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建滔集團有限公司

(Incorporated in the Cayman Islands with limited liability)

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	2020 HK\$'million	2019 HK\$'million	
	19,925.6	18,246.4	+9%
	3,479.2	3,505.6	-1%
	1,059.2	1,441.6	-27%
	HK\$0.964	HK\$1.331	-28%
	HK\$0.28	HK\$0.28	-
	HK\$44.7	HK\$44.9	-
	25%	37%	

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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

		30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Revenue	3	19,925,648	18,246,352
Cost of sales and services rendered		<u>(14,924,582)</u>	<u>(14,424,921)</u>
Gross profit		5,001,066	3,821,431
Other income, gains and losses	5	68,664	62,423
Distribution costs		(495,619)	(539,117)
Administrative expenses		(1,037,081)	(964,019)
(Loss) Gain on fair value changes of equity instruments at fair value through profit or loss		(1,001,730)	88,633
Gain on disposal of debt instruments at fair value through other comprehensive income		84,557	3,912
Finance costs	6	(287,993)	(361,464)
Share of results of joint ventures		39,852	46,079
Share of result of an associate		<u>(5,776)</u>	<u>34,721</u>
Profit before taxation		2,365,940	2,192,599
Income tax expense	7	<u>(825,380)</u>	<u>(408,843)</u>
Profit for the period		<u>1,540,560</u>	<u>1,783,756</u>
Profit for the period attributable to:			
Owners of the Company		1,059,192	1,441,626
Non-controlling interests		<u>481,368</u>	<u>342,130</u>
		<u>1,540,560</u>	<u>1,783,756</u>
		HK\$ (Unaudited)	HK\$ (Unaudited)
Earnings per share	9		
– Basic		<u>0.964</u>	<u>1.331</u>
– Diluted		<u>0.963</u>	<u>1.331</u>

	2020 HK\$'000 (Unaudited)	30 201 HK\$'000 (Unaudited)
Profit for the period	<u>1,540,560</u>	<u>1,783,756</u>
Other comprehensive (expenses) income 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>(476,430)</u>	<u>(3,533)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value (loss) gain on debt instruments at fair value through other comprehensive income	(32,076)	471,000
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(84,557)</u>	<u>(3,912)</u>
	<u>(116,633)</u>	<u>467,088</u>
Other comprehensive (expenses) income for the period (net of tax)	<u>(593,063)</u>	<u>463,555</u>
Total comprehensive income for the period	<u>947,497</u>	<u>2,247,311</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	538,933	1,871,866
Non-controlling interests	<u>408,564</u>	<u>375,445</u>
	<u>947,497</u>	<u>2,247,311</u>

		30 2020 HK\$'000 (Unaudited)	31 201 HK\$'000 (Audited)
Non-current assets			
Investment properties		18,876,810	19,082,748
Properties, plant and equipment	10	14,341,911	14,800,958
Right-of-use assets		1,588,249	1,692,326
Goodwill		2,670,528	2,670,528
Intangible asset		57,600	60,840
Interest in an associate		336,611	397,950
Interests in joint ventures		2,540,580	2,536,434
Equity instruments at fair value through profit or loss		3,017,698	2,366,024
Equity instruments at fair value through other comprehensive income		162,918	162,918
Debt instruments at fair value through other comprehensive income		833,479	7,016,503
Loan receivable		600,000	600,000
Entrusted loans	11	432,328	465,859
Deposits paid for acquisition of properties, plant and equipment		630,137	611,724
Deferred tax assets		3,344	2,539
		46,092,193	52,467,351
Current assets			
Inventories		2,999,927	2,962,386
Properties held for development		19,145,935	21,115,592
Trade and other receivables and prepayments	11	8,198,096	8,771,416
Bills receivables	11	3,628,908	4,085,752
Equity instruments at fair value through profit or loss		885,090	491,397
Debt instruments at fair value through other comprehensive income		1,070,942	866,041
Taxation recoverable		10,063	18,227
Bank balances and cash		7,004,074	6,256,964
		42,943,035	44,567,775
Current liabilities			
Trade and other payables	12	5,155,006	5,841,173
Bills payables	12	341,833	359,920
Contract liabilities		3,665,604	6,374,105
Taxation payable		1,377,206	1,369,201
Bank borrowings – amount due within one year		7,934,749	7,818

