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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
	2021	2020	
	HK\$'million	HK\$'million	
<b>Revenue</b>	26,701.5	19,925.6	+34%
<b>EBITDA</b>	8,352.6	3,479.2	+140%
<b>Net profit attributable to owners of the Company</b>	5,061.7	1,059.2	+378%
<b>Basic earnings per share</b>	HK\$4.573	HK\$0.964	+374%
<b>Interim dividend per share</b>	HK\$0.56	HK\$0.28	+100%
<b>Net asset value per share</b>	HK\$53.0	HK\$44.7	+19%
<b>Net gearing</b>	20%	25%	

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

### Condensed Consolidated Statement of Profit or Loss

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	26,701,492	19,925,648
Cost of sales and services rendered		<u>(18,011,631)</u>	<u>(14,924,582)</u>
Gross profit		8,689,861	5,001,066
Other income, gains and losses	5	116,277	68,664
Distribution costs		(639,023)	(495,619)
Administrative expenses		(1,228,597)	(1,037,081)
Gain/(Loss) on fair value changes of equity instruments at fair value through profit or loss		370,352	(1,001,730)
Gain on disposal of debt instruments at fair value through other comprehensive income		49,133	84,557
Finance costs	6	(108,078)	(287,993)
Share of results of joint ventures		41,926	39,852
Share of result of an associate		<u>51,380</u>	<u>(5,776)</u>
Profit before taxation		7,343,231	2,365,940
Income tax expense	7	<u>(1,401,987)</u>	<u>(825,380)</u>
Profit for the period		<u>5,941,244</u>	<u>1,540,560</u>
Profit for the period attributable to:			
Owners of the Company		5,061,729	1,059,192
Non-controlling interests		<u>879,515</u>	<u>481,368</u>
		<u>5,941,244</u>	<u>1,540,560</u>
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
Earnings per share	9		
– Basic		<u>4.573</u>	<u>0.964</u>
– Diluted		<u>4.569</u>	<u>0.963</u>

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>5,941,244</u>	<u>1,540,560</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	<u>515,527</u>	<u>(476,430)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value loss on debt instruments measured at fair value through other comprehensive income	(2,331)	(32,076)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(49,133)</u>	<u>(84,557)</u>
	<u>(51,464)</u>	<u>(116,633)</u>
Other comprehensive income (expenses) for the period (net of tax)	<u>464,063</u>	<u>(593,063)</u>
Total comprehensive income for the period	<u><b>6,405,307</b></u>	<u><b>947,497</b></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	5,490,283	538,933
Non-controlling interests	<u>915,024</u>	<u>408,564</u>
	<u><b>6,405,307</b></u>	<u><b>947,497</b></u>

## Condensed Consolidated Statement of Financial Position

		<b>30 June 2021</b>	<b>31 December 2020</b>
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Investment properties		20,423,378	20,053,947
Properties, plant and equipment	10	14,498,132	14,576,075
Right-of-use assets		1,781,078	1,736,680
Goodwill		2,670,528	2,670,528
Intangible asset		51,120	54,360
Interest in an associate		426,529	369,314
Interests in joint ventures		2,533,270	2,609,520
Equity instruments at fair value through profit or loss		2,553,398	3,327,715
Debt instruments at fair value through other comprehensive income		2,136,251	1,741,763
Entrusted loans	11	349,447	398,241
Deposits paid for acquisition of properties, plant and equipment		704,231	150,858
Deferred tax assets		2,671	2,667
		<u>48,130,033</u>	<u>47,691,668</u>
<b>Current assets</b>			
Inventories		3,553,024	3,010,897
Properties held for development		20,934,282	19,842,807
Trade and other receivables and prepayments	11	11,089,315	8,953,048
Bills receivables	11	6,001,572	3,768,013
Loans receivable		–	600,000
Equity instruments at fair value through profit or loss		2,821,001	2,333,796
Debt instruments at fair value through other comprehensive income		134,365	461,584
Taxation recoverable		14,680	18,468
Bank balances and cash		4,854,643	6,568,857
		<u>49,402,882</u>	<u>45,557,470</u>
<b>Current liabilities</b>			
Trade and other payables	12	7,112,933	6,538,122
Bills payables	12	273,345	377,036
Contract liabilities		5,889,715	3,789,029
Dividend payable		–	1,930,710
Taxation payable		2,246,341	1,880,064
Bank borrowings – amount due within one year		14,265,173	8,612,099
Lease liabilities		4,004	4,212
		<u>29,791,511</u>	<u>23,131,272</u>
Net current assets		<u>19,611,371</u>	<u>22,426,198</u>
Total assets less current liabilities		<u>67,741,404</u>	<u>70,117,866</u>

