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		
	2023	**2022**	**Change**
	HK$'million	*HK$'million*	
Revenue	18,719.9	27,828.2	-33%
EBITDA*	3,337.2	5,767.4	-42%
Profit before tax*	1,813.6	4,646.0	-61%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,389.6	2,522.3	-45%
– Reported net profit	1,389.6	2,409.6	-42%
Basic earnings per share			
– Based on underlying net profit*	HK$1.253	HK$2.275	-45%
– Based on reported net profit	HK$1.253	HK$2.173	-42%
Interim dividend per share	HK$0.16	HK$0.30	-47%
Special interim dividend per share	HK$0.50	–	N/A
Net asset value per share	HK$53.3	HK$55.4	-4%
Net gearing	28%	19%	

* *Excluding:*

From 1 January 2022 to 30 June 2022, share-based payments with gross amount of HK$125.3 million, and net amount of HK$112.7 million after share of non-controlling shareholders (From 1 January 2023 to 30 June 2023: 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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2023	**2022**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	18,719,860	27,828,186
Cost of sales and services rendered		(14,839,664)	(19,643,720)
Gross profit		3,880,196	8,184,466
Other income, gains and losses	*5*	149,885	129,289
Distribution costs		(604,492)	(831,228)
Administrative expenses		(1,197,272)	(1,382,841)
Loss on fair value changes of equity instruments at fair value through profit or loss		(26,513)	(93,723)
Gain on disposal of debt instruments at fair value through other comprehensive income		30,009	92,359
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income		(2,283)	(1,575,440)
Finance costs	*6*	(503,055)	(155,221)
Share of results of joint ventures		41,944	40,659
Share of result of an associate		45,178	112,427
Profit before taxation		1,813,597	4,520,747
Income tax expense	*7*	(287,102)	(1,619,114)
Profit for the period		1,526,495	2,901,633
Profit for the period attributable to:			
Owners of the Company		1,389,609	2,409,616
Non-controlling interests		136,886	492,017
		1,526,495	2,901,633
		HK$	*HK$*
		(Unaudited)	(Unaudited)
Earnings per share	*9*		
– Basic		1.253	2.173
– Diluted		1.253	2.173

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	1,526,495	2,901,633
Other comprehensive (expenses) income for the period:		
Item that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(1,372,008)	(2,778,449)
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income included in profit or loss	2,283	1,575,440
Fair value loss on debt instruments measured at fair value through other comprehensive income	(326,502)	(292,242)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(30,009)	(92,359)
	(354,228)	1,190,839
Other comprehensive expenses for the period	(1,726,236)	(1,587,610)
Total comprehensive (expenses) income for the period	(199,741)	1,314,023
Total comprehensive (expenses) income for the period attributable to:		
Owners of the Company	(109,660)	1,061,731
Non-controlling interests	(90,081)	252,292
	(199,741)	1,314,023

Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2023** *HK$'000* (Unaudited)	**31 December 2022** *HK$'000* (Audited)
Non-current assets			
Investment properties		23,355,858	23,449,630
Property, plant and equipment	*10*	17,859,982	17,055,297
Right-of-use assets		1,910,568	1,910,795
Goodwill		2,670,528	2,670,528
Intangible asset		38,160	41,400
Interest in an associate		359,390	532,059
Interests in joint ventures		2,480,808	2,369,699
Equity instruments at fair value through profit or loss		2,004,962	1,855,832
Debt instruments at fair value through other comprehensive income		904,825	607,631
Entrusted loans	*11*	224,642	238,863
Deposits paid for acquisition of property, plant and equipment		1,142,287	1,313,750
Deferred tax assets		2,635	2,577
		52,954,645	52,048,061
Current assets			
Inventories		4,026,712	3,511,514
Properties held for development		16,692,795	16,896,546
Trade and other receivables and prepayments	*11*	7,997,227	8,221,655
Bills receivables	*11*	2,962,289	3,128,233
Loan receivable		2,205,857	1,880,000
Equity instruments at fair value through profit or loss		7,148,775	4,685,245
Debt instruments at fair value through other comprehensive income		–	22,302
Taxation recoverable		69,962	76,159
Restricted bank deposits		117,934	130,100
Cash and cash equivalents		4,736,987	6,693,336
		45,958,538	45,245,090
Current liabilities			
Trade and other payables	*12*	6,278,389	6,473,651
Bills payables	*12*	615,748	650,061
Contract liabilities		2,533,285	2,601,532
Dividend payable		994,971	455,422
Taxation payable		1,513,951	1,682,177
Bank borrowings – amount due within one year		8,767,416	5,269,171
Lease liabilities		3,874	4,478
		20,707,634	17,136,492
Net current assets		25,250,904	28,108,598
Total assets less current liabilities		78,205,549	80,156,659

