

KB 建滔集團有限公司

KINGBOARD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 148

LEADING
THE FUTURE



2021 INTERIM REPORT

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

Condensed Consolidated Statement of Profit or Loss

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Six months ended 30 June | |
|---|--------------------------|-----------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Profit for the period | <u>5,941,244</u> | <u>1,540,560</u> |
| Other comprehensive income/(expenses) for the period: | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | |
| Translation reserve: | | |
| Exchange differences arising from translation to presentation currency | <u>515,527</u> | <u>(476,430)</u> |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Investment revaluation reserve: | | |
| Fair value loss on debt instruments measured at fair value through other comprehensive income | <u>(2,331)</u> | <u>(32,076)</u> |
| Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income | <u>(49,133)</u> | <u>(84,557)</u> |
| | <u>(51,464)</u> | <u>(116,633)</u> |
| Other comprehensive income (expenses) for the period (net of tax) | <u>464,063</u> | <u>(593,063)</u> |
| Total comprehensive income for the period | <u><u>6,405,307</u></u> | <u><u>947,497</u></u> |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | <u>5,490,283</u> | <u>538,933</u> |
| Non-controlling interests | <u>915,024</u> | <u>408,564</u> |
| | <u><u>6,405,307</u></u> | <u><u>947,497</u></u> |

Condensed Consolidated Statement of Financial Position

| | Notes | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Investment properties | | 20,423,378 | 20,053,947 |
| Properties, plant and equipment | 10 | 14,498,132 | 14,576,075 |
| Right-of-use assets | | 1,781,078 | 1,736,680 |
| Goodwill | | 2,670,528 | 2,670,528 |
| Intangible asset | | 51,120 | 54,360 |
| Interest in an associate | | 426,529 | 369,314 |
| Interests in joint ventures | | 2,533,270 | 2,609,520 |
| Equity instruments at fair value through profit or loss | | 2,553,398 | 3,327,715 |
| Debt instruments at fair value through other comprehensive income | | 2,136,251 | 1,741,763 |
| Entrusted loans | 11 | 349,447 | 398,241 |
| Deposits paid for acquisition of properties, plant and equipment | | 704,231 | 150,858 |
| Deferred tax assets | | 2,671 | 2,667 |
| | | 48,130,033 | 47,691,668 |
| Current assets | | | |
| Inventories | | 3,553,024 | 3,010,897 |
| Properties held for development | | 20,934,282 | 19,842,807 |
| Trade and other receivables and prepayments | 11 | 11,089,315 | 8,953,048 |
| Bills receivables | 11 | 6,001,572 | 3,768,013 |
| Loans receivable | | – | 600,000 |
| Equity instruments at fair value through profit or loss | | 2,821,001 | 2,333,796 |
| Debt instruments at fair value through other comprehensive income | | 134,365 | 461,584 |
| Taxation recoverable | | 14,680 | 18,468 |
| Bank balances and cash | | 4,854,643 | 6,568,857 |
| | | 49,402,882 | 45,557,470 |

| | | 30 June 2021 | 31 December 2020 |
|--|--------------|--------------------------|--------------------------|
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| | | (Unaudited) | (Audited) |
| Current liabilities | | | |
| Trade and other payables | 12 | 7,112,933 | 6,538,122 |
| Bills payables | 12 | 273,345 | 377,036 |
| Contract liabilities | | 5,889,715 | 3,789,029 |
| Dividend payable | | – | 1,930,710 |
| Taxation payable | | 2,246,341 | 1,880,064 |
| Bank borrowings – amount due within one year | | 14,265,173 | 8,612,099 |
| Lease liabilities | | 4,004 | 4,212 |
| | | <u>29,791,511</u> | <u>23,131,272</u> |
| Net current assets | | <u>19,611,371</u> | <u>22,426,198</u> |
| Total assets less current liabilities | | <u>67,741,404</u> | <u>70,117,866</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 687,853 | 690,621 |
| Bank borrowings – amount due after one year | | 3,338,954 | 8,618,747 |
| Lease liabilities | | 9,311 | 9,792 |
| | | <u>4,036,118</u> | <u>9,319,160</u> |
| | | <u>63,705,286</u> | <u>60,798,706</u> |
| Capital and reserves | | | |
| Share capital | | 110,879 | 110,579 |
| Reserves | | 58,599,762 | 55,754,324 |
| Equity attributable to owners of the Company | | <u>58,710,641</u> | <u>55,864,903</u> |
| Non-controlling interests | | <u>4,994,645</u> | <u>4,933,803</u> |
| Total equity | | <u>63,705,286</u> | <u>60,798,706</u> |

