

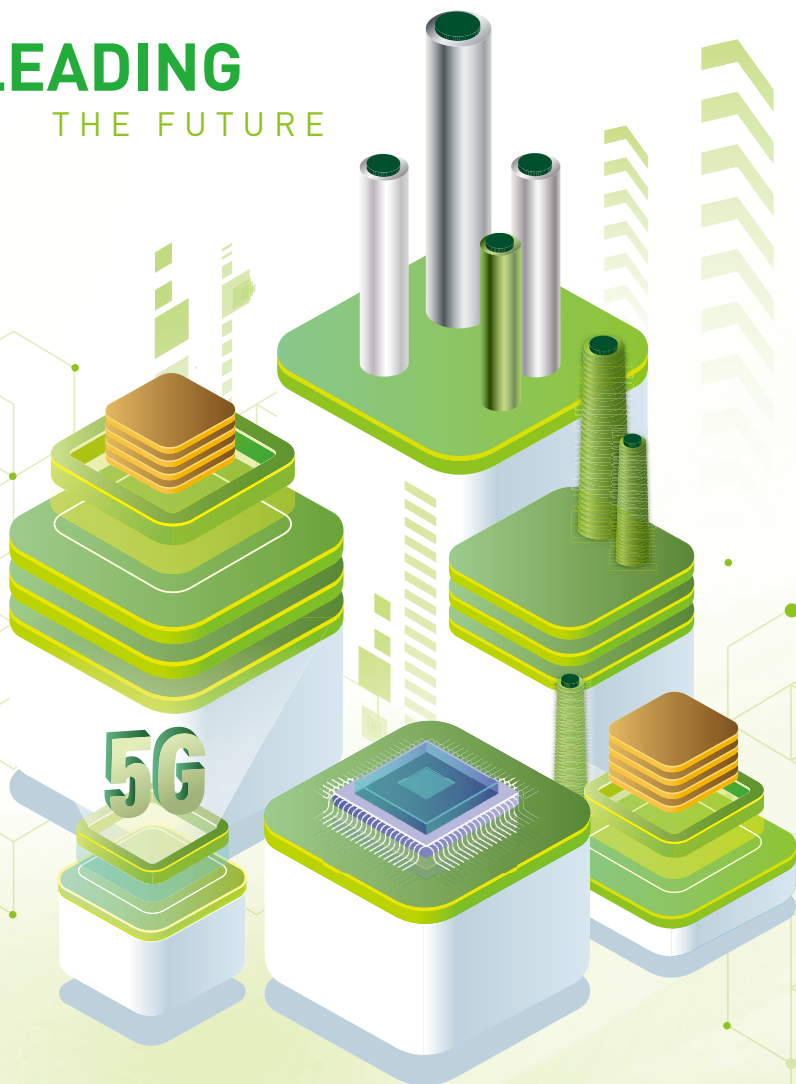
KB 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1888

LEADING THE FUTURE



2021 INTERIM REPORT

INTERIM RESULTS

The board of directors (the “Board”) of Kingboard Laminates 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

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	13,919,956	6,807,615
Cost of sales		(9,196,943)	(5,176,509)
Gross profit		4,723,013	1,631,106
Other income, gains and losses	5	52,133	10,827
Distribution costs		(256,986)	(170,797)
Administrative costs		(474,055)	(332,457)
Gain (Loss) on fair value changes of equity instruments at fair value through profit or loss		77,828	(129,155)
Gain on disposal of debt instruments at fair value through other comprehensive income		19,209	71,711
Finance costs	6	(29,790)	(39,486)
Profit before taxation		4,111,352	1,041,749
Income tax expense	8	(753,961)	(307,649)
Profit for the period		3,357,391	734,100
Profit for the period attributable to:			
Owners of the Company		3,356,539	732,814
Non-controlling interests		852	1,286
		3,357,391	734,100
Earnings per share – Basic and diluted	10	HK\$1.076	HK\$0.238