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	946,443	978,126
Bank borrowings – amount due after one year	13,766,826	14,477,991
Lease liabilities	2,742	4,711
	14,716,011	15,460,828
Net assets	63,489,538	64,695,831
Capital and reserves		
Share capital	110,831	110,879
Reserves	58,994,350	59,946,776
Equity attributable to owners of the Company	59,105,181	60,057,655
Non-controlling interests	4,384,357	4,638,176
Total equity	63,489,538	64,695,831

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for Group's the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments To HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Labilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. **Segment information**

HKFRS 8 "Operating Segments" ("HKFRS 8") requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, who are the Chief Operating Decision Makers ("CODM"), in order to allocate resources to segments and to assess their performance. Specifically, the Group's reportable segments under HKFRS 8 are organised into six main operating divisions – (i) laminates, (ii) PCBs, (iii) chemicals, (iv) properties, (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income and equity instruments at fair value through profit or loss) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business).

The accounting policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. Segment results represent the profit earned by/loss from each segment with certain items not included (share of result of an associate, share of results of joint ventures, finance costs, share-based payments 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	**PCBs**	**Chemicals**	**Properties**	**Investments**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2023								
Segment revenue								
External sales	6,584,513	5,723,718	4,872,580	1,047,360	237,309	254,380	–	18,719,860
Inter-segment sales	1,685,788	–	261,986	–	–	2,593	(1,950,367)	–
Total	8,270,301	5,723,718	5,134,566	1,047,360	237,309	256,973	(1,950,367)	18,719,860
Result								
Segment result	718,816	600,682	170,253	587,373	238,522	(579)		2,315,067
Unallocated corporate income								98,307
Unallocated corporate expenses								(183,844)
Finance costs								(503,055)
Share of results of joint ventures								41,944
Share of result of an associate								45,178
Profit before taxation								1,813,597

3. Segment information – continued

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

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$997,029,000 (six months ended 30 June 2022: HK$939,773,000) was charged in respect of the Group's property, plant and equipment.

5. Other income, gains and losses

	Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Interest income from bank balances and deposits	36,638	28,041
Interest income on entrusted loans	6,582	9,450
Interest income on loan receivable	66,984	66,984
Government grants	35,976	27,005
Others	3,705	(2,191)
	149,885	129,289

6. Finance costs

	Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	514,883	161,353
Imputed interest on contract liabilities	–	1,915
Interest on lease liabilities	194	219
Less: Amounts capitalised in the construction in progress	(5,808)	(5,522)
Amounts capitalised in the properties held for development	(6,214)	(2,744)
	503,055	155,221

Bank and other borrowing costs capitalised include imputed interest on contract liabilities of HK$1,915,000 for the six months ended 30 June 2022 (six months ended 30 June 2023: Nil) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.73% for the six months ended 30 June 2022 (six months ended 30 June 2023: 4.81%) per annum to expenditure on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The amount comprises:		
PRC Enterprise Income Tax ("EIT")	194,605	885,763
PRC Land Appreciation Tax ("LAT")	22,991	515,333
Hong Kong Profits Tax	7,173	12,603
Taxation arising in other jurisdictions	25,407	26,925
Withholding tax in the PRC	45,947	187,539
	296,123	1,628,163
Deferred taxation	(9,021)	(9,049)
	287,102	1,619,114

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Under the EIT Law, withholding tax of 5% – 10% is imposed on dividends declared in respect of profits earned by subsidiaries in Mainland China from 1 January 2008 onwards. Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed. Certain subsidiaries of the Company in the PRC obtained official endorsement as a High-New Technology Enterprise and with the expiry dates on or before 2024 (2022: 2024).

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

7. Income tax expense – continued

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

The directors of the Company (the "Directors") considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both period.

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

8. Interim dividend

The Directors have resolved to declare an interim dividend of HK$0.16 and a special interim dividend of HK$0.50 per share for the six months ended 30 June 2023 (2022: interim dividend of HK$0.30 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 December 2023. The dividend warrants will be dispatched on or around Friday, 5 January 2024.