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	687,853	690,621
Bank borrowings – amount due after one year	3,338,954	8,618,747
Lease liabilities	9,311	9,792
	<u>4,036,118</u>	<u>9,319,160</u>
	<u>63,705,286</u>	<u>60,798,706</u>
Capital and reserves		
Share capital	110,879	110,579
Reserves	58,599,762	55,754,324
	<u>58,710,641</u>	<u>55,864,903</u>
Equity attributable to owners of the Company	58,710,641	55,864,903
Non-controlling interests	4,994,645	4,933,803
	<u>63,705,286</u>	<u>60,798,706</u>
Total equity	<u>63,705,286</u>	<u>60,798,706</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 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 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

***Application of amendments to HKFRS***

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19 – Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/ or on the disclosures set out in these condensed consolidated financial statements.

***Impacts and accounting policies on application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” and early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”***

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2021.

### 3. Segment information

HKFRS 8 “Operating Segments” (“HKFRS 8”) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, who are the Chief Operating Decision 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 six 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, (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 segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The accounting policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. Segment profit or loss represents the profit (loss) earned by each segment with certain items not included (share of result of an associate, share of results of joint ventures, finance costs, and unallocated corporate income and expenses). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenues and results by reportable segments are presented below:

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Six months ended 30 June 2021</b>								
Segment revenue								
External sales	12,233,357	6,462,444	7,003,928	575,343	180,726	245,694	–	26,701,492
Inter-segment sales	2,207,193	–	547,644	–	–	4,151	(2,758,988)	–
Total	<u>14,440,550</u>	<u>6,462,444</u>	<u>7,551,572</u>	<u>575,343</u>	<u>180,726</u>	<u>249,845</u>	<u>(2,758,988)</u>	<u>26,701,492</u>
Result								
Segment result	<u>4,099,898</u>	<u>623,257</u>	<u>1,924,912</u>	<u>426,327</u>	<u>590,417</u>	<u>(78,737)</u>		7,586,074
Unallocated corporate income								22,656
Unallocated corporate expenses								(250,727)
Finance costs								(108,078)
Share of results of joint ventures								41,926
Share of result of an associate								51,380
Profit before taxation								<u>7,343,231</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)
<b>Six months ended 30 June 2020</b>								
Segment revenue								
External sales	5,592,085	4,271,597	4,828,399	4,857,901	155,419	220,247	–	19,925,648
Inter-segment sales	1,093,822	–	295,562	–	–	4,688	(1,394,072)	–
Total	<u>6,685,907</u>	<u>4,271,597</u>	<u>5,123,961</u>	<u>4,857,901</u>	<u>155,419</u>	<u>224,935</u>	<u>(1,394,072)</u>	<u>19,925,648</u>
Result								
Segment result	<u>1,083,613</u>	<u>303,266</u>	<u>279,323</u>	<u>1,906,073</u>	<u>(761,752)</u>	<u>5,329</u>		2,815,852
Unallocated corporate income								35,375
Unallocated corporate expenses								(231,370)
Finance costs								(287,993)
Share of result of a joint venture								39,852
Share of results of an associate								(5,776)
Profit before taxation								<u>2,365,940</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\$871,284,000 (six months ended 30 June 2020: HK\$799,440,000) was charged in respect of the Group's properties, plant and equipment.

### 5. Other income, gains and losses

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Interest income from bank balances and deposits	19,692	33,198
Interest income on entrusted loans	11,311	11,791
Interest income on loan receivable	20,252	14,383
Government grants	47,963	17,284
Others	17,059	(7,992)
	<u>116,277</u>	<u>68,664</u>



## 6. Finance costs

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	139,263	311,656
Imputed interest on contract liabilities	4,722	3,375
Interest on lease liabilities	292	234
Less: Amounts capitalised in the construction in progress	(5,835)	(6,059)
Amounts capitalized in the properties held for development	(30,364)	(21,213)
	<u>108,078</u>	<u>287,993</u>

Bank and other borrowing costs capitalised during the reporting period include imputed interest on contract liabilities of HK\$4,722,000 (six months ended 30 June 2020: HK\$3,375,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 3% (six months ended 30 June 2020: 2.4%) per annum to expenditure on qualifying assets.