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	3,357,391	734,100
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	234,636	(112,239)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value gain (loss) on debt instruments at fair value through other comprehensive income	16,121	(39,095)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	(19,209)	(71,711)
	(3,088)	(110,806)
Other comprehensive income (expenses) for the period (net of tax)	231,548	(223,045)
Total comprehensive income for the period	3,588,939	511,055
Total comprehensive income for the period attributable to:		
Owners of the Company	3,587,796	510,893
Non-controlling interests	1,143	162
	3,588,939	511,055

Condensed Consolidated Statement of Financial Position

		30 June 2021	31 December 2020
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Investment properties		1,440,799	1,438,063
Properties, plant and equipment	11	5,669,463	5,613,910
Right-of-use assets		596,998	567,754
Equity instruments at fair value through profit or loss		285,518	88,583
Debt instruments at fair value through other comprehensive income		221,171	611,231
Deposits paid for acquisition of properties, plant and equipment		644,413	97,201
Deferred tax assets		3,190	3,190
Goodwill		238	238
		8,861,790	8,420,170
Current assets			
Inventories		2,093,391	1,739,106
Trade and other receivables and prepayments	12	6,286,172	4,743,914
Bills receivables	12	4,192,627	3,507,802
Properties held for development		1,696,956	1,427,224
Equity instruments at fair value through profit or loss		69,974	776,904
Debt instruments at fair value through other comprehensive income		134,365	148,740
Amounts due from fellow subsidiaries		955,631	693,081
Taxation recoverable		5,336	9,009
Bank balances and cash		3,032,680	4,909,965
		18,467,132	17,955,745

		30 June 2021	31 December 2020
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	13	2,831,457	2,777,696
Bills payables	13	164,071	347,631
Contract liabilities		2,285,207	617,304
Dividend payable		–	6,240,000
Lease liabilities		375	553
Amounts due to fellow subsidiaries		47,660	47,582
Taxation payable		856,744	723,426
Bank borrowings – amount due within one year		4,007,683	923,077
		<u>10,193,197</u>	<u>11,677,269</u>
Net current assets		<u>8,273,935</u>	<u>6,278,476</u>
Total assets less current liabilities		<u>17,135,725</u>	<u>14,698,646</u>
Non-current liabilities			
Lease liabilities		1,675	1,771
Deferred tax liabilities		75,782	78,095
Bank borrowings – amount due after one year		666,667	230,769
		<u>744,124</u>	<u>310,635</u>
		<u>16,391,601</u>	<u>14,388,011</u>
Capital and reserves			
Share capital		312,000	312,000
Reserves		16,054,388	14,021,065
Equity attributable to owners of the Company		16,366,388	14,333,065
Non-controlling interests		25,213	54,946
Total equity		<u>16,391,601</u>	<u>14,388,011</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Special reserve	Statutory reserve	Goodwill reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(note a)	(note b)				
Balance at 1 January 2021	312,000	2,131,768	953,505	7,268	(19,030)	757,689	1,069,592	251,384	8,868,889	14,333,065	54,946	14,388,011
Profit for the period	-	-	-	-	-	-	-	-	3,356,539	3,356,539	852	3,357,391
Exchange differences arising from translation of presentation currency	-	-	234,345	-	-	-	-	-	-	234,345	291	234,636
Fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	-	16,121	-	-	-	-	16,121	-	16,121
Reclassify to profit or loss upon disposal of debt instrument at fair value through other comprehensive income	-	-	-	-	(19,209)	-	-	-	-	(19,209)	-	(19,209)
Total comprehensive income (expenses) for the period	-	-	234,345	-	(3,088)	-	-	-	3,356,539	3,587,796	1,143	3,588,939
Final dividend paid for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(1,560,000)	(1,560,000)	-	(1,560,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,349)	(1,349)
Transfer to reserve	-	-	-	-	-	-	238,548	-	(238,548)	-	-	-
Acquisition of additional interests in a subsidiary (note c)	-	-	-	-	-	-	-	5,527	-	5,527	(28,527)	(24,000)
	-	-	-	-	-	-	238,548	5,527	(1,798,548)	(1,554,473)	(30,876)	(1,585,349)
Balance at 30 June 2021	312,000	2,131,768	1,187,850	7,268	(22,118)	757,689	1,308,140	256,911	10,426,880	16,366,388	25,213	16,391,601

