

5. Other income, gains and losses

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Interest income from bank balances and deposits	35,479	18,975
Interest income on entrusted loans	<u>17,775</u>	<u>26,466</u>

6. Finance costs

	Six months ended 30 June	
	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank borrowings	393,253	228,554
Imputed interest on contract liabilities	2,137	–
Less: Amounts capitalised in the construction in progress	(6,760)	(7,270)
Amounts capitalised in the properties held for development	(27,166)	(18,633)
	<u>361,464</u>	<u>202,651</u>

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK\$25,029,000 (1 January 2018 to 30 June 2018: HK\$18,633,000) arose from a bank borrowing specific for the property development project and interest on advance payment received from customers of HK\$2,137,000 (1 January 2018 to 30 June 2018: nil) as well as, bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.9% (1 January 2018 to 30 June 2018: 2.5%) per annum to expenditure on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2019	2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	9,273	3,680
Taxation arising in other jurisdictions	412,039	734,737
	<u>421,312</u>	<u>738,417</u>
Deferred taxation		
(Credit) Charge for the period	(12,469)	1,450
	<u>408,843</u>	<u>739,867</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 "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2019 of HK\$0.28 per share (2018: interim dividend of HK\$0.60 per share and special interim dividend of HK\$0.50 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 10 October 2019. The dividend warrants will be dispatched on or around Wednesday, 6 November 2019.

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	1,441,626	4,169,007
	Number of shares	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,083,152,236	1,066,452,236
Add: Effect of potentially dilutive ordinary shares relating to: – outstanding share options granted on 19 March 2015	–	10,776,706
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,083,152,236	1,077,228,942

10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$1,197,751,000 (1 January 2018 to 30 June 2018: HK\$1,824,535,000) on acquisition of properties, plant and equipment.

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	6,976,909	7,349,179
Less: Allowance for credit losses	(956,900)	(1,033,494)
Total receivables, net	6,020,009	6,315,685
Advance to suppliers	402,224	378,561
Entrusted loans (<i>Note</i>)	575,821	646,676
Prepayment and deposits	866,830	1,127,862
Value added tax recoverables	337,107	358,378
Other receivables	189,629	293,584
	8,391,620	9,120,746
Less: Non-current portion of entrusted loans (<i>Note</i>)	(539,415)	(605,789)
	7,852,205	8,514,957

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

Note: The entrusted loans of HK\$575,821,000 (31 December 2018: HK\$646,676,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2018: four) commercial banks in the PRC (the “Lending Agents”). The entrusted loans are interest bearing ranging from 3.92% to 5.39% (31 December 2018: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2018: 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 2018: 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 2019 <i>HK\$’000</i> (Unaudited)	31 December 2018 <i>HK\$’000</i> (Audited)
0–90 days	4,815,063	4,852,418
91–120 days	590,830	672,327
121–150 days	405,759	522,472
151–180 days	117,449	178,065
Over 180 days	90,908	90,403
	<u>6,020,009</u>	<u>6,315,685</u>

Bills receivables of the Group are aged within 90 days (31 December 2018: 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 2019 <i>HK\$’000</i> (Unaudited)	31 December 2018 <i>HK\$’000</i> (Audited)
0–90 days	2,136,837	2,549,851
91–180 days	392,737	397,210
Over 180 days	216,173	266,458
	<u>2,745,747</u>	<u>3,213,519</u>

All bills payables of the Group are aged within 90 days (31 December 2018: 90 days) at the end of the reporting period.

BUSINESS REVIEW

On behalf of the Board, I am delighted to report that Kingboard Holdings Limited and its subsidiaries (the “Group”) delivered a set of healthy results during the six months ended 30 June 2019 (the “Period”). During the Period, as there were no signs of the US-China trade disputes abating, demand of electronics sector continued to be affected. The laminates division was therefore faced with a relatively competitive market. The printed circuit board (“PCB”) division, on the other hand, benefited from an expanded market share for telecommunications equipment related orders, thus offsetting the shocks brought by the demand slide. In the same time, the slowdown in the economy had a dampening effect on chemicals consumption. Therefore, chemical division’s product prices glided. The property division was able to generate a stable stream of rental income and pre-sales proceeds, while maintains higher profitability.

The Group was able to cope with complex market challenges by leveraging its diversified business portfolio and taking advantage of synergies derived from its vertical integration, as well as active expansion of sales channels. All core divisions continued to make profit contributions to the Group during the Period. But overall performance showed a decline which was mainly attributable to the fact that last year, the market was in a position of acute supply shortage giving a strong boost to unit product prices. However, the gap between supply and demand in the first half of this year has narrowed. Taking into account high comparative figures of the same period last year, the period-over-period price of certain products fell, and thus earnings decline.

Group revenue decreased 18% year on year to HK\$18,246.4 million, with the underlying net profit also declining 45% to HK\$1,441.6 million. Reported net profit dropped 65% to HK\$1,441.6 million, mainly owing to the absence of certain extraordinary or exceptional items when compared with the same period last year. The Board has resolved to recommend an interim dividend of HK\$0.28 cents per share.