## 7. Income tax expense

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
PRC Enterprise Income Tax	1,363,462	540,258
PRC Land Appreciation Tax ("LAT")	–	134,036
Hong Kong Profits Tax	15,875	147,446
Taxation arising in other jurisdictions	28,868	11,098
	<u>1,408,205</u>	<u>832,838</u>
Deferred taxation	(6,218)	(7,458)
	<u>1,401,987</u>	<u>825,380</u>

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.

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 properties development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

## 7. Income tax expense – continued

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors 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.

## 8. Interim dividend

The directors of the Company (the “Directors”) have resolved to declare an interim dividend for the six months ended 30 June 2021 of HK\$0.56 per share (2020: interim dividend of HK\$0.28 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 10 December 2021. The dividend warrants will be dispatched on or around Friday, 7 January 2022.

## 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>5,061,729</u>	<u>1,059,192</u>
	<b>Number of shares</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,106,786,211	1,099,291,456
Add: Effect of potentially dilutive ordinary shares arising from share options	<u>1,090,282</u>	<u>437,432</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,107,876,493</u>	<u>1,099,728,888</u>

## 10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$905,694,000 (six months ended 30 June 2020: HK\$939,564,000) on acquisition of properties, plant and equipment.

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	10,518,429	8,532,641
Less: Allowance for credit losses	<u>(1,201,920)</u>	<u>(1,171,133)</u>
Total receivables, net	9,316,509	7,361,508
Advance to suppliers	429,071	400,161
Entrusted loans ( <i>Note</i> )	378,870	431,771
Prepayment and deposits	634,320	581,777
Value added tax recoverables	467,892	435,787
Other receivables	<u>212,100</u>	<u>140,285</u>
	11,438,762	9,351,289
Less: Non-current portion of entrusted loans ( <i>Note</i> )	<u>(349,447)</u>	<u>(398,241)</u>
	<u>11,089,315</u>	<u>8,953,048</u>

*Note:* The entrusted loans of HK\$378,870,000 (31 December 2020: HK\$431,771,000) are due from certain purchasers of properties developed by the Group in the PRC through four (31 December 2020: four) commercial banks in the PRC (the “Lending Agents”). The entrusted loans carry interest at variable rates ranging from 3.43% to 5.39% (31 December 2020: 3.43% to 5.39%) per annum, payable on monthly basis and the principal will be payable on or before 2034 (31 December 2020: 2034). The purchasers of the Group’s properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan, PRC.

As at 30 June 2021, entrusted loans amounting to HK\$349,447,000 (31 December 2020: HK\$398,241,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

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

The Group allows credit period of up to 120 days (31 December 2020: 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:

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–90 days	7,947,900	6,306,076
91–120 days	706,102	538,622
121–150 days	469,226	341,673
151–180 days	105,436	88,230
Over 180 days	87,845	86,907
	<u>9,316,509</u>	<u>7,361,508</u>

Bills receivables of the Group are all aged within 90 days (31 December 2020: 90 days) based on invoice date at the end of the reporting period.

## 12. Trade and other payables and bills payables

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0–90 days	2,469,026	2,333,350
91–180 days	404,029	470,960
Over 180 days	304,225	350,693
	<u>3,177,280</u>	<u>3,155,003</u>

All bills payables of the Group are aged within 90 days (31 December 2020: 90 days) at the end of the reporting period.

## BUSINESS REVIEW

On behalf of the board of directors of Kingboard Holdings Limited, I am delighted that the Company and its subsidiaries (the “Group”) achieved the best interim results on record for the six months ended 30 June 2021 (the ‘Period’). As the negative impacts brought about by the coronavirus pandemic gradually subside, the global economy has been gathering pace for recovery. Rooted in China while developing globally, the Group’s business benefitted from China’s effective disease control and the recovery momentum of the global economy. With concerted efforts from top to bottom at Kingboard, the Group was able to fully demonstrate the competitive edge of its diverse business, with every core division achieving outstanding performance breakthrough.