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based payments reserve HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000 (note a)	Goodwill reserve HK\$'000 (note b)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	308,100	1,711,849	(100,963)	7,288	137,180	96,609	757,689	708,053	251,384	14,824,243	18,701,422	47,657	18,749,079
Profit for the period	-	-	-	-	-	-	-	-	-	732,814	732,814	1,286	734,100
Exchange differences arising from translation of presentation currency	-	-	(111,115)	-	-	-	-	-	-	-	(111,115)	(1,124)	(112,239)
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	-	(39,095)	-	-	-	-	-	(39,095)	-	(39,095)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	-	-	-	-	(71,711)	-	-	-	-	-	(71,711)	-	(71,711)
Total comprehensive (expense) income for the period	-	-	(111,115)	-	(110,806)	-	-	-	-	732,814	510,893	162	511,055
Final dividend paid for the year ended 31 December 2019	-	-	-	-	-	-	-	-	-	(2,156,700)	(2,156,700)	-	(2,156,700)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,160)	(1,160)
Transfer to reserve	-	-	-	-	-	-	-	117,535	-	(117,535)	-	-	-
	-	-	-	-	-	-	-	117,535	-	(2,274,235)	(2,156,700)	(1,160)	(2,157,860)
Balance at 30 June 2020	308,100	1,711,849	(212,068)	7,288	26,374	96,609	757,689	825,588	251,384	13,282,822	17,055,615	46,659	17,102,274

Notes:

- Statutory reserve comprises statutory fund, which is non-distributable, and represents capitalisation of retained profits of certain subsidiaries established in the People's Republic of China (the "PRC") for capital re-investment in these subsidiaries and funds shall be used to (i) make up prior year losses or (ii) expand production operations.
- Goodwill reserve represents the effect of changes in ownership in certain subsidiaries when there is no change in control.
- During the six months ended 30 June 2021, the Group acquired additional interests in a non-wholly owned subsidiary from non-controlling shareholders. As a result of the acquisition, the difference of HK\$5,526,904 between the consideration paid of HK\$24,000,000 and the value of non-controlling interests acquired of HK\$29,526,904 was directly recognised as equity in the goodwill reserve.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from operating activities	2,271,026	1,166,772
Net cash from investing activities	160,975	2,608,562
Net cash used in financing activities	(4,309,286)	(3,375,513)
Net (decrease) increase in cash and cash equivalents	(1,877,285)	399,821
Cash and cash equivalents at the beginning of the period	4,909,965	2,908,117
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>3,032,680</u>	<u>3,307,938</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.

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, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, 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 presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

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

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

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

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

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

3. Revenue

Analysis of revenue for the period is as follows:

	Six months ended 30 June	
	2021 <i>HK\$'000</i> <i>(Unaudited)</i>	2020 <i>HK\$'000</i> <i>(Unaudited)</i>
Revenue recognised at a point in time		
Sales of glass epoxy laminates	10,045,360	4,312,253
Sales of paper laminates	1,556,792	888,337
Sales of upstream materials (<i>note a</i>)	1,740,739	935,539
Sales of properties	–	84,383
Others (<i>note b</i>)	477,268	466,169
Revenue recognised overtime (<i>note c</i>)	26,204	16,660
Revenue from contracts with customers	13,846,363	6,703,341
Interest income from debt instruments	25,200	70,917
Dividend income	9,612	742
Rental income	38,781	32,615
	13,919,956	6,807,615

Notes:

- (a) Sales of upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. The payment terms are ranged from 0 day to 120 days.
- (b) Others mainly includes sales of specialty resin of HK\$315,339,000 (six months ended 30 June 2020: HK\$254,107,000).
- (c) Income from hotel accommodation of HK\$26,204,000 (six months ended 30 June 2020: HK\$16,660,000).

