

KB 建滔集團有限公司

KINGBOARD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 148



INTERIM REPORT
2019

INTERIM RESULTS

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

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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>
		HK\$ (Unaudited)	HK\$ (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 HK\$'000 (Unaudited)	2018 HK\$'000 (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	-	1,186
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><u>2,247,311</u></u>	<u><u>3,730,515</u></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><u>2,247,311</u></u>	<u><u>3,730,515</u></u>

Condensed Consolidated Statement of Financial Position

		30 June 2019	31 December 2018
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	<i>(Audited)</i>
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
		54,080,987	50,121,300
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
		43,996,576	44,309,039

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
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>
Non-current liabilities			
Lease liabilities		12,676	–
Deferred tax liabilities		762,125	731,036
Bank borrowings – amount due after one year		19,159,764	20,259,081
		<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		48,530,107	47,224,670
Equity attributable to owners of the Company		<u>48,638,422</u>	<u>47,332,985</u>
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>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Non-controlling interests	Total equity		
	Share capital	Share premium	Capital redemption reserve	Goodwill reserve	Special surplus account	Statutory reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits			Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	108,315	6,074,903	1,911	1,728,844	10,594	1,213,203	256,370	(890,431)	(143,033)	38,472,309	47,332,985	7,300,286	54,633,271	
Profit for the period	-	-	-	-	-	-	-	-	-	1,441,626	1,441,626	342,130	1,783,756	
Fair value gain on debt instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	435,240	-	-	435,240	31,848	467,088	
Exchange differences arising from translation to presentation currency	-	-	-	-	-	-	-	-	(5,000)	-	(5,000)	1,467	(3,533)	
Total comprehensive income for the period	-	-	-	-	-	-	-	435,240	(5,000)	1,441,626	1,871,866	375,445	2,247,311	
Final dividend of the year ended 31 December 2018	-	-	-	-	-	-	-	-	-	(758,206)	(758,206)	-	(758,206)	
Acquisitions of additional interests in subsidiaries	-	-	-	24,081	-	-	-	-	-	-	24,081	(320,226)	(296,145)	
Disposal of partial interests in a subsidiary	-	-	-	167,696	-	-	-	-	-	-	167,696	440,435	608,131	
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(353,383)	(353,383)	
Transfers to reserve	-	-	-	-	-	101,907	-	-	-	(101,907)	-	-	-	
	-	-	-	191,777	-	101,907	-	-	-	(860,113)	(566,429)	(233,174)	(799,603)	
Balance at 30 Jun 2019	108,315	6,074,903	1,911	1,920,621	10,594	1,315,110	256,370	44,809	(148,033)	39,053,822	48,638,422	7,442,557	56,080,979	



Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Share options reserve HK\$'000	Share reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2018	106,645	5,866,532	1,911	2,560	1,810,841	10,594	705,148	256,370	109,145	2,066,022	35,103,751	46,039,519	7,684,201	53,723,720	
Adjustments due to adopting new standards	-	-	-	-	(58,772)	-	-	-	-	-	-	-	-	-	
Balance at 1 January 2018 (restated)	106,645	5,866,532	1,911	2,560	1,810,841	10,594	705,148	256,370	50,373	2,066,022	35,162,523	46,039,519	7,684,201	53,723,720	
Profit for the period	-	-	-	-	-	-	-	-	-	-	4,169,007	4,169,007	567,702	4,736,709	
Fair value loss on debt instruments measured at fair value through other comprehensive income	-	-	-	-	(408,885)	-	-	-	(408,885)	-	-	(408,885)	73,234	(335,651)	
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	-	-	738	-	738	-	448	1,186	
Exchange difference arising from translation to presentation currency	-	-	-	-	-	-	-	-	(576,891)	-	(576,891)	-	(84,828)	(671,719)	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(408,885)	(576,153)	4,169,007	3,183,959	546,556	3,730,515	
Final dividend for the year ended 31 December 2017	-	-	-	-	-	-	-	-	-	-	(1,066,452)	(1,066,452)	-	(1,066,452)	
Acquisitions of additional interests in subsidiaries	-	-	-	-	(24,182)	-	-	-	-	-	-	(24,182)	(327,442)	(351,624)	
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	2,418	2,418	
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(523,349)	(523,349)	
Transfers to reserve	-	-	-	-	-	-	83,921	-	-	-	(83,921)	-	-	-	
Balance at 30 June 2018	106,645	5,866,532	1,911	2,560	1,786,659	10,594	789,069	256,370	(388,522)	1,469,869	38,181,157	48,132,844	7,382,384	55,515,228	