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	
	2023	**2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share	1,389,609	2,409,616

	Number of shares	
	30 June 2023	**30 June 2022**
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,108,619,692	1,108,791,736
Add: Effect of potentially dilutive ordinary shares arising from share options	4,863	10,470
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,108,624,555	1,108,802,206

10. Additions to property, plant and equipment

During the reporting period, the Group had addition of approximately HK$2,202,099,000 (six months ended 30 June 2022: HK$2,457,534,000) on property, plant and equipment.

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

	30 June 2023 *HK$'000* (Unaudited)	31 December 2022 *HK$'000* (Audited)
Trade receivables	7,395,632	7,989,399
Less: Allowance for credit losses	(1,090,417)	(1,176,760)
Trade receivables, net	6,305,215	6,812,639
Advance to suppliers	351,535	289,233
Entrusted loans *(Note)*	246,860	261,693
Prepayment and deposits	371,085	327,618
Value added tax recoverables	687,694	535,470
Other receivables	259,480	233,865
	8,221,869	8,460,518
Less: Non-current portion of entrusted loans *(Note)*	(224,642)	(238,863)
	7,997,227	8,221,655

As at 1 January 2022, the gross carrying amount of trade receivables from contracts with customers amounted to HK$10,836,887,000 with allowance for credit losses of HK$1,257,523,000.

Note: The entrusted loans of HK$246,860,000 (31 December 2022: HK$261,693,000) are due from certain purchasers of properties developed by the Group in the PRC through four (31 December 2022: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 3.43% to 4.90% (31 December 2022: 3.43% to 5.39%) per annum, payable on monthly basis and the principal will be payable on or before 2034 (31 December 2022: 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 2023, entrusted loans amounting to HK$224,642,000 (31 December 2022: HK$238,863,000) 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 2022: 120 days), depending on the products sold to its trade customers. The following is an aging analysis of trade receivables net of allowance for credit losses based on invoice date at the end of the reporting period:

	30 June 2023	**31 December 2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–90 days	5,366,309	5,862,296
91–120 days	628,999	661,031
121–150 days	194,166	201,107
151–180 days	26,448	27,241
Over 180 days	89,293	60,964
	6,305,215	6,812,639

Bills receivables of the Group are all aged within 90 days (31 December 2022: 90 days) based on invoice date at the end of the reporting period, and are with a maturity period of less than one year.

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 2023	**31 December 2022**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–90 days	2,252,521	2,257,104
91–180 days	406,380	412,482
Over 180 days	250,270	265,788
	2,909,171	2,935,374

Bills payables of the Group related to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables, which are aged within 90 days (31 December 2022: 90 days) at the end of the reporting period. Included in bills payables as at 30 June 2023 was payables for acquisition of property, plant and equipment of HK$48,851,000 (31 December 2022: HK$32,697,000).

BUSINESS REVIEW

On behalf of the board of directors (the "Board"), I am pleased to provide our shareholders with a report on the performance of Kingboard Holdings Limited and its subsidiaries (the "Group") for the six months ended 30 June 2023 (the "Period"). During the Period, multiple headwinds including geopolitical conflicts, rising inflation and interest rates, and weakened consumer sentiments have made it challenging for businesses across the board. Despite the difficult market conditions and escalating costs, the Group has effectively navigated these obstacles by leveraging its advantage built on a vertical value chain and a diversified business portfolio. The hard work of the team has also played a crucial role in helping the Group achieve an underlying net profit of more than HK$1.3 billion amid the complex market conditions. During the Period, it is notable that the majority of printed circuit board factories on the Chinese Mainland have recorded utilisation rates of less than 50%. The Group's Printed Circuit Boards ("PCBs") Division, on the other hand, has successfully expanded on the back of its balanced market segment portfolio, driving its facilities to achieve near full utilisation and generating increased earnings. The Property Division's rental portfolio also delivered a stable cash inflow, attributable to a rise in occupancy rates, the consecutive expiration of rent-free periods, and the positive impact of Two London Wall Place, a commercial tower acquired by the Group in June 2022. As a result, the division has experienced steady growth in rental income for the Group.