Condensed Consolidated Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|--|---------------------------------------|---------------------------|--|---|------------------------------|-------------------------------------|-------------------------------|--|--|--------------------------------|------------------------------|-----------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Share-base payments 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 | Transition reserve HK\$'000 | Retained profits HK\$'000 | Sub-total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| Balance at 1 January 2021 | 110,579 | 6,565,860 | 1,911 | 13,577 | 1,291,027 | 10,594 | 1,941,099 | 280,581 | (143,962) | 2,837,405 | 42,566,232 | 55,664,903 | 4,993,803 | 60,796,706 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | 5,061,729 | 5,061,729 | 879,515 | 5,941,244 |
| Fair value (loss) gain on debt instruments measured at fair value through other comprehensive income | - | - | - | - | - | - | - | (6,589) | - | - | - | (6,589) | 4,258 | (2,331) |
| Reclassify to profit or loss upon disposal of debt instruments through other comprehensive income | - | - | - | - | - | - | - | (44,060) | - | - | - | (44,060) | (6,073) | (49,133) |
| Exchange difference arising from transition to presentation currency | - | - | - | - | - | - | - | - | 479,203 | - | - | 479,203 | 36,324 | 515,527 |
| Total comprehensive (expense) income for the period | - | - | - | - | - | - | - | (50,649) | 479,203 | 479,203 | 5,061,729 | 5,490,283 | 915,024 | 6,405,307 |
| Issue of new shares from exercise of share options | 300 | 65,099 | - | (13,487) | - | - | - | - | - | - | - | 51,912 | - | 51,912 |
| Final dividend for the year ended 31 December 2020 | - | - | - | - | - | - | - | - | - | (2,214,563) | (2,214,563) | (2,214,563) | - | (2,214,563) |
| Acquisitions of additional interests in subsidiaries | - | - | - | - | (800,801) | - | - | - | - | - | - | (800,801) | (400,823) | (1,201,624) |
| Disposal of partial interests in subsidiary | - | - | - | - | 316,927 | - | - | - | - | - | - | 316,927 | 249,427 | 566,354 |
| Repayment to non-controlling shareholders of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | (282,541) | (282,541) |
| Dividends paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (420,245) | (420,245) |
| Transfers to reserve | - | - | - | - | - | - | 247,790 | - | - | (247,790) | - | - | - | - |
| | 300 | 65,099 | - | (13,487) | (481,874) | 10,594 | 247,790 | 280,581 | - | (2,462,373) | 45,555,588 | (2,644,545) | (854,162) | (3,498,727) |
| Balance at 30 June 2021 | 110,879 | 6,630,959 | 1,911 | 90 | 809,153 | 10,594 | 2,188,889 | 280,581 | (194,611) | 3,316,608 | 45,555,588 | 58,710,641 | 4,994,645 | 63,705,286 |

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|---|---------------------------------------|------------------------|-------------------------------------|---------------------------------------|-------------------|----------------------------------|----------------------------|---------------------------------------|---|-----------------------------|---------------------------|--------------------|------------------------------------|-----------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | State-based payments reserve HK\$'000 | Goodwill HK\$'000 | Special surplus account HK\$'000 | Statutory reserve HK\$'000 | Property revaluation reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Transition reserve HK\$'000 | Retained profits HK\$'000 | Sub-total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| Balance at 1 January 2020 | 110,576 | 6,566,852 | (11,900) | 25,491 | 1,895,594 | 10,594 | 1,472,950 | 280,381 | 121,445 | (629,188) | 40,245,570 | 50,188,565 | 7,781,085 | 57,969,650 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | 1,059,192 | 1,059,192 | 481,368 | 1,540,560 |
| Fair value loss on debt instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | (20,955) | - | - | (20,955) | (11,121) | (32,076) |
| Reclassification to profit or loss upon disposal of debt instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | (64,157) | - | - | (64,157) | (20,400) | (84,557) |
| Exchange difference arising from transition to presentation currency | - | - | - | - | - | - | - | - | - | (435,147) | - | (435,147) | (41,283) | (476,430) |
| Total comprehensive (expense) income for the period | - | - | - | - | - | - | - | (85,112) | (85,112) | (435,147) | 1,059,192 | 538,933 | 408,564 | 947,497 |
| Final dividend for the year ended 31 December 2019 | - | - | - | - | - | - | - | - | - | - | (1,214,455) | (1,214,455) | - | (1,214,455) |
| Acquisitions of additional interests in subsidiaries | - | - | - | - | (117,863) | - | - | - | - | - | - | (117,863) | (84,734) | (465,597) |
| Disposal of interests in a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | 55,236 | 55,236 |
| Dividends paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (634,847) | (634,847) |
| Repurchase and cancellation of ordinary shares | (201) | (42,752) | 13,811 | - | - | - | 140,115 | - | - | - | (29,142) | (29,142) | - | (29,142) |
| Transfers to reserve | - | - | - | - | - | - | - | - | - | (140,115) | - | - | - | - |
| | (201) | (42,752) | 13,811 | - | (117,863) | - | 140,115 | - | - | - | (1,354,570) | (1,361,460) | (97,269) | (2,289,745) |
| Balance at 30 June 2020 | 110,375 | 6,524,100 | 1,911 | 25,491 | 1,777,731 | 10,594 | 1,613,065 | 280,381 | 36,333 | (964,335) | 39,950,192 | 49,366,038 | 7,262,364 | 56,629,402 |