Condensed Consolidated Statement of Cash Flow

	Six months ended 30 June	
	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>
Net cash from operating activities	4,512,020	440,807
Net cash used in investing activities	(4,284,589)	(6,336,510)
Net cash (used in) from financing activities	(669,140)	4,830,912
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Net decrease in cash and cash equivalents	(441,709)	(1,064,791)
Cash and cash equivalents at the beginning of the period	7,473,324	8,113,756
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Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>7,031,615</u>	<u>7,048,965</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.

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).

3. Segment information – continued

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								34,721
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	9,062,308	4,456,752	8,736,542	1,087,758	217,671	235,749	(1,560,500)	22,236,280
Result								
Segment result	1,913,176	280,472	1,114,269	652,977	176,393	(18,801)		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 results of joint ventures								35,717
Share of results of associates								113,538
Profit before taxation								5,476,576

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 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income, gains and losses include:		
Interest income from bank balances and deposits	35,479	18,975
Interest income on entrusted loans	17,775	26,466
	<u>53,254</u>	<u>45,441</u>

6. Finance costs

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
The amount comprises:		
Hong Kong Profits Tax	9,273	3,680
Taxation arising in other jurisdictions	<u>412,039</u>	<u>734,737</u>
	421,312	738,417
Deferred taxation		
(Credit) Charge for the period	<u>(12,469)</u>	<u>1,450</u>
	<u><u>408,843</u></u>	<u><u>739,867</u></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.

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)
	<hr/>	<hr/>
Total receivables, net	6,020,009	6,315,685
Advance to suppliers	402,224	378,561
Entrusted loans (Note)	575,821	646,676
Prepayment and deposits	866,830	1,127,862
Value added tax ("VAT") recoverables	337,107	358,378
Other receivables	189,629	293,584
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	8,391,620	9,120,746
Less: Non-current portion of entrusted loans (Note)	(539,415)	(605,789)
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	7,852,205	8,514,957
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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 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (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
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	6,020,009	6,315,685
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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

	30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	2,745,747	3,213,519
Accrued expenses	1,348,972	1,055,844
Payable for acquisition of properties, plant and equipment	592,552	429,896
Other tax payables	1,081,825	826,845
VAT payables	326,118	174,324
Land appreciation tax payables	131,121	344,503
Other payables	418,680	379,525
	<u>6,645,015</u>	<u>6,424,456</u>

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> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i> <i>(Audited)</i>
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.

13. Share options

(a) *Employees' share option scheme of the Company*

The existing share option scheme of the Company (the "Scheme") was approved by shareholders of the Company at the annual general meeting held on 27 May 2019. The purpose of the Scheme is to provide incentive or reward to the Eligible Participants (as defined below) for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Scheme which is valid for a period of 10 years, the Board may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds any equity interests ("Invested Entity"), including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vi) any person or entity who from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 business days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of the grant of the options of the Scheme.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The total number of shares available for issue under the Scheme is 108,315,223 shares, which represents approximately 10% of the total issued share capital of the Company as at the date of this report. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

There has been no options outstanding, granted, exercised, cancelled or lapsed under the Scheme during the Period.

13. Share options – continued

(b) *Employees' share option scheme of Elec & Eltek International Company Limited ("EEIC")*

At the annual general meeting of EEIC held on 27 April 2018, the shareholders of EEIC approved the 2018 Elec & Eltek Employees' Share Option Scheme (the "2018 EEIC Scheme"). In accordance with the rules of the 2018 EEIC Scheme, the 2018 EEIC Scheme is to take effect upon the fulfilment of the following conditions: (i) the passing of the necessary resolutions to adopt the 2018 EEIC Scheme by the shareholders of EEIC in general meeting; (ii) the SGX-ST and the Stock Exchange granting their respective in-principle approval for the listing of, and quotation for, the shares in EEIC that are issued pursuant to an exercise of options granted under the 2018 EEIC Scheme; and (iii) the passing of the necessary resolutions to adopt the 2018 EEIC Scheme by the shareholders of the Company in general meeting. The relevant resolutions were passed by shareholders of the Company on 28 May 2018 and EEIC received the approval-in-principal from the SGX-ST. The 2018 EEIC Scheme took effect upon receiving listing approval from the Stock Exchange on 12 September 2018. No options have been granted by EEIC pursuant to the 2018 EEIC Scheme as at the date of this report.