4. 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 executive directors of the Company, who are 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 three main operating divisions – (i) manufacturing and sale of laminates; (ii) properties; and (iii) investments. The management aggregated the sales of properties, rental and hotel income business into one reportable segment because the financial performance of these businesses are affected by changes in the property market.

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 earned by each segment with certain items not included (unallocated corporate income and expenses and finance costs). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Six months ended 30 June 2021	Laminates <i>HK\$'000</i> <i>(Unaudited)</i>	Properties <i>HK\$'000</i> <i>(Unaudited)</i>	Investments <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
Segment revenue	<u>13,820,159</u>	<u>64,985</u>	<u>34,812</u>	<u>13,919,956</u>
Segment results	<u>4,035,649</u>	<u>24,357</u>	<u>127,085</u>	4,187,091
Unallocated corporate income				17,005
Unallocated corporate expenses				(62,954)
Finance costs				<u>(29,790)</u>
Profit before taxation				<u>4,111,352</u>
Six months ended 30 June 2020	Laminates <i>HK\$'000</i> <i>(Unaudited)</i>	Properties <i>HK\$'000</i> <i>(Unaudited)</i>	Investments <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
Segment revenue	<u>6,602,298</u>	<u>133,658</u>	<u>71,659</u>	<u>6,807,615</u>
Segment results	<u>1,064,225</u>	<u>57,506</u>	<u>(10,332)</u>	1,111,399
Unallocated corporate income				12,542
Unallocated corporate expenses				(42,706)
Finance costs				<u>(39,486)</u>
Profit before taxation				<u>1,041,749</u>

For the six months ended 30 June 2021, revenue from one of the Group's customers amounted to HK\$2,193,944,000 (six months ended 30 June 2020: HK\$1,070,153,000), which individually accounted for more than 10% of the Group's revenue for the period.

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 on bank balances and deposits	9,575	12,356
(Loss) Gain on disposal and write off of properties, plant and equipment	(6,106)	181
Government grants	41,769	14,298
Others	6,895	(16,008)
	<u>52,133</u>	<u>10,827</u>

6. Finance costs

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank borrowings	35,579	45,515
Interest on lease liabilities	46	30
Imputed interest on contract liabilities	421	317
Less: Amounts capitalised in the construction in progress	(5,835)	(6,059)
Less: Amounts capitalised in the properties held for development	(421)	(317)
	<u>29,790</u>	<u>39,486</u>

Bank and other borrowing costs capitalised during the period includes imputed interest on contract liabilities of HK\$421,000 (six months ended 30 June 2020: HK\$317,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.2% (six months ended 30 June 2020: 2.2%) per annum to expenditure on qualifying assets.

7. Depreciation

During the period, depreciation of approximately HK\$329.2 million (six months ended 30 June 2020: HK\$272.2 million) was charged in respect of the Group's properties, plant and equipment.

8. Income tax expense

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
The amount comprises:		
PRC Enterprise Income Tax	730,169	304,523
PRC Land Appreciation Tax ("LAT")	–	2,041
Hong Kong Profits Tax	11,326	4,832
Taxation arising in other jurisdiction	14,779	1,295
	<u>756,274</u>	<u>312,691</u>
Deferred taxation		
Credit for the period	<u>(2,313)</u>	<u>(5,042)</u>
	<u>753,961</u>	<u>307,649</u>

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

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

The directors of the Company (the "Directors") considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the 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.