Condensed Consolidated Statement of Cash Flow

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Net cash from operating activities | 3,510,430 | 3,302,645 |
| Net cash from investing activities | 69,652 | 3,268,127 |
| Net cash used in financing activities | <u>(5,294,296)</u> | <u>(5,823,662)</u> |
| Net (decrease) increase in cash and cash equivalents | (1,714,214) | 747,110 |
| Cash and cash equivalents at the beginning of the period | <u>6,568,857</u> | <u>6,256,964</u> |
| Cash and cash equivalents at the end of the period, representing bank balances and cash | <u><u>4,854,643</u></u> | <u><u>7,004,074</u></u> |

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRS

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

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

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

2. Principal accounting policies – continued

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

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

3. Segment information

HKFRS 8 “Operating Segments” (“HKFRS 8”) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, who are the Chief Operating Decision Maker (“CODM”), in order to allocate resources to segments and to assess their performance. Specifically, the Group’s reportable segments under HKFRS 8 are organised into six main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of printed circuit boards (“PCBs”), (iii) manufacture and sale of chemicals, (iv) sales and rental of properties, (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income, equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business). The management aggregated the sales of properties and rental income business into one reportable segment because the financial performance of both businesses are affected by changes in the property market. In addition, the management aggregated service income, hotel business and manufacture and sale of magnetic products into one reportable segment because the revenue, results, assets and liabilities of each business are insignificant to the Group. No other operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

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 2021 | | | | | | | | |
| Segment revenue | | | | | | | | |
| External sales | 12,233,357 | 6,462,444 | 7,003,928 | 575,343 | 180,726 | 245,694 | - | 26,701,492 |
| Inter-segment sales | 2,207,193 | - | 547,644 | - | - | 4,151 | (2,758,988) | - |
| Total | <u>14,440,550</u> | <u>6,462,444</u> | <u>7,551,572</u> | <u>575,343</u> | <u>180,726</u> | <u>249,845</u> | <u>(2,758,988)</u> | <u>26,701,492</u> |
| Result | | | | | | | | |
| Segment result | <u>4,099,898</u> | <u>623,257</u> | <u>1,924,912</u> | <u>426,327</u> | <u>590,417</u> | <u>(78,737)</u> | | 7,586,074 |
| Unallocated corporate income | | | | | | | | 22,656 |
| Unallocated corporate expenses | | | | | | | | (250,727) |
| Finance costs | | | | | | | | (108,078) |
| Share of results of joint ventures | | | | | | | | 41,926 |
| Share of result of an associate | | | | | | | | 51,380 |
| Profit before taxation | | | | | | | | <u>7,343,231</u> |