The purpose of the 2018 EEIC Scheme is to provide an opportunity for employees within the EEIC group who have contributed significantly to the growth and performance of the EEIC group and who satisfy the eligibility criteria as set out in Rule 4 of the 2018 EEIC Scheme, to participate in the equity of the EEIC, so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the 2018 EEIC Scheme will help the EEIC group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the EEIC group's business and operations,

Subject to note (1) to rule 17.03(9) of the Listing Rules, the 2018 EEIC Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in EEIC either at the "Market Price", which is defined as the average of the last dealt prices of EEIC's shares (as determined by reference to the Official List published by the SGX-ST) for a period of five consecutive market days immediately preceding the relevant date of grant, or at a discount to the Market Price (as defined earlier), provided that the discount shall not exceed 20% of the Market Price.

Options granted at the Market Price or at a discount to the Market Price may be exercised after the first or second anniversary respectively, of the date of grant and expiring on the fifth anniversary of the date of grant.

The duration of the 2018 EEIC Scheme is ten years from the date of adoption of the 2018 EEIC Scheme. The total number of shares that may be issued shall not exceed 18,691,996 shares (which represents 10% of the total number of shares in issue of EEIC as at 9 March 2018, being the "Latest Practicable Date" stipulated in the circular to shareholders of EEIC dated 26 March 2018).

Share options may be accepted within 30 days after the relevant date of grant accompanied by, inter alia, payment of SGD\$1.00 (or its equivalent) as consideration by the participants.

13. Share options – continued

(c) *Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL")*

The share option scheme of KLHL ("2017 KLHL Scheme") was approved by the shareholders of the Company and the shareholders of KLHL on 29 May 2017, and the 2017 KLHL Scheme took effect upon receiving approval from the Listing Committee of the Stock Exchange on 2 November 2017. The purpose of the 2017 KLHL Scheme is to provide incentive or rewards to the eligible participants of the 2017 KLHL Scheme for their contribution to, and continuing efforts to promote the interests of the KLHL Group (as defined below).

The 2017 KLHL Scheme is valid for a period of ten years. The directors of KLHL may, at its discretion, grant options to subscribe for shares in KLHL to eligible participants who contribute to the long-term growth and profitability of KLHL and include (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to KLHL, any of its subsidiaries or any entity ("KLHL's Invested Entity") in which KLHL and its subsidiaries (collectively referred to as the "KLHL Group") hold an equity interest; (ii) any non-executive directors (including independent non-executive directors) of KLHL, any of its subsidiaries or any KLHL's Invested Entity; (iii) any supplier of goods or services to any member of the KLHL Group or any KLHL's Invested Entity; (iv) any customer of the KLHL Group or any KLHL's Invested Entity; (v) any person or entity that provides research, development or other technological support to the KLHL Group or any KLHL's Invested Entity; and (vi) any shareholder of any member of the KLHL Group or any KLHL's Invested Entity.

The subscription price of KLHL's share in respect of any option granted under the 2017 KLHL Scheme must be at least the highest of (i) the closing price of the shares of KLHL as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the shares of KLHL as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of KLHL.

The option may be accepted by a participant within 28 days from the date of the offer for the grant of the option upon the payment of a consideration of HK\$1. An option may be exercised at any time during a period to be determined and notified by the directors of KLHL to each grantee, and in the absence of such determination, from the date upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The directors of KLHL may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

The total number of shares of KLHL which may be issued upon exercise of all options to be granted under the KLHL Scheme and any other share option scheme of KLHL (excluding, for this purpose, options lapsed in accordance with the terms of the 2017 KLHL Scheme and any other share option scheme of KLHL) must not in aggregate exceed 10% of the total number of shares of KLHL in issue as at the date of approval of the 2017 KLHL Scheme (i.e. 308,100,000 shares in KLHL).