During the Period, the Group recorded a revenue of HK$18,719.9 million, a 33% decrease compared with the same period last year. This was primarily driven by year-on-year declines in both the sales volume and selling prices of laminates and chemical products, as well as a decline in the handover of residential properties. Underlying net profit attributable to the owners of the Company (excluding non-recurring items) decreased by 45% to HK$1,389.6 million. The Board has resolved to declare an interim dividend of HK16 cents per share and a special interim dividend of HK50 cents per share, with a total of HK66 cents per share.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	**2022**	**Change**
	HK$'million	*HK$'million*	
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Profit before tax*	1,813.6	4,646.0	-61%
Net profit attributable to owners of the Company			
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Earnings per share			
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Net gearing	28%	19%	

* *Excluding:*

From 1 January 2022 to 30 June 2022, share-based payments with gross amount of HK$125.3 million, and net amount of HK$112.7 million after share of non-controlling shareholders (from 1 January 2023 to 30 June 2023: Nil).

PERFORMANCE

Laminates Division: The Laminates Division demonstrated commendable progress despite a decline in demand within the electronics industry during the Period. The division successfully pursued new market development initiatives and enhanced its product portfolio. There was a significant rise in the share of sales attributed to high-end and high-value-added products. This high-end product portfolio includes thin laminates designed for portable devices, lead-free and halogen-free laminates complying with stringent environmental standards, fire-resistant laminates and low thermal expansion coefficient laminates with wide compatibility, as well as high-frequency and high-speed laminates ensuring low loss and high transmission speed. Segment revenue of the Laminates Division declined 23% to HK$8,270.3 million. The division's experienced management team worked diligently during the Period to mitigate the impact of high commodity, energy and transportation costs. Through technical enhancements, the division was able to reduce energy consumption and improve productivity. Additionally, the division increased the utilisation of automation, resulting in lower labour costs. These initiatives effectively helped offset the impact of cost inflation. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") were down 47% to HK$1,189.5 million.

PCBs Division: The division has been focused on expanding sales in various market segments, including the automobile, telecommunications and consumer electronics sectors. To support this goal, the PCBs Division has consistently recruited high-calibre management and technical talents, while also investing in advanced machinery and establishing highly automated production lines. The division has made substantial progress in high-end PCBs development, thus building a product line with higher added value. With a focus on market demands and efficiency, the PCBs Division implemented a modern manufacturing execution system ("MES"), and introduced precise quality tracing and analysis across the entire manufacturing process to drive improvements in production efficiency and product quality. The division benefited from a decrease in the prices of upstream laminate materials compared to the same period last year and the management team improved cost efficiency by enhancing production technology and automation of facilities. Although segment revenue decreased by 18% to HK$5,723.7 million, the division managed to increase EBITDA by 16% to HK$970.7 million.

Chemicals Division: Both the sales volume and selling prices of chemical products recorded declines compared to the same period last year, thus affecting the overall performance of the Chemicals Division. Segment revenue (including inter-segment sales) dropped by 35% to HK$5,134.6 million, bringing EBITDA down by 84% to HK$311.2 million.

Property Division: During the Period, the Property Division experienced a decrease in revenue from property sales by 91% to HK$333 million due to reduced delivery of residential properties. However, the division saw a 18% increase in rental income to HK$714.4 million, attributed to higher occupancy rates, the expiration of rent-free periods, and the contribution from Two London Wall Place, a commercial tower acquired by the Group in June 2022. Consequently, the segment revenue of the Property Division decreased by 76% to HK$1,047.4 million, with EBITDA also decreasing by 72% to HK$587.4 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2023, Group net current assets and current ratio (i.e. current assets divided by current liabilities) were HK$25,250.9 million (31 December 2022: HK$28,108.6 million) and 2.22 (31 December 2022: 2.64) respectively.

The net working capital cycle increased to 68 days as at 30 June 2023 from 50 days as at 31 December 2022 on the following key metrics:

– Inventories, in terms of stock turnover days, were 49 days (31 December 2022: 35 days).

– Trade receivables, in terms of debtor turnover days, were 61 days (31 December 2022: 50 days).

– Trade and bills payable (excluding bills payable for property, plant and equipment), in terms of creditor turnover days, were 42 days (31 December 2022: 35 days).