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	693,464	697,954
Bank borrowings – amount due after one year	13,228,240	16,546,918
Lease liabilities	8,107	10,308
	<u>13,929,811</u>	<u>17,255,180</u>
	<u>56,628,402</u>	<u>57,969,650</u>
Capital and reserves		
Share capital	110,375	110,576
Reserves	49,255,663	50,077,989
	<u>49,366,038</u>	<u>50,188,565</u>
Equity attributable to owners of the Company	49,366,038	50,188,565
Non-controlling interests	7,262,364	7,781,085
	<u>56,628,402</u>	<u>57,969,650</u>
Total equity	<u>56,628,402</u>	<u>57,969,650</u>

Notes:

1.

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.

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”) and application of certain accounting policy 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRS

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, and HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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 of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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 2020.

3.

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 organised into six main operating divisions - (i) manufacture and sale of laminates, (ii) manufacture and sale of PCBs, (iii) manufacture and sale of chemicals, (iv) sales and rental of properties (“properties”), (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income, equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business). The management aggregated the sales of properties and rental income business into one reportable segment because the financial performance of both businesses are affected by changes in the property market. In addition, the management aggregated service income, hotel business and manufacture and sale of magnetic products into one reportable segment because the revenue, results, assets and liabilities of each business are insignificant to the Group. No other operating segment identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The accounting policies the Group used for segment reporting under 12 0 0 12 285.038 24ignificaTheocaus8

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Interest on bank borrowings	311,656	392,993
Imputed interest on contract liabilities	3,375	2,137
Interest on lease liabilities	234	260
Less: Amounts capitalised in the construction in progress	(6,059)	(6,760)
Amounts capitalised in the properties held for development	(21,213)	(27,166)
	<u>287,993</u>	<u>361,464</u>

Bank and other borrowing costs capitalised during the reporting period include imputed interest on contract liabilities of HK\$3,375,000 (six months ended 30 June 2019: HK\$2,137,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.4% (six months ended 30 June 2019: 2.9%) per annum to expenditure on qualifying assets.

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
The amount comprises:		
PRC Enterprise Income Tax	540,258	362,409
PRC Land Appreciation Tax ("LAT")	134,036	38,767
Hong Kong Profits Tax	147,446	9,273
Taxation arising in other jurisdictions	11,098	10,863
	<u>832,838</u>	<u>421,312</u>
Deferred taxation	(7,458)	(12,469)
	<u>825,380</u>	<u>408,843</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% 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.

10. **Acquisition of properties, plant and equipment**

During the reporting period, the Group spent approximately HK\$939,564,000 (six months ended 30 June 2019: HK\$1,197,751,000) on acquisition of properties, plant and equipment.

11. **Receivables**

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	7,004,481	7,904,344
Less: Allowance for credit losses	<u>(1,130,906)</u>	<u>(1,139,894)</u>
Total receivables, net	5,873,575	6,764,450
Advance to suppliers	377,809	338,991
Entrusted loans <i>(Note)</i>	461,507	505,083
Prepayment and deposits	798,512	745,897
Value added tax recoverables	667,826	592,133
Loan receivables	150,000	-
Other receivables	<u>301,195</u>	<u>290,721</u>
	8,630,424	9,237,275
Less: Non-current portion of entrusted loans <i>(Note)</i>	<u>(432,328)</u>	<u>(465,859)</u>
	<u>8,198,096</u>	<u>8,771,416</u>

Note: The entrusted loans of HK\$461,507,000 (31 December 2019: HK\$505,083,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2019: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 3.92% to 5.39% (31 December 2019: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2019: 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.