13. Share options – continued

(c) *Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL") – continued*

The maximum number of shares of KLHL which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2017 KLHL Scheme and any other share option scheme of KLHL must not exceed 30% of the issued share capital of KLHL from time to time.

The total number of shares of KLHL issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the share capital of KLHL then in issue unless approved by the shareholders of KLHL and the Company in general meetings.

A summary of movements of the number of share options under the KLHL Scheme for the Period is as follows:

Date of grant	Grant during the period ^(Note 1)	Exercise price per share	Balance at 30 June 2019	Exercisable period
<i>Granted to directors of KLHL</i> 3 April 2019	26,200,000	HK\$8.39	26,200,000	3 April 2019 to 2 April 2029
<i>Granted to employees of KLHL ^(Note 2)</i> 3 April 2019	12,800,000	HK\$8.39	12,800,000	3 April 2019 to 2 April 2029
	<u>39,000,000</u>		<u>39,000,000</u>	
Exercisable at 30 June 2019	<u><u>39,000,000</u></u>			

Notes:

- The fair value of the options granted under the KLHL Scheme during the Period was HK\$17,807,400 (HK\$0.4566 each) (options granted within the period of the 6 months ended 30 June 2018: Nil).
- Including the spouse of Mr. Ho Yin Sang, a Director of the Company, in respect of 11,300,000 options.

13. Share options – continued

(c) *Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL") – continued*

The fair value of the options granted under the KLHL Scheme during the Period was estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	During the Period
Dividend yield (%)	6.26%
Expected volatility (%)	18.83%
Risk-free interest rate (%)	2.07%

The measurement date of the options disclosed herein is the date of grant of these options.

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Save as disclosed, there has been no option granted or outstanding under the KLHL Scheme. During the Period, no option has lapsed or has been cancelled or exercised under the KLHL Scheme.

14. Capital and other commitments

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of an investment property	–	709,750
– acquisition of properties, plant and equipment	<u>363,599</u>	<u>565,339</u>
	363,599	1,275,089
Other expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition and other expenditures relating to properties held for development	<u>1,852,065</u>	<u>1,689,242</u>
	<u>2,215,664</u>	<u>2,964,331</u>

15. Related party transactions

The Group entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	281,234	360,287
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	389,403	447,213
Sales of goods to a non-controlling shareholder of a subsidiary	25,566	25,678
Purchase of goods from an associate	194,728	203,513

Included in trade and other receivables and prepayments as at 30 June 2019 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$10,218,000 (31 December 2018: HK\$9,488,000).

Included in trade and other receivables and prepayments as at 30 June 2019 was an advance payment to an associate of approximately HK\$6,523,000 (31 December 2018: amount due to an associate of HK\$10,672,000).

16. Contingent liabilities

The Group provided guarantees amounting to approximately HK\$1,395,481,000 as at 30 June 2019 (31 December 2018: HK\$527,397,000) to facilitate mortgage bank loans applications of purchasers of the properties that were developed by the Group. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 2019 and 31 December 2018.

Guarantees are given to banks with respect to loans procured by the purchasers of properties that were developed by the Group. Such guarantees will be released by banks upon delivery of the properties to the purchasers and completion of the registration of the relevant mortgaged properties.

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. At the same time, the slowdown in the economy had a dampening effect on chemicals consumption. Therefore, chemical division’s product prices has shown a downward trend. The property division was able to generate a stable stream of rental income and pre-sales proceeds, while maintaining 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. The 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 HK\$*million	2018 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).

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.

EQUITY AND DEBT INSTRUMENTS

As at 30 June 2019, the Group held in approximately HK\$2,455 million and HK\$10,803 million respectively of equity and debt instruments, representing approximately 3% and 11% respectively of the total assets of the Group as at 30 June 2019, which consist of mostly securities listed on Main Board of the Stock Exchange and bonds issued mainly by companies listed on the Main Board of the Stock Exchange. The Group acquired its equity and debt instruments through on-market purchases. The Group will from time to time monitor the movement of prices in securities and bonds and may adjust its investment portfolio as and when appropriate.