12. Trade and other receivables and prepayments and bills receivables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	6,085,430	4,491,454
Less: Allowance for credit losses	(602,077)	(579,750)
	5,483,353	3,911,704
Trade receivables, net		
Advance to suppliers	334,189	350,161
Prepaid expenses and deposits	180,115	193,758
Value-added tax ("VAT") recoverable	185,585	203,561
Other receivables	102,930	84,730
	6,286,172	4,743,914
Bills receivables	4,192,627	3,507,802
	10,478,799	8,251,716

The Group allows credit periods of up to 120 days (31 December 2020: 120 days), depending on the products sold to its trade customers.

The following is an aged 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	4,465,836	3,298,866
91-180 days	976,434	572,483
Over 180 days	41,083	40,355
	5,483,353	3,911,704

Bills receivables of the Group are aged within 90 days (31 December 2020: 90 days) at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

13. Trade and other payables and bills payables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	992,957	1,005,225
Accrued expenses	504,854	508,512
Payables for acquisition of properties, plant and equipment	130,311	159,175
Other tax payables	606,621	649,342
VAT payables	286,634	155,328
LAT payables	82,596	43,238
Other payables	<u>227,484</u>	<u>256,876</u>
	2,831,457	2,777,696
Bills payables	<u>164,071</u>	<u>347,631</u>
	<u>2,995,528</u>	<u>3,125,327</u>

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0–90 days	838,874	855,324
91–180 days	78,392	73,474
Over 180 days	<u>75,691</u>	<u>76,427</u>
	<u>992,957</u>	<u>1,005,225</u>

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

14. Share options

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

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

The subscription price of the Company's share in respect of any option granted under the Scheme must be at least the highest of (i) the closing price of the shares of the Company 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 the Company 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 the Company.

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 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 ten years from the date of grant of the option subject to the provisions for early termination thereof. The Directors 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 the Company which may be issued upon exercise of all options to be granted under the Scheme (excluding, for this purpose, options lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme by the shareholders of the Company and the shareholders of KHL (i.e. 308,100,000 shares).

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

The total number of shares of the Company 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 the Company then in issue unless approved by the shareholders of the Company and KHL in general meetings.

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

15. Capital and other commitments

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Capital expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition of properties, plant and equipment	63,208	53,359
Other expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition and other expenditures relating to properties held for development	223,876	345,868
	287,084	399,227

16. Contingent liabilities

The Group provided guarantees amounting to approximately HK\$222.4 million as at 30 June 2021 (31 December 2020: approximately HK\$153.4 million) in respect of bank mortgage loans granted to purchasers of the Group's properties. 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 the Group's properties. 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.

17. Related party transactions

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(i) Sales of goods and drilling services provided to fellow subsidiaries	2,193,944	1,070,153
(ii) Purchases of goods from fellow subsidiaries	536,134	209,059
(iii) Sales of laminates and copper to a shareholder with significant influence over the ultimate holding company	283,651	120,830
(iv) Purchases of drill bits and machineries from a shareholder with significant influence over the ultimate holding company	257,201	142,208

BUSINESS REVIEW

On behalf of the board of directors of Kingboard Laminates Holdings Limited, I am delighted to report doubled growth in revenue and multiple growth in earnings for the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Period”) as compared with the same period last year.

During the Period, the pace of global economic recovery accelerated, fuelling a strong rebound in electronic consumables which helped drive demand growth for the laminates industry. Sales of computers and servers remained robust on the back of increased application for distance work and online meetings. Home appliances also recorded a significant surge in sales with increased stay-home time. For the automotive industry, growth was led by the new energy vehicle segment and smart upgrades to cars. Overall, the consumption boom in the downstream electronics market and the Group captured this market opportunity to generate strong growth in laminates sales. Strong demand caused a tense supply of laminates and their upstream materials, thus prices shifted upward as well. The Group’s upstream capability is supported by its technology lead in and maintenance of a comprehensive chain of high-quality materials including copper foil, glass yarn, glass fabric and epoxy resin. This provides a robust platform to back up the Group’s production in full force. With the potential of its vertical production model fully unlocked, profit margins for laminates were significantly lifted.