3. Segment information – continued

| | Laminates HK\$'000 (Unaudited) | PCBs HK\$'000 (Unaudited) | Chemicals HK\$'000 (Unaudited) | Properties HK\$'000 (Unaudited) | Investments HK\$'000 (Unaudited) | Others HK\$'000 (Unaudited) | Eliminations HK\$'000 (Unaudited) | Consolidated HK\$'000 (Unaudited) |
|------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|--|-----------------------------------|---|---|
| Six months ended | | | | | | | | |
| 30 June 2020 | | | | | | | | |
| Segment revenue | | | | | | | | |
| External sales | 5,592,085 | 4,271,597 | 4,828,399 | 4,857,901 | 155,419 | 220,247 | – | 19,925,648 |
| Inter-segment sales | 1,093,822 | – | 295,562 | – | – | 4,688 | (1,394,072) | – |
| Total | <u>6,685,907</u> | <u>4,271,597</u> | <u>5,123,961</u> | <u>4,857,901</u> | <u>155,419</u> | <u>224,935</u> | <u>(1,394,072)</u> | <u>19,925,648</u> |
| Result | | | | | | | | |
| Segment result | <u>1,083,613</u> | <u>303,266</u> | <u>279,323</u> | <u>1,906,073</u> | <u>(761,752)</u> | <u>5,329</u> | | 2,815,852 |
| Unallocated corporate income | | | | | | | | 35,375 |
| Unallocated corporate expenses | | | | | | | | (231,370) |
| Finance costs | | | | | | | | (287,993) |
| Share of result of a joint venture | | | | | | | | 39,852 |
| Share of results of an associate | | | | | | | | <u>(5,776)</u> |
| Profit before taxation | | | | | | | | <u>2,365,940</u> |

Inter-segment sales are charged on a cost-plus basis with an arm's length margin.

4. Depreciation

During the reporting period, depreciation of approximately HK\$871,284,000 (six months ended 30 June 2020: HK\$799,440,000) was charged in respect of the Group's properties, plant and equipment.

5. Other income, gains and losses

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

6. Finance costs

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

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

7. Income tax expense

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

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

Under the EIT Law of the PRC, withholding tax of 5% to 10% is imposed on dividends declared in respect of profits earned by subsidiaries in Mainland China from 1 January 2008 onwards.

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

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

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

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

8. Interim dividend

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

9. Earnings per share

The calculations of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

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

10. Additions to properties, plant and equipment

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

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

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

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

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

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

The Group allows credit period of up to 120 days (31 December 2020: 120 days), depending on the products sold to its trade customers. The following is an aging analysis of trade receivables net of allowance for credit losses based on invoice date at the end of the reporting period:

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

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

12. Trade and other payables and bills payables

| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
|--|--|--|
| Trade payables | 3,177,280 | 3,155,003 |
| Accrued expenses | 1,157,140 | 1,022,065 |
| Payable for acquisition of properties, plant and equipment | 528,877 | 398,426 |
| Other tax payables | 918,310 | 829,767 |
| VAT payables | 577,072 | 350,786 |
| Land appreciation tax payables | 52,427 | 88,548 |
| Other payables | 701,827 | 693,527 |
| | <u>7,112,933</u> | <u>6,538,122</u> |

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

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

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

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 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.

13. Share options – continued

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

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

| Date of grant | Balance at 1 January 2021 | Granted during the period | Exercised during the period | Balance at 30 June 2021 | Exercise price per share | Exercisable period |
|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|---|
| <i>Granted to directors on:</i> | | | | | | |
| 14 August 2019 | | | | | | |
| Mr. Ho Yin Sang | 1,500,000 | – | (1,500,000) | – | HK\$17.304 | 14 August 2019 to 13 August 2029 (Note) |
| Mr. Cheung Ka Shing | 1,520,000 | – | (1,500,000) | 20,000 | HK\$17.304 | 14 August 2019 to 13 August 2029 (Note) |
| | <u>3,020,000</u> | <u>–</u> | <u>(3,000,000)</u> | <u>20,000</u> | | |
| <i>Exercisable at</i> | | | | | | |
| 1 January 2021 | 3,020,000 | | | | | |
| 30 June 2021 | <u>20,000</u> | | | | | |

Note:

The share options above were vested upon grant. The closing prices of the ordinary share of the Company immediately before the dates of the exercises (1,500,000 share options on 1 April 2021 by Mr. Cheung and 1,500,000 share options on 2 June 2021 by Mr. Ho) were HK\$42.00 and HK\$40.85, respectively.

Save as disclosed: (i) there were no other options granted and outstanding under the Scheme at the beginning and the end of the Period; (ii) there were no other options exercised under the Scheme during the Period. During the Period, no option has lapsed or has been granted or cancelled under the Scheme.

13. Share options – continued

(b) *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.