The Group's net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was approximately 28% (31 December 2022: 20%). The ratio of short-term to long-term bank borrowings stood at 39%:61% (31 December 2022: 27%:73%). During the Period, the Group invested approximately HK$2,000 million in production capacity and HK$500 million in property construction expenses. With the management team's wealth of professional experience, a strong business foundation, and a solid financial position, the Group firmly believes these investments will generate stable and satisfactory long-term returns for shareholders. The Group remains committed to a prudent financial management policy. Throughout the Period, he Group did not enter into any derivative financial instruments, nor did the Group have any material foreign exchange exposure. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses. The Group possessed adequate financial resources in reserve to fulfil its requirements for future market developments. During the Period, the Group successfully signed a 5-year sustainability-linked loan facility agreement with more than ten major international and local banks. The syndicated facility received an overwhelming response from the market with the final size of the loan coming to HK$7 billion. The loan reflected the Group's efforts towards its sustainability goals, as well as the banking industry's trust and support of the Group's environmental, social and governance (ESG) work.

HUMAN RESOURCES

As at 30 June 2023, the Group employed a global workforce of approximately 35,000 (31 December 2022: 35,000). Recognising the significance of staff members as a valuable asset, the Group adopts sound human resources management and planning practices, which continue to contribute to delivering satisfactory results. In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance. The Kingboard Management Academy has been instrumental in actively nurturing mid-rank and senior management personnel over the years. Furthermore, the Group recruits and nurtures several hundred promising university graduates from mainland China, Hong Kong and Taiwan annually. The Group is committed to implementing training programmes to retain talented individuals in order to gain fresh energy for long-term development and drive the Group's continued growth.

PROSPECTS

Entering the second half of the year, there has been a noticeable increase in both consumer and corporate confidence, leading to more active supply and business chains. The Group's various business segments are thus displaying encouraging signs of improvement; however, the prevailing macroeconomic challenges, such as geopolitical changes, high interest rates, and inflation, have prompted the Group to focus on strengthening its cash flow management. This will enable the Group to navigate more complicated internal and external environments. In line with the state's goal to achieve peak carbon dioxide emissions by 2030 and carbon neutrality by 2060, the Group is adopting a professional and systematic approach to establish distributed solar photovoltaics within its facilities. This initiative is expected to yield long-term benefits for the Group. In line with the Group's vision of becoming a green corporation, its Hebei acetic acid project is utilising advanced and energy-efficient carbon capture technology developed by the School of Environment, Tsinghua University, to capture and recycle 200,000 tonnes of carbon dioxide annually. These demonstrated the Group's commitment to achieving its environment, social and governance (ESG) goals. Building on the back of its robust performance, the Group will continue to pursue its overall strategy of maintaining a diversified and synergistic business portfolio, while leveraging its vertical production model to gain a competitive edge. Emphasis will be placed on strict cost controls and technological enhancements, including the proactive deployment of big data management tools to further improve operational efficiencies. The Group also remains committed to research and development, safe production, and improving its environmental performance. All these efforts are geared towards realising a high-quality, sustainable development in line with the Group's objectives.

Laminates Division: Entering the second half of the year, a gradual resumption of consumer confidence is leading to a return to growth in shipments, with the inventories of PCB makers and end-user customers substantially clearing up after more than a year of a downward cycle. It is anticipated that, due to various factors such as the rise of export orders, the rapid growth of new energy vehicles and its peripheral products like charging stations, and the increasing adoption of photovoltaic and other clean energy sources and artificial intelligence, the laminates market will gradually stabilize and rebound. Furthermore, raw material prices have been consistently dropping during this market downturn. While this trend has put tremendous price pressure on the Group's inventory materials, it is worth noting that almost all raw materials used in laminates, save for copper, have now reached extremely low price points. This is set to improve the Group's gross profit margin in the second half of the year. All business units remain steadfast in their commitment to upholding high quality standards while maintaining effective cost controls. It is also anticipated that the years of research and development invested by the Group will gradually yield positive results. Moving forward, the division will continue to collaborate with premium customers, working together towards the certification of high-end products. The Group added 450 tonnes of copper foil monthly capacities in Lianzhou, Guangdong Province during the first half of the year. An additional 300 tonnes per month will be added over the second half. The Group's upstream materials have gained wide recognition from external customers, and this expansion plan will drive increased external upstream sales and earnings, while also meeting internal business needs. The Group also has plans to expand its laminates monthly capacities in Thailand by 400,000 sheets to address the development pace.