During the Period, consumption momentum of electronic products continued to grow. The Group tightly grasped the opportunities stemming from the release of market demands developed deeper and broader collaboration platform with clients. Leveraging the advantages of vertical integrated model of Laminates Division, as well as synergy between Laminates Division and the Printed Circuit Board (“PCB”) Division, both divisions have achieved harvests in the number of orders and product prices. Profiting from the rocketing demand for commodities as a result of the economic rebound, the Chemicals Division saw the prices of its major products rising considerably, especially for acetic acid and Bisphenol A, leading to the business’s record revenue growth. The Property Division delivered a stable performance in the areas of residential pre-sales and rental income. Driven by the growth momentum of its portfolio of diverse businesses, the Group’s revenue jumped by 34% year on year to HK\$26,701.5 million. Profit attributable to the owners of the Company soared 378% to HK\$5,061.7 million. The Board has resolved to declare an interim dividend of HK\$0.56 per share.

### FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2021	2020	
	HK\$'million	HK\$'million	
<b>Revenue</b>	26,701.5	19,925.6	+34%
<b>EBITDA</b>	8,352.6	3,479.2	+140%
<b>Net profit attributable to owners of the Company</b>	5,061.7	1,059.2	+378%
<b>Basic earnings per share</b>	HK\$4.573	HK\$0.964	+374%
<b>Interim dividend per share</b>	HK\$0.56	HK\$0.28	+100%
<b>Net asset value per share</b>	HK\$53.0	HK\$44.7	+19%
<b>Net gearing</b>	20%	25%	

## PERFORMANCE

Laminates Division: During the Period, spending on electronic products bounced, signalling a marked revival in the demand for laminates and their upstream materials. The order book for laminates remained strong, driving shipment volume up substantially. Sales of laminates totalled 65 million sheets, an increase of 33% from the same period last year. Driven by strong demand, product prices have been adjusted upwards multiple times. Meanwhile, in possession of vertical production capability, the division commands in-house capacities for upstream materials such as copper foil, glass yarn, glass fabric and epoxy resin. Thus, cost inflation was contained at far below the surge in selling price, delivering an unprecedented improvement in profit margin. Segment revenue (including inter-segment sales) increased by 116% to HK\$14,440.6 million, while earnings before interest, tax, depreciation and amortisation (“EBITDA”) shot up 225% to HK\$4,441.0 million.

PCB Division: In the realm of PCBs for consumer electronics, computers and cars, the PCB Division rallies manifold advantages including fine craftsmanship, comprehensive certification and good quality, making the Group a beneficiary amid industrial development catalysed by 5G commercialisation, remote work arrangements, new energy vehicles and artificial intelligence. Sales skyrocketed to an all-time high. Drawing on its rich experience in multi-layered PCBs and high-density inter-connected PCBs, the division’s business further expands to the higher precision PCB market, building a higher value-added product portfolio, thus driving the average selling price of products to continue to improve. The rise in product prices not only helped transfer the cost hike in laminates, but also created room for expanded profitability. Segment revenue increased 51% to HK\$6,462.4 million, whilst EBITDA rose 54% to HK\$933.5 million.

Chemicals Division: Global economic recovery has induced demand for chemicals, prompting price rises for the division’s various chemical products. Among them, the price increase of acetic acid and Bisphenol A was the most significant, contributing considerable profit growth to the division. With highly effective management and science-based craftsmanship, as well as being equipped with industry-leading green facilities, the division was able to fully mobilize production to realise ultra-high output levels for various chemical items on long cycles. In so doing, the division rapidly responded to market demand and achieved business growth by leaps and bounds. Segment revenue (including inter-segment sales) increased by 47% to HK\$7,551.5 million. EBITDA surged 346% to HK\$2,126.2 million.

Property Division: The division registered satisfactory results with regard to residential pre-sales, closing the Period with total contracted sales of HK\$2,254 million. However, the number of units handed over was reduced during the Period, and the accountable income was mainly rent. Thus, segment revenue decreased by 88% to HK\$575.3 million, EBITDA also decreased by 78% to HK\$428.6 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group's financial position remained robust. As at 30 June 2021, Group net current assets and current ratio were HK\$19,611.4 million (31 December 2020: HK\$22,426.2 million) and 1.66 (31 December 2020: 1.97) respectively.

The net working capital cycle increased to 65 days as at 30 June 2021 from 56 days as at 31 December 2020 on the following key metrics:

- Inventories, in terms of stock turnover days, were 36 days (31 December 2020: 35 days).
- Trade receivables, in terms of debtor turnover days, were 63 days (31 December 2020: 62 days).
- Trade and bills payable (excluding bills payable for properties, plant and equipment), in terms of creditor turnover days, were 34 days (31 December 2020: 41 days).