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.

13. Share options – continued

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

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.

There was no option outstanding under the KLHL Scheme at the beginning and the end of the reporting period. During the Period, no option has lapsed or has been granted, vested, cancelled or exercised under the KLHL Scheme.

14. Capital and other commitments

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|---|--|--|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: | | |
| – acquisition of properties, plant and equipment | 607,005 | 114,962 |
| 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 | 638,534 | 1,014,561 |
| | <u>1,245,539</u> | <u>1,129,523</u> |

15. Related party transactions

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Sales of goods to subsidiaries of a shareholder with significant influence to the Group | 283,651 | 120,830 |
| Purchase of goods from subsidiaries of a shareholder with significant influence to the Group | 708,612 | 413,801 |
| Sales of goods to a non-controlling shareholder of a subsidiary | 21,482 | 21,644 |
| Purchase of goods from an associate | 69,510 | 68,111 |
| Sale of properties to Certain Directors and close family members of the Director | - | 987,270 |
| | <u> </u> | <u> </u> |

Included in trade and other receivables and prepayments as at 30 June 2021 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$8,275,000 (31 December 2020: HK\$6,403,000).

Included in trade and other payables as at 30 June 2021 was an amount due to an associate of approximately HK\$2,781,000 (31 December 2020: HK\$6,875,000) and a joint venture of HK\$137,500,000 (31 December 2020: HK\$137,500,000).

16. Contingent liabilities

The Group provided guarantees amounting to approximately HK\$469,645,000 as at 30 June 2021 (31 December 2020: HK\$586,022,000) 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 2021 and 31 December 2020.

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

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

FINANCIAL HIGHLIGHTS

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

PERFORMANCE

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

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

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

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

INVESTMENTS

As at 30 June 2021, the Group held in aggregate approximately HK\$5,374 million and HK\$2,271 million respectively of equity and debt instruments, representing approximately 5.5% and 2.3% respectively of the total assets of the Group as at 30 June 2021, which consisted 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.

There was no securities investment in an investee company with a value of 5 per cent. or more of the Group's total assets as at 30 June 2021. The following table sets out the main investments of debt instruments held by the Group as at the end of the Period:

| Investment | Principal business(es) of underlying company | Number of securities held '000 | Percentage of securities held (of the securities of the same class) | Investment cost HK\$'000 | Fair value as at 30 June 2021 HK\$'000 | Percentage | Gain on disposal during the Period HK\$'000 | Unrealised gain/(loss) during the Period HK\$'000 | Investment strategy |
|---|--|--------------------------------|---|--------------------------|--|--|---|---|--|
| | | | | | | to the Group's total assets as of 30 June 2021 | | | |
| Bonds with fixed coupon rate of 5.875% per annum and maturity date in February 2023 listed on SGX by Guangzhou R&F Properties Co., Ltd. (Guangzhou R&F) | development and sale of properties, property investment, hotel operations and other property development related services in the PRC | 32,000 | 5.3% | 244,280 | 228,582 | 0.2% | 1,813 | (15,698) | To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income |

| Investment | Principal business(es) of underlying company | Number of securities held '000 | Percentage of securities held (of the same class) | Investment cost HK\$'000 | Fair value as at 30 June 2021 HK\$'000 | Percentage to the Group's total assets as of 30 June 2021 | Gain on disposal during the Period HK\$'000 | Unrealised gain/(loss) during the Period HK\$'000 | Investment strategy |
|--|--|--------------------------------|---|--------------------------|--|---|---|---|--|
| | | | | | | 30 June 2021 | | | |
| Bonds with fixed coupon rate of 8.875% per annum and maturity date in September 2021 listed on SGX by Guangzhou R&F | development and sale of properties, property investment, hotel operations and other property development related services in the PRC | 16,500 | 8.3% | 128,691 | 134,365 | 0.1% | 12 | 5,674 | To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income |
| Bonds with fixed coupon rate of 11.625% per annum and maturity date in September 2024 listed on SGX by Guangzhou R&F | development and sale of properties, property investment, hotel operations and other property development related services in the PRC | 50,000 | 15.4% | 386,022 | 383,136 | 0.4% | – | (2,886) | To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income |
| Bonds with fixed coupon rate of 11.75% per annum and maturity date in August 2023 listed on SGX by Guangzhou R&F | development and sale of properties, property investment, hotel operations and other property development related services in the PRC | 92,700 | 18.5% | 723,060 | 744,525 | 0.8% | 199 | 21,465 | To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income |