The following table sets out the Group's major debt instruments as at 30 June 2019:

Name of debt instruments	Fair value as at 30 June 2019 HK\$'000	Bond interest for the Period HK\$'000
Bonds listed on Singapore Exchange Securities Trading Limited ("SGX") by Country Garden Holdings Limited (HK stock code: 2007)		
(i) fixed coupon interest 4.75% per annum and maturity date in September 2023	1,056,393	25,750
(ii) fixed coupon interest 7.125% per annum and maturity date in January 2022	1,389,066	47,046
(iii) fixed coupon interest 8% per annum and maturity date on January 2024	1,429,579	53,023
Bond listed on SGX by Guangzhou R&F Properties Co., Ltd. (HK stock code: 2777):		
(i) fixed coupon rate of 5.875% per annum and maturity date in February 2023	1,489,231	45,574
(ii) fixed coupon rate of 8.75% per annum and maturity date in January 2021	790,020	36,910
(iii) fixed coupon rate of 7% per annum and maturity date in April 2021	954,484	32,461
(iv) fixed coupon rate of 8.875% per annum and maturity date in September 2021	803,888	34,157
Bond listed on Stock Exchange by KWG Group Holdings Limited (HK stock code: 1813)		
(i) fixed coupon rate of 6% per annum and maturity date in January 2022	637,202	18,873
(ii) fixed coupon rate 9.85% per annum and maturity date in November 2020	820,540	37,699
	9,370,403	331,493

Save as the debt instruments as set out in the table above, the aggregate fair value of other equity and debt instruments held by the Group as at 30 June 2019 do not exceed 5% of the consolidated total assets of the Group as at 30 June 2019.

Based on the announcement of Country Garden Holdings Company Limited (stock code: 2007) (“CGH”) dated 21 September 2016, 19 September 2018 and 2 October 2018: (i) the senior notes (“CGH September 2023 Senior Notes”) were issued by CGH in September 2016, and due in September 2023. The CGH September 2023 Senior Notes are listed on the SGX and carries an interest of 4.75% per annum and interests are payable semi-annually. The proceeds from the CGH September 2023 Senior Notes was intended to be used for refinancing certain of CGH’s existing indebtedness and for its general working capital purposes. (ii) the senior notes (“CGH January 2022 Senior Notes”) were issued by CGH in September 2018, and due in January 2022. The CGH January 2022 Senior Notes are listed on the SGX and carries an interest of 7.125% per annum and interests are payable semi-annually. The proceeds from the CGH January 2022 Senior Notes were intended to be used for refinancing CGH’s existing offshore indebtedness; and (iii) the senior notes (“CGH January 2024 Senior Notes”) were issued by CGH in September 2018, and due in January 2024. The CGH January 2024 Senior Notes are listed on the SGX and carries an interest of 8% per annum and interests are payable semi-annually. The proceeds from the CGH January 2024 Senior Notes were intended to be used mainly for refinancing CGH’s existing offshore indebtedness. According to the 2019 interim results announcement of CGH, as at 30 June 2019, its group’s net gearing ratio increased from approximately 50% that as at 31 December 2018 to approximately 59%.

Based on the announcements of Guangzhou R&F Properties Co., Ltd. (stock code: 2777) (“GRFP”) dated 13 November 2017, 4 January 2019, 18 April 2018 and 19 September 2018: (i) the senior notes (“GRFP February 2023 Senior Notes”) were issued by GRFP in November 2017, and due in February 2023. The GRFP February 2023 Senior Notes are listed on SGX and carries an interest of 5.875% per annum and interests are payable semi-annually. The proceeds from the GRFP February 2023 Senior Notes was intended to be used to refinance debt and for general corporate purposes of GRFP; (ii) the senior notes (“GRFP January 2021 Senior Notes”) were issued by GRFP in January 2019, and due in January 2021. The GRFP January 2021 Senior Notes are listed on SGX and carries an interest of 8.75% per annum and interests are payable semi-annually. The proceeds from the GRFP January 2021 Senior Notes was mainly for offshore refinancing; (iii) the senior notes due April 2021 (“GRFP April 2021 Senior Notes”) were issued by GRFP in April 2018, and due in April 2021. The GRFP April 2021 Senior Notes is listed on the SGX and carries an interest of 7% per annum and interests are payable semi-annually. The proceeds from GRFP April 2021 Senior Notes was intended to finance debt and for general corporate purposes; and (iv) the senior notes due September 2021 (“GRFP September 2021 Senior Notes”) were issued by GRFP in September 2018, and due in September 2021. The GRFP September 2021 Senior Notes is listed on the SGX and carries an interest of 8.875% per annum and interests are payable semi-annually. The net proceeds from GRFP September 2021 Senior Notes was mainly for offshore refinancing. According to the 2019 interim results announcement of GRFP, the net debt to total equity ratio of GRFP increased to 219% at 30 June 2019 from 184% at 31 December 2018.