The Group’s revenue surged 105% year on year to HK\$13,920.0 million, along with a 358% increase in profit attributable to the owners of the Company to HK\$3,356.5 million. On consideration of the Group’s robust financial position, the Board has proposed an interim dividend of HK30.0 cents per share.

Financial Highlights

	Six months ended 30 June		
	2021 <i>HK\$'million</i>	2020 <i>HK\$'million</i>	Change
Revenue	13,920.0	6,807.6	+105%
EBITDA	4,477.6	1,360.5	+229%
Profit before tax	4,111.4	1,041.7	+295%
Net profit attributable to owners of the Company	3,356.5	732.8	+358%
Earnings per share	HK107.6 cents	HK23.8 cents	+352%
Interim dividend per share	HK30.0 cents	HK10.0 cents	+200%
Special interim dividend per share	–	HK190.0 cents	N/A
Net asset value per share	HK\$5.25	HK\$5.54	-5%
	Net Gearing 10%	Net Cash 1,540.8	

PERFORMANCE

Laminates Division: During the Period, with the concerted efforts of the management and entire team, the Laminates Division was able to overcome multiple challenges brought by the pandemic, high temperatures and power shortage, and achieved extremely high levels of facilities utilization in response to strong market demand for laminates. Output volume grew 33% over the same period last year to a total of 64 million sheets. Capturing the opportunities arising from the industry growth, the division has made successful forays into new segments and achieved progress in its product mix enhancement. The Period witnessed a substantial increase in the proportionate sales of high-end and high-value-added products, including thin laminates for portable devices, lead-free and halogen-free laminates that meet stringent environmental standards, as well as high CTI (Comparative Tracking Index) laminates with extensive adaptability. At the same time, the supply of copper foil, glass yarn, glass fabric and epoxy resin on the upstream was tightened by strong demand, leading to multiple price increases and thus lifting the prices of laminates further. Leveraging on its vertical chain, the division was able to enjoy the premiums from price increases of both the upstream materials and its laminates products, thereby driving a rapid expansion of its profit margin. Revenue of the Laminates Division was up by 109% to HK\$13,820.2 million, with earnings before interest, taxes, depreciation and amortisation (“EBITDA”) surging 223% to HK\$4,363.6 million.

Property Division: During the Period, the Property Division was focused on completing its existing projects. Pre-sales performance was satisfactory, but with a decrease in the handover of units, revenue booked to the Period also dropped. Segment revenue declined 51% to HK\$65.0 million, whilst EBITDA fell by 49% to HK\$32.3 million.

INVESTMENTS

As at 30 June 2021, the Group held in approximately HK\$356 million of debt instruments, representing approximately 1.3% of the total assets of the Group as at 30 June 2021, which consist of mostly bonds issued mainly by companies listed on the Main Board of the Stock Exchange. The Group acquired its debt instruments through on-market purchases. The Group will from time to time monitor the movement of prices 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 to the Group's total assets as at 30 June 2021	Gain on disposal during the Period (HK\$'000)	Unrealised gain/(loss) during the Period (HK\$'000)	Investment strategy
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.	31,000	5.2%	237,422	221,171	0.8%	182	(16,251)	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 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	134,385	0.5%	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

Based on the announcements of Guangzhou R&F Properties Co., Ltd. (stock code: 2777) (“GRFP”) dated 13 November 2017, 4 January 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; and (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 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 2021 interim report of GRFP, the net debt to total equity ratio of GRFP decreased from 130% at 31 December 2020 to 123% at 30 June 2021.

For further information of the business and financial performance of the above company, please refer to the reports 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 prospects and performances of the respective company. The reports 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 integrated financial and liquidity position remained robust. Group net current assets and current ratio (current assets divided by current liabilities) were approximately HK\$8,273.9 million (31 December 2020: HK\$6,278.5 million) and 1.81 (31 December 2020: 1.54) respectively.