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		Change
	2019	2018	
	<i>HK\$'million</i>	<i>HK\$'million</i> (Restated)	
Revenue	18,246.4	22,236.3	-18%
EBITDA*	3,505.6	5,141.4	-32%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,441.6	2,597.8	-45%
– Reported net profit	1,441.6	4,169.0	-65%
Basic earnings per share			
– Based on underlying net profit*	HK\$1.331	HK\$2.436	-45%
– Based on reported net profit	HK\$1.331	HK\$3.909	-66%
Interim dividend per share	HK\$0.28	HK\$0.60	-53%
Special interim dividend per share	–	HK\$0.50	N/A
Net asset value per share	HK\$44.9	HK\$45.1	–
Net gearing	37%	35%	

* *Excluding:*

- (1) *Gain on disposal of a subsidiary of HK\$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2019 to 30 June 2019: Nil).*
- (2) *Written off of properties, plant and equipment of HK\$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2019 to 30 June 2019: Nil).*

PERFORMANCE

The Group maintained its position as the world's top laminates producer for the fourteenth consecutive year. During the Period, laminates shipments remained in the similar range of the previous corresponding period. But product prices had been adjusted in line with the demand drop. The laminates division's turnover (including inter-segment sales) therefore decreased 21% to HK\$7,138.1 million. Earnings before interest, tax, depreciation and amortisation ("EBITDA") declined 43% to HK\$1,278.9 million.

In terms of PCB business, the rollout of 5G telecommunications networks has brought significant order growth for high-grade PCB products. The PCB division yielded satisfactory achievement from its increased engagement of industry-leading customers. In response to market changes, the division has expedited the upgrading of the product mix, which generated a steady performance in sale volume. The PCB division's turnover decreased 3% to HK\$4,337.5 million, with EBITDA growing 3% to HK\$565.3 million.

For chemical business, caustic soda capacity got expanded and new epichlorohydrin production line was successfully added to the halogen chemical plant in Hengyang, Hunan Province. However, demand has weakened as a result of a general slowdown in the economy, and prices of major chemicals of the division have declined on period-over-period basis. Thus, the chemicals division's turnover (including inter-segment sales) decreased 25% to HK\$6,537.1 million. EBITDA was down 54% to HK\$705.4 million.

The property division continued with its planned sales of residential projects, as well as the leasing of commercial properties. As the number of completed units could be delivered decreased during the Period, property sales turnover was down to HK\$341.3 million. Rental income increased to HK\$555.3 million with the expiry of rent-free periods and an improvement in occupancy rates. Property segment turnover dropped 18% to HK\$896.6 million, and there was a 12% decrease in EBITDA to HK\$579.2 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position remained robust. As at 30 June 2019, Group net current assets and current ratio were approximately HK\$21,934.6 million (31 December 2018: HK\$25,502.1 million) and 1.99 (31 December 2018: 2.36) respectively.

The net working capital cycle increased from 42 days as at 31 December 2018 to 60 days as at 30 June 2019 on the following key metrics:

- Inventories, in terms of stock turnover days, were 39 days (31 December 2018: 30 days).
- Trade receivables, in terms of debtor turnover days, were 60 days (31 December 2018: 50 days).
- Trade and bills payables (excluding bills payable to properties, plant and equipment), in terms of creditor turnover days, were 39 days (31 December 2018: 38 days).

The Group's net gearing ratio was 37% (31 December 2018: 37%). The proportion of short-term to long-term bank borrowings stood at 31%:69% (31 December 2018: 26%:74%). During the Period, the Group invested approximately HK\$1.2 billion and HK\$2.1 billion in new production capacity and property construction expenses respectively. The Group is equipped with a strong balance sheet and abundant capital reserves to cope with the challenges in the market, while allowing it to capture opportunities that may arise.

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.

HUMAN RESOURCES

As at 30 June 2019, the Group employed a global workforce of approximately 40,000 (31 December 2018: 41,900) to cope with business requirements. 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

Heading into the second half of the year, the laminates division is planning to increase the capacities of copper foil and glass epoxy laminates ("FR4"), and will go into full gear to obtain customers' accreditation of the high-value-adding products. The Group is thoroughly alert to the short-term impact of the trade disputes and economic slowdown on the overall consumption of electronic products; however this is not the first time it has had to cope with situations of weakened market demand. Leveraging on its vertically integrated production model, the division will enhance its product mix in accordance with market demand changes. The division will also ride on its cost advantage to expand client coverage, in order to ready itself and store up momentum ahead of future market recovery.

The PCB business is expected to achieve higher facilities utilisation for high-grade PCB capacities on the back of anticipated order growth from base stations and servers. Automated equipment will also be commissioned consecutively to serve the production of PCBs for usage by telecommunications networks. With a higher level of automation, both production volume and efficiency are expected to be enhanced.

The tightening of both environmental and safety requirements by the Chinese government has brought both challenges and opportunities. The chemicals division will continue to pledge full efforts in ensuring the meeting of production safety and emissions regulations. It will also work to enhance its production efficiency, while optimising resources usage to reduce energy consumption. It is expected that the newly commissioned caustic soda and epichlorohydrin production lines will reach full capacity during the second half of the year, adding further growth momentum for the division. On the robust foundation of its Mainland production base, the Group will seek to diversify its product portfolio and will continue to seek overseas expansion opportunities.

The property division will actively proceed with its planned sales of the residential projects in eastern China with a view to speeding up the recouping of funds. The Group's first residential project in Hong Kong is also scheduled for completion during the second half of 2019. In view of the thriving property market in Hong Kong, the project will likely generate substantial return on investment.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my 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 Wednesday, 9 October 2019 to Thursday, 10 October 2019 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 8 October 2019.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, 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 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles of good corporate governance and complied with the 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 2019, save for the deviation from paragraph A.4.1 of the CG Code since the independent non-executive Directors are not appointed for a specific term. 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 meeting in accordance with the Company's articles of association. As such, the Company considers that steps have been taken with a view to ensuring that the Company's corporate governance practices are in line with the principles of 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”). 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 2019.

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

Hong Kong, 9 August 2019

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.