PCBs Division: The Group possesses multifaceted advantages that target end-user segments such as automotive, telecommunications, and consumer electronics. These include supreme craftsmanship, comprehensive certification, and a commitment to delivering high-quality products. Currently, the division has a robust order pipeline, with a notable demand for PCBs in new energy vehicle and photovoltaic applications. The division is continuously evolving towards higher technical content, focusing on areas like high aspect ratio and high precision alignment. These ongoing efforts aim to build a portfolio of higher-value-added products whilst forging a closer collaborative ecosystem with customers. The Group is also actively investing in new technologies, particularly in the areas of 6G mobile telecommunications, high-speed servo, and 4D imaging mmWave radar for vehicles. The division is committed to strengthening the core competitiveness of its various PCB brands, namely Elec & Eltek, Techwise Circuits, and Express Electronics. In the second half of the year, the division plans to bring in an additional 400,000 square feet of monthly capacity for multi-layered PCBs. This expansion is aimed at increasing the industry penetration of Kingboard's PCBs.

Chemicals Division: In 2023, the state will continue to prioritise a development mode that emphasises ecological protection and green transition. The Chemicals Division will take part in this national effort by actively promoting production safety and meeting emission standards. Additionally, the division will strive to enhance production efficiency and optimise resources utilisation to reduce energy consumption. The majority of the division's phenol acetone and Bisphenol A output is driven by the demand for engineering-grade plastic materials used to lower the weight of new energy vehicles, photovoltaic film, and electric cables applied to solar power generators and wing paddles in wind turbines. To meet this growing demand, the Group is gearing up to add an annual capacity of 450,000 tonnes of phenol acetone and 240,000 tonnes of Bisphenol A in Daya Bay, Huizhou, Guangdong Province. Acetic acid is another major chemical that has a wide range of applications. As downstream market grows, there has been a corresponding increase in demand for acetic acid. To this end, the Group plans to build an acetic acid project in Xingtai City, Hebei Province with an annual capacity of 800,000 tonnes. The project will incorporate advanced and energy-efficient carbon dioxide capture technology developed by the School of Environment, Tsinghua University. This new project will enable the Group to expand its presence in the chemicals industry. The Chemicals Division is dedicated to leveraging innovation and technology, while promoting enterprise-wide transformation towards a high-quality green and low-carbon trajectory.

Property Division: With a portfolio of development properties invested in and mainly funded internally by the Group over the past few years, and the sales of completed residential properties primarily with no project loans attached currently, the division was therefore able to successfully mitigate the challenges in the Mainland property market. Adhering to the division's cautious business strategy, there has been no acquisition of new land in the past five years. Instead, priority has been given to the scheduled sales of residential projects in eastern China, aiming to expedite capital recycling. In parallel, the division is recording steady growth in rental income, which is estimated to reach HK$1,400 million for the full year of 2023. The Group has strategically balanced its investment property portfolio across the United Kingdom, Hong Kong, and eastern and southern China, contributing to risk diversification and ensuring a continuous influx of stable cash flow for the Group.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, clients, banks, management, and employees for their unwavering support to the Group during the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 14 December 2023 to Friday, 15 December 2023 (both days inclusive) during which period no 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 13 December 2023.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2023, the Company repurchased 500,000 Shares on the Stock Exchange for an aggregate consideration of HK$11,926,075 before expenses pursuant to the share buy-back mandate approved by our shareholders at the annual general meeting held on May 23, 2022. All of the repurchased Shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

	Purchase consideration per share			
Date of repurchase	**Highest price paid**	**Lowest price paid**	**No. of shares repurchased**	**Aggregate consideration**
	HK$	*HK$*		*HK$*
April 20, 2023	24.35	24.05	50,000	1,210,775
April 21, 2023	24.45	24.45	50,000	1,222,500
April 24, 2023	24.60	24.35	50,000	1,221,975
April 25, 2023	24.10	23.90	50,000	1,201,900
April 26, 2023	23.20	22.95	50,000	1,151,800
April 27, 2023	23.45	23.15	50,000	1,167,000
April 28, 2023	24.05	23.75	50,000	1,192,600
May 2, 2023	23.65	23.50	50,000	1,181,250
May 3, 2023	23.70	23.40	50,000	1,179,325
May 4, 2023	24.15	23.80	50,000	1,196,950
Total			500,000	11,926,075

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, each Director has confirmed that he 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 2023.

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

Hong Kong, 28 August 2023

As at the date of this announcement, the Board consists of Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu, Mr. Cheung Kwong Kwan, Mr. Ho Yin Sang, Mr. Cheung Ka Shing, Ms. Ho Kin Fan and Mr. Chen Maosheng, being the executive Directors and Messrs. Cheung Ming Man, Chong Kin Ki, Chan Wing Kee and Stanley Chung Wai Cheong being the independent non-executive Directors.