The net working capital cycle decreased from 107 days as at 31 December 2020 to 101 days as at 30 June 2021 on the following key metrics:

- Inventories, in terms of stock turnover days, were 41 days (31 December 2020: 50 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, were 84 days (31 December 2020: 97 days).
- Trade and bills payable (excluding bills payable for properties, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditor turnover days, were 24 days (31 December 2020: 40 days).

As at 30 June 2021, net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was 10% (31 December 2020: net cash (bank balances and cash net of bank borrowings) of HK\$3,756.1 million). During the Period, the Group invested approximately HK\$348.8 million on new capacity and approximately HK\$279.0 million on its property business. The Group believes that with an experienced management team, solid business foundations and a strong financial position, these investments will deliver stable and satisfactory returns for shareholders in the long term. The proportion of short-term (due within one year) to long-term bank borrowings stood at 86%:14% (31 December 2020: 80%:20%). The Group has adequate financial resources to fulfil its requirements for future market developments.

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.

DEBT MATURITY PROFILE

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	4,007,683	923,077
More than one year but not more than two years	666,667	230,769
	<u>4,674,350</u>	<u>1,153,846</u>
<i>Reclassification due to repayment on demand clause</i>		
Current	4,007,683	923,077
Non-current	666,667	230,769
	<u>4,674,350</u>	<u>1,153,846</u>

The Group's variable-rate bank borrowings as at 30 June 2021 carry interest ranged from HIBOR + 1.02% to HIBOR + 1.10% (31 December 2020: HIBOR + 1.02%) per annum and fixed rate bank borrowings ranged 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 1.11% to 3.70% (31 December 2020: 1.25%) 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)
HK\$	3,736,939	1,153,846
RMB\$	937,411	—
	<u>4,674,350</u>	<u>1,153,846</u>

CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately HK\$222.4 million in aggregate as at 30 June 2021 (31 December 2020: approximately HK\$153.4 million) in respect of bank mortgage loans granted to purchasers of the Group's properties. Please refer to note 16 to the Group's unaudited condensed consolidated financial statements for the Period in this report for further details of such guarantees.

HUMAN RESOURCES

As at 30 June 2021, the Group employed a workforce of approximately 9,700 (31 December 2020: 9,500). 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

Entering the second half, the electronics industry has continued to thrive with hot demand for electronic consumables. New growth drivers also emerge from the new energy vehicle and mini-LED segments. Demand for laminates continues to rise steadily. Global development of the green economy is driving demand for new energy batteries and wind power equipment, which will add external momentum to the demand for copper foil and epoxy resin while driving price increases. Overall, the price of laminates will be lifted by these multi-fold factors.

In view of this, the Group is accelerating its capacity investments. 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. The Group will continue to expand its capacities for upstream materials from the second half to early next year, in order to strengthen its vertical competence and to help it stretch to clients' extended markets. New monthly capacities of 1,800 tonnes of copper foil, 4,000 tonnes of glass yarn and 5 million metres of glass fabric are in the planning pipeline.

A new wave of a diversified portfolio of electronic products is set to arrive, following the deployment of 5G and proliferation of new energy vehicles. The Group will leverage its technology lead to expedite product portfolio enhancement to meet market demands. With the collaboration of the marketing, research and development, and production teams, the glass epoxy laminates part has gained client recognition for its lead-free, halogen-free thin laminates and high-frequency, high-speed laminates. The Group believes it is able to further expand its market share in this segment. On the other hand, the Group will upgrade partial existing facilities of paper laminates with a view to capturing the demand for products with strong cost performance. It is further expected that external sales of upstream materials would continuously grow as their facilities gradually come on stream. To this end, the Group targets to expand the proportionate sales of prepreg (PP) made from glass fabric and epoxy resin. The Group's products are interrelated and complementary to each other. With this product portfolio, the Group looks forward to capturing the upside of the market transformation, broadening its coverage, and achieving high growth while maintaining sustainable development on its green and cost-effective foundation.