| Investment | Principal business(es) of underlying company | Number of securities held | Percentage of securities of the same class | Investment cost | Fair value as at 30 June 2021 | Percentage to the Group's total assets as of 30 June 2021 | Gain on disposal during the Period | Unrealised gain/(loss) during the Period | Investment strategy |
|---|--|---------------------------|--|-----------------|-------------------------------|---|------------------------------------|--|--|
| | | | | | | '000 | | | |
| Bonds with fixed coupon rate of 12.375% per annum and maturity date in November 2022 listed on SGX by Guangzhou R&F | development and sale of properties, property investment, hotel operations and other property development related services in the PRC | 97,000 | 26.9% | 756,600 | 778,374 | 0.8% | 663 | 21,774 | To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income |

Based on the announcements of Guangzhou R&F Properties Co., Ltd. (Stock code: 2777) (“GRFP”) dated 13 November 2017, 4 January 2018, 19 September 2018, 24 February 2021, 26 January 2021 and 12 November 2020: (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 the SGX and carry an interest of 5.875% per annum and interests are payable semi-annually. The proceeds from the GRFP February 2023 Senior Notes were intended to be used to refinance debt and for general corporate purposes of GRFP; (ii) 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 are listed on the SGX and carry an interest of 8.875% per annum and interests are payable semi-annually. The net proceeds from the GRFP September 2021 Senior Notes were mainly for offshore refinancing; (iii) the senior notes due September 2024 (“GRFP September 2024 Senior Notes”) were issued by GRFP in February 2021, and due in September 2024. The GRFP September 2024 Senior Notes are listed on the SGX and carry an interest of 11.625% per annum and interests are payable semi-annually. The net proceeds from the GRFP September 2024 Senior Notes were mainly for refinancing medium to long-term debt that will be due within one year; (iv) the senior notes due August 2023 (“GRFP August 2023 Senior Notes”) were issued by GRFP in January 2021, and due in August 2023. The GRFP August 2023 Senior Notes are listed on the SGX and carry an interest of 11.75% per annum and interests are payable semi-annually. The net proceeds from the GRFP August 2023 Senior Notes were mainly for refinancing medium to long-term debt that will be due within one year; and (v) the senior notes due November 2022 (“GRFP November 2022 Senior Notes”) were issued by GRFP in November 2020, and due in November 2022. The GRFP November 2022 Senior Notes are listed on the SGX and carry on interest of 12.375% per annum and interests are payable semi-annually. The net proceeds from the GRFP November 2022 Senior Notes were mainly for refinancing medium to long-term debt that will be due within one year. According to the 2021 interim report of GRFP, the net debt to total equity ratio of GRFP decreased to 123% at 30 June 2021 from 130% at 31 December 2020.

For further information of the business and financial performance of the above company, please refer to the report and announcements referred in the above paragraph for details. Please also refer to the respective publications of the above company 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.

The Company's equity instruments in aggregate amounting to approximately HK\$5,374 million, representing approximately 5.5% of the total assets of the Group as at 30 June 2021, consisted primarily of listed shares of a cluster of wide-ranging primarily blue-chip listed issuers. The Company's investment strategy of these equity investment is to make mid- to long-term investments in the prospects of primarily reputable sizeable issuers on recognizable stock exchange for creating values for its Shareholders, with the risks involved balanced and moderated by the diversity of the portfolio and the corporate governance and disclosures of such issuers.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

As at 30 June 2021, variable-rate bank borrowings which carry interest ranging from Hong Kong Inter-Bank Offer Rate ("HIBOR")+0.78% to HIBOR+1.15% (31 December 2020: HIBOR+0.78% to HIBOR+1.5%) per annum and Loan Prime Rate ("LPR")+1.355% per annum (31 December 2020: LPR+1.355%) and fixed rate bank borrowings from 3.30% to 3.70% per annum.

The effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings as at 30 June 2021 ranged from 0.87% to 5.21% (31 December 2020: 1.61% to 5.21%) per annum.