Based on the announcement of KWG Group Holdings Limited (stock code: 1813) (“KWG”) dated 16 March 2017 and 15 November 2018: (i) the senior notes (“KWG January 2022 Senior Notes”) were issued by KWG in March 2017, and due in January 2022. The KWG January 2022 Senior Notes are listed on Stock Exchange and carries an interest of 6% per annum and interests are payable semi-annually. The proceeds from the KWG January 2022 Senior Notes was intended to be used for refinancing certain of KWG’s existing indebtedness and for its general working capital purposes; and (ii) the senior notes (“KWG November 2020 Senior Notes”) were issued by KWG in November 2018, and due in November 2020. The KWG November 2020 Senior Notes are listed on the Stock Exchange and carries an interest of 9.85% per annum and interests are payable semi-annually. The proceeds from the KWG November 2020 Senior Notes was intended to be used for refinancing certain of KWG’s offshore debt. According to the 2018 annual results announcement of KWG, as at 31 December 2018, its net gearing ratio decreased from approximately 68% as at 31 December 2017 to approximately 65%.

For further information of the business and financial performance of the above companies, please refer to the report and announcements referred in the above paragraphs for details. Please also refer to the respective publications of the above companies from time to time for updates on their prospects and performances. The report and announcements referred above do not form part of this interim report and do not constitute any publication issued by, or any opinion, advice or view of, the Company or any of its directors.

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 (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) 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%). As at 30 June 2019, the bank borrowing are all variable-rate borrowing which carry interest ranging from Hong Kong Inter-Bank Offer Rate (“HIBOR”) +0.78% to HIBOR +1.75% (31 December 2018: HIBOR +0.9% to HIBOR +1.75%) per annum and London Inter-Bank Offer Rate (“LIBOR”) +1.75% (31 December 2018: LIBOR +1.75% per annum).

Included in bank borrowings are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
US\$	562,211	624,034
HK\$	27,348,283	26,889,647

The maturity profile of the Group's borrowing is set out below:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	8,750,730	7,254,600
More than one year but not more than two years	5,739,890	5,675,682
More than two years but not more than five years	13,419,874	14,578,399
More than five years	–	5,000
	27,910,494	27,513,681

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. With a sound balance sheet and abundant contingency funds, the Group is in an excellent position to respond flexibly to the challenges and opportunities in the market.

The Group continued to adopt a prudent financial management policy. The Group did not enter into any derivative financial instrument, nor did the Group have any material foreign exchange exposure during the Period. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses.

HUMAN RESOURCES

As at 30 June 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.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2019, the interests of the Directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position

(a) Ordinary shares of HK\$0.10 each of the Company ("Shares")

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Kwok Wing	Beneficial owner	1,221,905	0.113
Mr. Chang Wing Yiu (<i>Note 1</i>)	Beneficial owner/ Interest of spouse	6,587,228	0.608
Mr. Cheung Kwong Kwan	Beneficial owner	464,500	0.043
Mr. Ho Yin Sang (<i>Note 2</i>)	Beneficial owner/ Interest of spouse	1,529,200	0.141
Ms. Cheung Wai Lin, Stephanie (<i>Note 3</i>)	Beneficial owner/ Interest of spouse	699,000	0.065
Mr. Cheung Ka Shing	Beneficial owner	1,521,000	0.140
Mr. Cheung Ming Man	Beneficial owner	10,000	0.001
Dr. Chong Kin Ki	Beneficial owner	90,000	0.008