11. **Trade receivables**

The Group allows credit period of up to 120 days (31 December 2019: 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 2020 <i>HK\$'000</i> (Unaudited)	31 2019 <i>HK\$'000</i> (Audited)
0 – 90 days	4,611,898	5,465,173
91 – 120 days	831,527	652,244
121 – 150 days	306,352	449,808
151 – 180 days	57,874	111,067
Over 180 days	65,924	86,158
	<u>5,873,575</u>	<u>6,764,450</u>

Bills receivables of the Group are aged within 90 days (31 December 2019: 90 days) at the end of the reporting period.

12. **Trade payables**

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

	30 2020 <i>HK\$'000</i> (Unaudited)	31 2019 <i>HK\$'000</i> (Audited)
0 – 90 days	2,101,085	2,455,074
91 – 180 days	319,848	304,775
Over 180 days	311,206	375,036
	<u>2,732,139</u>	<u>3,134,885</u>

All bills payables of the Group are aged within 90 days (31 December 2019: 90 days) at the end of the reporting period.

13. t t t t

As disclosed in the announcement of the Company dated 3 April 2020, Elec & Eltek International Company Limited (“E&E”), a subsidiary of the Company listed on the main board of the SGX-ST and the main board of the Stock Exchange, has been in the process of proposed privatization (“Proposed Privatization”) by way of voluntary conditional cash offer (“Offer”). As at the closing of the Offer which took place on 6 August 2020, the Company (through its wholly-owned subsidiaries) owned an aggregate holding of approximately 98.32% in E&E. As at the date hereof, the relevant documentation together with the prescribed notices under the Singapore Companies Act in relation to the exercise of the right of compulsory acquisition to compulsorily acquire all the shares of the shareholders of E&E who have not accepted the Offer have been despatched. An application has been made for the withdrawal of the listing of E&E from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, and an application has been made for the withdrawal of listing of E&E from SGX-ST pursuant to the SGX-ST Listing Manual, both subject to and following the completion of the compulsory acquisition. For the details and subsequent development of Proposed Privatization after the Reporting Period, please refer to the abovementioned announcement and the announcements of E&E after 30 June 2020.

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The Group maintained its position as the world's top laminates producer for the fifteenth consecutive year. During the Period, despite a slide in market demands, especially from overseas, as a result of the pandemic, the division took full advantage of its vertically integrated production capability to ensure adequate product supply at the time of market rejuvenation, thereby enabling it to tap into the domestic market and clearing away the hindrance created by the pandemic. Because of a fall in product unit price, segment revenue (including inter-segment sales) was down by 6% to HK\$6,685.9 million, but earnings before interest, tax, depreciation and amortisation ("EBIDTA") still saw a 7% increase to HK\$1,365.6 million on the back of sound cost management.

The performance of the printed circuit board ("PCB") division was generally similar to that of the laminates division. But as the demand for distant work arrangements rose abruptly, orders for such electronic products as computers and video-conferencing facilities increased markedly, demand for medical and related equipment has also increased significantly, offsetting the reduction of certain overseas orders. At the same time, the division's development towards advanced PCBs harvested fruitful results, leading to a quick enhancement of its product mix for an increased profit margin. The turnover of the PCB division fell slightly by 2% to HK\$4,271.6 million, while EBIDTA grew by 7% to HK\$606.2 million.

The chemicals business was dragged down by a slowdown in economic activities and a plunge in petroleum prices. The selling price of key chemical products declined compared to the same period last year. Hence the chemicals division's turnover (including inter-segment sales) dropped 22% to HK\$5,124.0 million. EBIDTA also decreased by 32% to HK\$476.5 million.

Regarding the property business, the partial booking of income from the Kau To project in Shatin, Hong Kong, together with the booking of completed and delivered units in Eastern China, has led to a surge in the turnover from property sales to HK\$4,329.7 million. Affected by the pandemic, rental income decreased by a modest 5% to HK\$528.2 million. On the whole, division turnover increased by 442% to HK\$4,857.9 million, with EBIDTA up by 229% to HK\$1,908.4 million.