Included in bank borrowings are the following amounts denominated in currencies as indicated below:

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|-----|--|--|
| HKD | 15,496,540 | 16,202,564 |
| RMB | 2,107,587 | 1,028,282 |

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

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|--|--|--|
| Within one year | 14,265,173 | 8,612,099 |
| More than one year but not more than two years | 2,096,579 | 5,405,111 |
| More than two years but not more than five years | 1,242,375 | 3,213,636 |
| | 17,604,127 | 17,230,846 |

During the Period, the Group continued to adopt a prudent financial management policy. The Group did not enter into any material derivative financial instruments. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses.

HUMAN RESOURCES

As at 30 June 2021, the Group employed a global workforce of approximately 36,000 (31 December 2020: 36,000). In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance.

PROSPECTS

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

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

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

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

APPRECIATION

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9 December 2021 to Friday, 10 December 2021 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 8 December 2021.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2021, 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 (<i>Note 1</i>) | Beneficial owner/ Interest of spouse | 3,883,405 | 0.350 |
| Mr. Chang Wing Yiu (<i>Note 2</i>) | Beneficial owner/ Interest of spouse | 9,243,228 | 0.834 |
| Mr. Cheung Kwong Kwan | Beneficial owner | 4,136,500 | 0.373 |
| Mr. Ho Yin Sang (<i>Note 3</i>) | Beneficial owner/ Interest of spouse | 957,700 | 0.086 |
| Ms. Cheung Wai Lin, Stephanie (<i>Note 4</i>) | Beneficial owner/ Interest of spouse | 694,000 | 0.063 |
| Mr. Cheung Ka Shing | Beneficial owner | 965,500 | 0.087 |
| Mr. Cheung Ming Man | Beneficial owner | 35,000 | 0.003 |
| Dr. Chong Kin Ki | Beneficial owner | 70,000 | 0.006 |
| Mr. Chan Wing Kee | Beneficial owner | 285,000 | 0.026 |

Notes:

- (1) Out of the 3,883,405 Shares, 3,597,905 Shares were held by Mr. Cheung Kwok Wing and 285,500 Shares were held by his spouse.
- (2) Out of the 9,243,228 Shares, 8,572,488 Shares were held by Mr. Chang Wing Yiu and 670,740 Shares were held by his spouse.
- (3) Out of the 957,700 Shares, 927,000 Shares were held by Mr. Ho Yin Sang and 30,700 Shares were held by his spouse.
- (4) Out of the 694,000 Shares, 674,000 Shares were held by Ms. Cheung Wai Lin, Stephanie and 20,000 Shares were held by her spouse.

(b) Share options of the Company (“Share Options”)

| Name of Director | Capacity | Interest in underlying Shares pursuant to the Share Options | Approximate percentage of the issued share capital of the Company as at the end of the Reporting Period (%) |
|---------------------|------------------|---|---|
| Mr. Cheung Ka Shing | Beneficial owner | 20,000 | 0.002 |

(c) 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 (<i>Note 1</i>) | Beneficial owner/ Interest of spouse | 2,008,500 | 0.064 |
| Mr. Chang Wing Yiu | Beneficial owner | 11,871,000 | 0.380 |
| Mr. Ho Yin Sang | Beneficial owner | 809,000 | 0.026 |
| Mr. Cheung Ka Shing | Beneficial owner | 379,000 | 0.012 |
| Mr. Cheung Kwong Kwan | Beneficial owner | 2,000,000 | 0.064 |
| Ms. Cheung Wai Lin, Stephanie | Beneficial owner | 410,500 | 0.013 |

Notes:

- (1) Out of the 2,008,500 shares, 1,528,500 shares were held by Mr. Cheung Kwok Wing and 480,000 shares were held by his spouse.

(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.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions 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) as at 30 June 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at 30 June 2021, 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 | 429,935,700 (L) | 38.78 (L) |
| FMR LLC | Investment manager | 110,514,012 (L) | 9.97 (L) |
| Fidelity Puritan Trust | Investment manager | 88,451,221 (L) | 7.98 (L) |

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

Note:

As at 30 June 2021: (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 2021 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

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

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2021, save for the deviation from paragraph A.4.1 of the CG Code since the independent non-executive Directors are not appointed for a specific term. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association. As such, the Company considers that steps have been taken with a view to ensuring that the Company's corporate governance practices are in line with the principles of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, each Director has confirmed that he or she has complied with the required standard set out in the Model Code and the code of conduct regarding Director's securities transactions adopted by the Company throughout the six months ended 30 June 2021.

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

Hong Kong, 30 August 2021

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. Chan Wing Kee
Mr. Stanley Chung Wai Cheong