KB 建滔集團有限公司

KINGBOARD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 148



INTERIM REPORT

2020



LEADING THE FUTURE

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

Condensed Consolidated Statement of Profit or Loss

	Notes	2020 ***HK$'000*** ***(Unaudited)***	2019 *HK$'000* *(Unaudited)*
Revenue	*3*	**19,925,648**	18,246,352
Cost of sales and services rendered		**(14,924,582)**	(14,424,921)
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		**(5,776)**	34,721
Profit before taxation		**2,365,940**	2,192,599
Income tax expense	*7*	**(825,380)**	(408,843)
Profit for the period		**1,540,560**	1,783,756
Profit for the period attributable to:			
Owners of the Company		**1,059,192**	1,441,626
Non-controlling interests		**481,368**	342,130
		1,540,560	1,783,756
		HK$ ***(Unaudited)***	*HK$* *(Unaudited)*
Earnings per share	*9*		
Basic		**0.964**	1.331
Diluted		**0.963**	1.331

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	30	
	2020 ***HK$'000*** ***(Unaudited)***	2019 *HK$'000* *(Unaudited)*
Profit for the period	**1,540,560**	1,783,756
Other comprehensive (expense) income for the period:		
Item that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	**(476,430)**	(3,533)
Items that may be reclassified subsequently to profit or loss:		
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	**(84,557)**	(3,912)
	(116,633)	467,088
Other comprehensive (expense) income for the period (net of tax)	**(593,063)**	463,555
Total comprehensive income for the period	**947,497**	2,247,311
Total comprehensive income for the period attributable to:		
Owners of the Company	**538,933**	1,871,866
Non-controlling interests	**408,564**	375,445
	947,497	2,247,311

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'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

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
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	7,862,991
Lease liabilities		2,617	2,906
		18,477,015	21,810,296
Net current assets		24,466,020	22,757,479
Total assets less current liabilities		70,558,213	75,224,830
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
		13,929,811	17,255,180
		56,628,402	57,969,650
Capital and reserves			
Share capital		110,375	110,576
Reserves		49,255,663	50,077,989
Equity attributable to owners of the Company		49,366,038	50,188,565
Non-controlling interests		7,262,364	7,781,085
Total equity		56,628,402	57,969,650

Condensed Consolidated Statement of Changes in 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	HK$'000	HK$'000
Balance at 1 January 2020	110,576	6,566,852	(11,900)	25,491	1,895,594	10,594	1,472,950	280,581	121,445	(529,188)	40,245,570	50,188,565	7,781,085	57,969,650
Profit for the year											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)
Reclassify 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 translation to presentation currency										(435,147)		(435,147)	(41,283)	(476,430)
Total comprehensive income for the year									(85,112)	(435,147)	1,059,192	538,933	408,564	947,497
Final dividend or 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)	(347,734)	(465,597)
Disposal of interests in a subsidiary													55,2966249( )-3691.2(53( )-6249.1( )-249.3( )-64(	

	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Goodwill reserve	Special surplus account	Statutory reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Sub-total	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*	*HK$'000*




KINGBOARD HOLDINGS LIMITED

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

Other than additional accounting policies resulting from application of 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

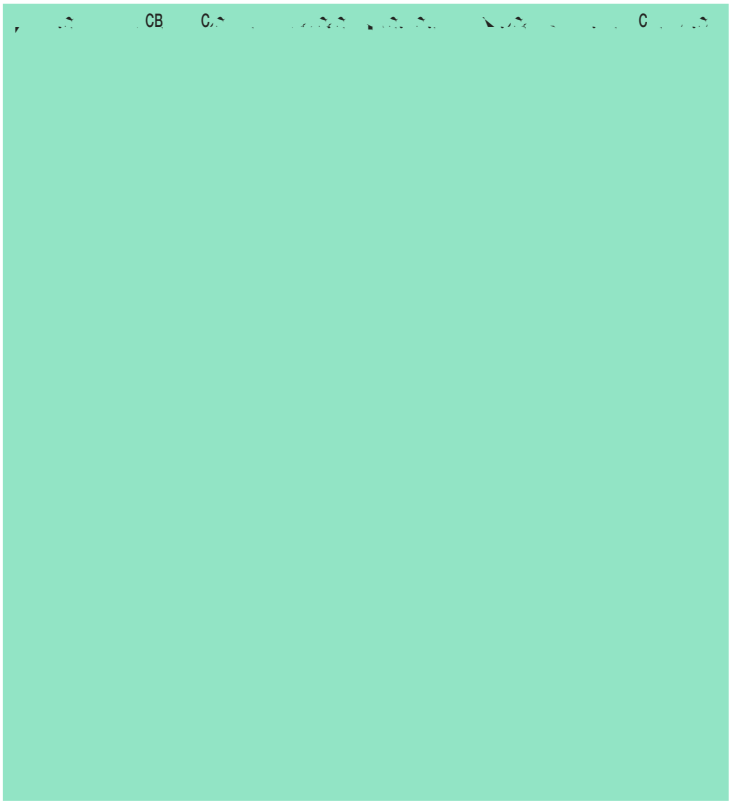
In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 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.