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 Thursday, 9 December 2021 to Friday, 10 December 2021 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving an interim dividend, the Company's shareholders are reminded to ensure 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 Investor Services 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 (including the Managing Director of the Company) and their associates 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 (the "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 Wa ¹	Beneficial owner/ Interest of spouse	9,517,000	0.305
Mr. Cheung Kwok Keung	Beneficial owner	2,502,000	0.080
Mr. Cheung Kwok Ping	Beneficial owner	3,000,000	0.096
Mr. Lam Ka Po	Beneficial owner	3,303,000	0.106
Mr. Ip Shu Kwan, Stephen	Beneficial owner	350,000	0.01
Mr. Lau Ping Cheung, Kaizer	Beneficial owner	550,000	0.02

Note:

¹ 75,000 Shares were held by his spouse.

(b) Non-voting deferred shares of HK\$1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company

Name of Director	Capacity	Number of non-voting deferred shares held
Mr. Cheung Kwok Wa	Beneficial owner	1,058,000
Mr. Cheung Kwok Keung	Beneficial owner	529,000
Mr. Cheung Kwok Ping	Beneficial owner	952,200
Mr. Lam Ka Po	Beneficial owner	581,900

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.

(c) **Ordinary shares of HK\$0.10 each of Kingboard Holdings Limited (“KHL”), the ultimate holding company of the Company**

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of KHL %
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	14,457,820	1.304
Mr. Cheung Kwok Keung	Beneficial owner	2,510,222	0.226
Mr. Cheung Kwok Ping ²	Beneficial owner/ Interest of spouse	7,236,683	0.653
Mr. Lam Ka Po	Beneficial owner	2,500,000	0.225
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.035
Mr. Lo Ka Leong ³	Interest of spouse	50,000	0.005

Notes:

¹ 74,400 KHL's shares were held by his spouse.

² 36,000 KHL's shares were held by his spouse.

³ 50,000 KHL's shares were held by his spouse.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors (including the Managing Director of the Company), the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Shares

Name of shareholder	Notes	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company %
Hallgain Management Limited ("Hallgain")	(a) & (b)	Interest of controlled corporations	2,295,960,000(L)	73.59
KHL	(c)	Beneficial owner Interest of controlled corporations	113,690,500(L) 2,182,269,500(L)	3.64 69.94
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner Interest of controlled corporation	1,785,000,000(L) 397,269,500(L)	57.21 12.73
Capital Research and Management Company		Investment manager	177,205,851(L)	5.68

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

Notes:

- 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 are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.
- The interests are held by KHL directly and indirectly. KHL is owned as to over one-third of its entire issued capital of KHL by Hallgain as at 30 June 2021.
- The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KHL. Mr. Lam Ka Po, being a Director, is also a director of Jamplan.
- The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions which fall to be disclosed to the Company under Section 336 of the SFO in the issued share capital of the Company as at 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2021, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange of Hong Kong Limited.

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 been in compliance with the relevant code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") throughout the six-month period ended 30 June 2021, save for the deviation from code A.4.1 of the CG Code, since the non-executive Director and independent non-executive Directors are not appointed for specific terms. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and 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 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 has complied with the required standards as set out in the Model Code and the code of conduct regarding Director's securities transactions adopted by the Company throughout the six-month period ended 30 June 2021.

By Order of the Board
Kingboard Laminates Holdings Limited
Cheung Kwok Wa
Chairman

Hong Kong, 30 August 2021

Board of Directors

Executive Directors

Mr. Cheung Kwok Wa (*Chairman*)
Mr. Cheung Kwok Keung (*Managing Director*)
Mr. Cheung Kwok Ping
Mr. Lam Ka Po
Mr. Cheung Ka Ho
Mr. Zhou Pei Feng

Non-executive Director

Mr. Lo Ka Leong

Independent non-executive Directors

Mr. Ip Shu Kwan, Stephen
Mr. Zhang Lu Fu
Mr. Lau Ping Cheung, Kaizer
Mr. Kung, Peter