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The Group's integrated financial and liquidity position remained robust. As at 30 June 2020, Group net current assets and current ratio were approximately HK\$24,466.0 million (31 December 2019: HK\$22,757.5 million) and 2.32 (31 December 2019: 2.04) respectively.

The net working capital cycle maintained at 54 days as at 30 June 2020 and 31 December 2019 on the following key metrics:

- Inventories, in terms of stock turnover days, were 37 days (31 December 2019: 34 days).

- Trade receivables, in terms of debtor turnover days, were 54 days (31 December 2019: 60 days).

Output volume of laminates exceeded 12 million square meters both in June and July 2020. Recently, the price of some upstream materials has increased, and the copper foil was in short supply. It is expected that the prices of laminates and copper foil products have room for upward adjustment. The laminates division is planning to increase the capacities of copper foil and glass epoxy laminates (“FR4”), by 900 tonnes and 480,000 square metres per month respectively. In fully exploiting the competitive advantage of such upstream materials as copper foil, glass yarn and glass fabric, the Group will continue to strengthen its core competencies in laminates. In a further step, it will seek accreditation from customers to drive the sales of high value-added products. The division will upgrade its product portfolio according to market changes, expand customer coverage on the back of cost advantages, and further its value-adding abilities based on scale.

5G network and artificial intelligence are prime examples of the accelerating development of new technologies. The ever-expanding reach of electronic products will bring huge growth potential to the Group’s PCB business. Currently, the PCB division collects solid gains from aspects such as base station infrastructure, servers, computers and home appliances. The division will focus on boosting product performance and improving operating mechanisms. With the objective of being market-oriented and efficiency-driven, the division will devise a master plan for bolstering the brands under the Group, namely Elec & Eltek, Techwise and Express Electronics, thus building up a network of Kingboard PCBs for higher market penetration. E&E, a subsidiary of the Company listed on the main board of the SGX-ST and the main board of the Stock Exchange, has been in the process of proposed privatization by way of voluntary conditional cash offer. As at the closing of the Offer which took place on 6 August 2020, the Company (through its wholly-owned subsidiaries) owned an aggregate holding of approximately 98.32% in E&E. For details, please refer to Note 13 of this announcement.

The mainland economy is displaying strong resilience and positive signs of recovery. The establishment of ecological infrastructure, and the battle to fight air, water and soil pollution, will remain as the country’s priorities in 2020. The chemicals segment will spare no effort in making sure production safety and emission standards are met, and will take steps to reduce energy consumption through enhancing plant efficiency and improving resources utilisation.

The property division will continue with the scheduled sales of its residential projects in Eastern China, with the aim of speeding up capital recovery. The Group is also actively mapping out a plan to promote its residential project in Hong Kong, and is confident that the project will continue to yield considerable returns.

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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 Friday, 4 December 2020 (both days inclusive) during which no new shares will be registered. In order to qualify for receiving the dividends, all shareholders are reminded to ensure that all transfers of shares, share certificates and transfer forms, must be lodged with the registrar in Hong Kong, Tricor Secretaries Limited, at Level 27, Queen's Road East, Hong Kong for registration not later than 4 December 2020.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SHARES

During the period ended June 30, 2020, the Company purchased 1,000,000 shares of the Company on the Stock Exchange for an aggregate consideration of HK\$29,142,000 pursuant to the share buy-back mandate approved by our shareholders at the general meeting on May 27, 2019 and May 25, 2020. The bought-back Shares were 1,000,000 shares. The purchase was effected by the Board for the enhancement of the Company's financial term. Details of the shares purchases are as follows:

Date of purchase	Purchase consideration per share	
	Highest price paid HK\$	Lowest price paid HK\$
		January 9, 2020
		March 30, 2020
		April 2, 2020
		June 12, 2020