3. Segment information – continued

Segment revenues and results by reportable segments are presented below:



3. Segment information – continued

	Laminates	PCBs	Chemicals	Properties	Investments	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Six months ended 30 June 2019								
Segment revenue								
External sales	6,107,758	4,337,534	6,225,181	896,590	398,680	280,609	–	18,246,352
Inter-segment sales	1,030,295	–	311,868	–	–	554	(1,342,717)	–
Total	7,138,053	4,337,534	6,537,049	896,590	398,680	281,163	(1,342,717)	18,246,352
Result								
Segment result	997,442	270,772	378,282	577,012	491,226	(19,742)		2,694,992
Unallocated corporate income								22,194
Unallocated corporate expenses								(243,923)
Finance costs								(361,464)
Share of result of joint ventures								46,079
Share of result of an associate								34,721
Profit before taxation								2,192,599

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$799,440,000 (six months ended 30 June 2019: HK$930,261,000) was charged in respect of the Group's properties, plant and equipment.

5. Other income, gains and losses

	30	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Other income, gains and losses include:		
Interest income on bank balances and deposits	**33,198**	35,479
Interest income on entrusted loans	**11,791**	17,775
Interest income from loan receivable	**14,383**	–
Others	**9,292**	9,169
	68,664	62,423

6. Finance costs

	30	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(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)
	287,993	361,464

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.

8. Interim dividend

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2020 of HK$0.28 per share (2019: 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, 4 December 2020. The dividend warrants will be dispatched on or around Monday, 11 January 2021.

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:

	30
2020 ***HK$'000*** ***(Unaudited)***	2019 *HK$'000* *Unaudited)*

11. Trade and other receivables and prepayments, entrusted loans and bills 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	(1,130,906)	(1,139,894)
Total receivables, net	5,873,575	6,764,450
Advance to suppliers	377,809	338,991
Entrusted loans *(Note)*	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	301,195	290,721
	8,630,424	9,237,275
Less: Non-current portion of entrusted loans *(Note)*	(432,328)	(465,859)
	8,198,096	

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 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 June 2020 *HK$'000* *(Unaudited)*	31 December 2019 *HK$'000* *(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
	5,873,575	6,764,450

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

12. Trade and other payables and bills payables

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Trade payables	2,732,139	3,134,885
Accrued expenses	789,169	886,941
Payable for acquisition of properties, plant and equipment	427,972	497,637
Other tax payables	631,878	652,392
VAT payables	209,257	259,849
Land appreciation tax payables	72,956	75,582
Other payables	291,635	333,887
	5,155,006	5,841,173

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

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

All bills payables of the Group are aged within 90 days (31 December 2019: 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:

	B 1 2020			B 30 2020		
Granted to directors on:						
14 August 2019						
Mr. Ho Yin Sang	1,500,000	–	–	1,500,000	HK$17.304	14 August 2019 to 13 August 2029
Ms. Cheung Wai Lin, Stephanie	1,750,000	–	–	1,750,000	HK$17.304	14 August 2019 to 13 August 2029
Mr. Cheung Ka Shing	1,980,000	–	–	1,980,000	HK$17.304	14 August 2019 to 13 August 2029
Granted to employees on:						
14 August 2019	440,000 *(Note ii)*	–	–	440,000	HK$17.304	14 August 2019 to 13 August 2029
	5,670,000	–	–	5,670,000		
Exercisable at						
1 January 2020	5,670,000					
30 June 2020	5,670,000					

Notes:

(i) During the year ended 31 December 2019, 29,500,000 options were granted by the Company on 14 August 2019 under the share option scheme of the Company, of which 28,750,000 options were granted to directors and/or their associate(s) and 750,000 were granted to employees (excluding any associate of directors). The closing price of the Company's shares on 13 August 2019 (namely the date immediately before the aforesaid grant date) is HK$16.78. The estimated fair value of the aforesaid options was HK$132,625,000, of which HK$129,253,000 was attributable to the options granted to directors and/or their associate(s) while HK$3,372,000 was attributable to the options granted to employees. The fair value of each of the abovementioned options was identical, namely HK$4.50.