Notes:

- (1) Out of the 6,587,228 Shares, 5,916,488 Shares were held by Mr. Chang Wing Yiu and 670,740 Shares were held by his spouse.
- (2) Out of the 1,529,200 Shares, 812,500 Shares were held by Mr. Ho Yin Sang and 716,700 Shares were held by his spouse.
- (3) Out of the 699,000 Shares, 679,000 Shares were held by Ms. Cheung Wai Lin, Stephanie and 20,000 Shares were held by her spouse.

(b) Ordinary shares of HK\$0.10 each (“KLHL Shares”) in KLHL, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL (%)
Mr. Cheung Kwok Wing	Beneficial owner	1,143,000	0.037
Mr. Chang Wing Yiu (<i>Note</i>)	Beneficial owner/ Interest of spouse	8,300,000	0.269
Mr. Ho Yin Sang	Interest of spouse	543,000	0.018
Mr. Cheung Ka Shing	Beneficial owner	379,000	0.012

Note:

Out of the 8,300,000 shares, 7,500,000 shares were held by Mr. Chang Wing Yiu and 800,000 shares were held by his spouse.

(c) Share options of KLHL (“KLHL Share Options”)

Name of Director	Capacity	Interest in underlying KLHL Shares pursuant to KLHL Share Options
Mr. Ho Yin Sang	Interest of spouse	11,300,000

(d) Non-voting deferred shares of HK\$1 each in the share capital of Kingboard Laminates Limited, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of non-voting deferred shares held (<i>Note</i>)
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chang Wing Yiu	Beneficial owner	423,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000

Note: None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

(e) Ordinary shares (“EEIC Shares”) in the share capital of EEIC, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC (%)
Mr. Cheung Kwok Wing	Beneficial owner	1,547,200	0.827
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260

(f) Ordinary shares (“KBCF Shares”) of US\$0.10 each in the share capital of KBCF, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued KBCF Shares held	Approximate percentage of the issued share capital of KBCF (%)
Mr. Ho Yin Sang	Interest of spouse	2,000	0.0002

Other than as disclosed above, as at 30 June 2019, the Company has not been notified of any other notifiable interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at 30 June 2019, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Hallgain Management Limited ("Hallgain") (Note)	Beneficial owner	422,592,872 (L)	39.02 (L)
FMR LLC	Investment manager	108,266,700 (L)	10.00 (L)
Fidelity Puritan Trust	Investment manager	86,079,500 (L)	7.95 (L)

(L) The letter "L" denotes a long position.

Note:

As at 30 June 2019: (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors were not accustomed to act in accordance with any shareholder's direction; and (ii) Mr. Cheung Kwok Wing, being a Director, was also a director of Hallgain.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2019 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the Period, the Group has, by way of a voluntary unconditional cash offer via Excel First Investments Limited, an indirect wholly-owned subsidiary of the Company, purchased 75,838,928 ordinary shares of Kingboard Copper Foil Holdings Limited with an aggregate sum of HK\$259,824,000. Kingboard Copper Foil Holdings Limited was listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") and the purchase of the relevant shares was conducted on the SGX-ST. Following the abovementioned purchase, Kingboard Copper Foil Holdings Limited was delisted from the Official List of SGX-ST on 10 June 2019.

Please refer to the joint announcements of the Company and KLHL dated 4 and 18 April 2019, 2, 5, 13, 16 and 21 May 2019 and 4 and 6 June 2019 for full details.

Save as disclosed, 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 any stock exchange.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the interim report, 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

Board of Directors:

Executive Directors

Mr. Cheung Kwok Wing (*Chairman*)
Mr. Chang Wing Yiu (*Managing Director*)
Mr. Cheung Kwong Kwan
Mr. Ho Yin Sang
Ms. Cheung Wai Lin, Stephanie
Mr. Cheung Ka Shing
Mr. Chen Maosheng

Independent Non-Executive Directors

Mr. Cheung Ming Man
Dr. Chong Kin Ki
Mr. Leung Tai Chiu
Mr. Chan Wing Kee