The Group's net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 20% (31 December 2020: 18%). The proportion of short-term to long-term bank borrowings stood at 81%:19% (31 December 2020: 50%:50%). During the Period, the Group invested approximately HK\$900 million on new production capacity and HK\$1,200 million on property construction expenses. Leveraging on the management team's ample professional experience, the Group strongly believes these investments will create stable and solid returns for shareholders in the long run.

During the Period, the Group continued to adopt a prudent financial management policy. The Group did not enter into any material derivative financial instruments, nor did the Group have any material foreign exchange exposure 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 2021, the Group employed a global workforce of approximately 36,000 (31 December 2020: 36,000). 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

Laminates Division: As the electronics industry prospers and the traditional peak consumption season approaches in the second half of the year, laminates and their upstream materials continue strong momentum. The industry is currently at a rather low inventory level, which will keep product prices at the upper end. Depending on the extent of shortage of upstream materials, laminates may see further room for price mark-ups. The newly completed laminates plant in Shaoguan, Guangdong Province has been fully commissioned and is operating smoothly, adding a monthly capacity of 1.2 million sheets of glass epoxy laminates (FR4). Helped by the new capacity, the division will be able to continue expanding the proportionate sales of high-value-added laminates. The division will continue to expand capacities for upstream materials from the second half to early next year and plan to add monthly capacities of 1,800 tonnes of copper foil, 4,000 tonnes of glass yarn and 5 million metres of glass fabric, in order to reinforce the competitive advantage of vertically integrated supply chain, as well as to make a foray into extended industries like new energy batteries and package substrate and gradually increase external sales, bringing new development momentum to the division.

PCB Division: The increasing uptake of new energy, development of digital economy and upgrade of artificial intelligence are leading a new wave of development for PCBs. Revolving around the marketplace of 5G base stations, servers and electric vehicles, the division's product portfolio enhancement efforts have paid off. Future themes for development will continue to be focused on high-value-added upgrades. Supported by this, the division aims to build a more compact ecology of collaboration with clients by further strengthening ties. Emphasis will be placed on strengthening the various PCB brands, including Elec & Eltek, Techwise Circuits and Express Electronics, so as to achieve constant value enhancement. The division will also fast-track its capacity build-up, through acquiring production equipment that caters to the consumer electronics, telecommunications and vehicle segments. Towards the second half of the year, the division will bring in 800,000 square feet of additional capacity for multi-layered PCBs.

Chemicals Division: The green economy has become a key component of the global economy, introducing new requirements and opportunities into the chemicals industry. On one hand, the bar has been raised on carbon emission and environmental friendliness, which in effect propels backward capacities out of the market. The division's capacity has been built on energy saving, low-carbon and environmentally-friendly principles, with industry-leading production and emission standards. The division able to gain greater market share in a competitive environment. On the other hand, the division will benefit from wider application of engineering-grade plastic materials used to lower the weight of new energy vehicles, as well as photovoltaic film and electric cables applied to solar power generators and wing paddles in wind turbines. These end-user products generate demand for the division's major chemical products such as phenol acetone, acetic acid, Bisphenol A and epichlorohydrin. Thus, the division is proactively planning for a number of large-scale chemicals projects along the current core product lines. One of them is a new chemicals industrial park under construction in Daya Bay, Huizhou, which will deliver an annual output of 450,000 tonnes of phenol acetone and 240,000 tonnes of Bisphenol A.



Property Division: The residential project in eastern China will be launched for pre-sale according to schedule, in a bid to expedite capital recovery. In the meantime, driven by the following three factors, the department's rental income will grow steadily: First, the lease-free period of commercial properties located in the Kunshan High-speed Railway Station Project in Jiangsu Province has successively expired. Second, the occupancy rate of Huaqiao Kingboard Plaza Phase II increased significantly. Third, the rental income of overseas properties has temporarily declined due to the impact of the epidemic, and the current influencing factors have gradually subsided.

## **APPRECIATION**

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 9 December 2021 to Friday, 10 December 2021 (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 Wednesday, 8 December 2021.

## **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during period ended 30 June 2021.

## **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 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted 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 2021, 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 2021.

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

Hong Kong, 30 August 2021

*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, Chan Wing Kee and Stanley Chung Wai Cheong, being the independent non-executive Directors.*