(ii) Share options held by Ms. Cheung Wai Kam, an employee and associate of director.

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

13. Share options – continued

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

In 2018, a new share option scheme, the 2018 Elec & Eltek Employees' Share Option Scheme (the "2018 EEIC Scheme") was approved by the Shareholders at the annual general meeting of the Company held on 27 April 2018 and was adopted by the shareholders of EEIC on 12 September 2018 upon fulfilment of all the conditions precedent as set out the 2018 EEIC Scheme. Since its adoption, no options have been granted by EEIC pursuant to the 2018 EEIC Scheme as at the date of this report.

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

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

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13. Share options – continued

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

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

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

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

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

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

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.



14. Capital and other commitments

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of properties, plant and equipment	221,357	350,709
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	1,302,115	1,625,343
	1,523,472	1,976,052

15. Related party transactions

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	120,830	281,234
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	413,801	389,403
Sales of goods to a non-controlling shareholder of a subsidiary	21,644	25,566
Purchase of goods from an associate	189,611	194,728

Included in trade and other receivables and prepayments as at 30 June 2020 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK$5,120,000 (31 December 2019: HK$6,349,000).

Included in trade and other payables as at 30 June 2020 was an amount due to an associate of approximately HK$4,168,000 (31 December 2019: HK$5,049,000) and a joint venture of HK$137,500,000 (31 December 2019: HK$137,500,000).

16. Contingent liabilities

The Group provided guarantees amounting to approximately HK$471,518,000 as at 30 June 2020

BUSINESS REVIEW

On behalf of the board ("Board") of directors ("Directors") of Kingboard Holdings Limited, I am delighted to report a satisfactory performance for the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 (the 'Period'). During the Period, a public health crisis descended upon the world without early warning. The manufacturing industry has taken substantial knocks amid the spread of the COVID-19 pandemic. Nevertheless the Group faced up to the challenges through coordinated efforts to prevent infection while securing production, enabling the Group to drive work and production resumption at all factories in an orderly manner. As the pandemic continued to intensify with logistics channels under pressure, overseas markets were greatly affected. However, with the situation in Mainland China being gradually brought under control, the domestic market recorded a swift recovery. The Group's management also seized the opportunities presented by market revival and industrial sector rebound, in order to minimise the impacts of the pandemic. In the face of complex market challenges, the Group expanded business around its diversified portfolio. The properties segment obtained a handsome sales performance, making up for the sales drop in the manufacturing and industrial segments. The Group's revenue consequently increased 9% year on year to HK$19,925.6 million. However during the Period, fair value changes of equity instruments at fair value through profit or loss incurred a loss owing to the fluctuations of the securities market amidst the COVID-19 pandemic

PERFORMANCE

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.

INVESTMENTS

As at 30 June 2020, the Group held in aggregate approximately HK$4,066 million and HK$1,904 million respectively of equity and debt instruments, representing approximately 4.6% and 2.1% respectively of the total assets of the Group as at 30 June 2020, 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 2020. The following table sets out the main investments of debt instruments held by the Group as at the end of the Period:

					30	30			
					2020	2020			
		'000		HK$'000	HK$'000		HK$'000	HK$'000	
bonds with fixed coupon interest 7.125% per annum and maturity date in January 2022 listed on Singapore Exchange Securities Trading Limited ("SGX") issued by Country Garden Holdings Company Limited ("Country Garden")	residential property development focusing on urbanization; running a centralised and standardised business model that comprises property development, construction, decoration, property investment, as well as hotel development and management	20,500	4.8%	159,431	170,070	0.2%	46,659	10,639	To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income

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Based on the announcement of Country Garden Holdings Company Limited (stock code: 2007) ("CGH") dated 20 September 2018 and 2 October 2018, senior notes ("CGH January 2022 Senior Notes") were issued by CGH in September 2018, and due in January 2022. The CGH January 2022 Senior Notes are listed on the SGX and carries an interest of 7.125% per annum and interests are payable semi-annually. The proceeds from the CGH January 2022 Senior Notes were intended to be used for refinancing CGH's existing offshore indebtedness. According to the 2020 interim results announcement of CGH, as at 30 June 2020, its group's net gearing ratio increased from approximately 46% that as at 31 December 2019 to approximately 58%.

Based on the announcements of Guangzhou R&F Properties Co., Ltd. (stock code: 2777) ("GRFP") dated 13 November 2017, 4 January 2019, 18 April 2018 and 19 September 2018: (i) the senior notes ("GRFP February 2023 Senior Notes") were issued by GRFP in November 2017, and due in February 2023. The GRFP February 2023 Senior Notes are listed on SGX and carries an interest of 5.875% per annum and interests are payable semi-annually. The proceeds from the GRFP February 2023 Senior Notes was intended to be used to refinance debt and for general corporate purposes of GRFP; (ii) the senior notes ("GRFP January 2021 Senior Notes") were issued by GRFP in January 2019, and due in January 2021. The GRFP January 2021 Senior Notes are listed on SGX and carries an interest of 8.75% per annum and interests are payable semi-annually. The proceeds from the GRFP January 2021 Senior Notes was mainly for offshore refinancing; (iii) the senior notes due April 2021 ("GRFP April 2021 Senior Notes") were issued by GRFP in April 2018, and due in April 2021. The GRFP April 2021 Senior Notes is listed on the SGX and carries an interest of 7% per annum and interests are payable semi-annually. The proceeds from GRFP April 2021 Senior Notes was intended to finance debt and for general corporate purposes; and (iv) the senior notes due September 2021 ("GRFP September 2021 Senior Notes") were issued by GRFP in September 2018, and due in September 2021. The GRFP September 2021 Senior Notes is listed on the SGX and carries an interest of 8.875% per annum and interests are payable semi-annually. The net proceeds from GRFP September 2021 Senior Notes was mainly for offshore refinancing. According to the 2020 interim results announcement of GRFP, the net debt to total equity ratio of GRFP decreased from 199% at 31 December 2019 to 177% at 30 June 2020.

Based on the announcement of KWG Group Holdings Limited (stock code: 1813) ("KWG") dated 16 March 2017 and 15 November 2018: (i) the senior notes ("KWG January 2022 Senior Notes") were issued by KWG in March 2017, and due in January 2022. The KWG January 2022 Senior Notes are listed on Stock Exchange and carries an interest of 6% per annum and interests are payable semi-annually. The proceeds from the KWG January 2022 Senior Notes was intended to be used for refinancing certain of KWG's existing indebtedness and for its general working capital purposes; and (ii) the senior notes ("KWG November 2020 Senior Notes") were issued by KWG in November 2018, and due in November 2020. The KWG November 2020 Senior Notes are listed on the Stock Exchange and carries an interest of 9.85% per annum and interests are payable semi-annually. The proceeds from the KWG November 2020 Senior Notes was intended to be used for refinancing certain of KWG's offshore debt. According to the 2020 interim results announcement of KWG, as at 30 June 2020, its net gearing ratio decreased from approximately 75% as at 31 December 2019 to approximately 59%.

For further information of the business and financial performance of the above companies, please

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

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
US$	354,882	106,200
HK$	20,107,547	23,681,049

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

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Within one year	7,934,749	7,862,991
More than one year but not more than two years	10,045,351	6,639,447
More than two years but not more than five years	3,182,889	9,907,471
	21,162,989	24,409,909

During the Period, the Group invested approximately HK$900 million and HK$1 billion in new production capacity and property construction expenses respectively. With a sound balance sheet and abundant contingency funds, the Group is in an excellent position to respond flexibly to the challenges and opportunities in the market.

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

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 17 of this report.

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.

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, 3 December 2020 to Friday, 4 December 2020 (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, 2 December 2020.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, 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")

	C		A C
			(%)
Mr. Cheung Kwok Wing *(Note 1)*	Beneficial owner/ Interest of spouse	7,628,405	0.691
Mr. Chang Wing Yiu *(Note 2)*	Beneficial owner/ Interest of spouse	9,087,228	0.823
Mr. Cheung Kwong Kwan	Beneficial owner	4,457,000	0.404
Mr. Ho Yin Sang *(Note 3)*	Beneficial owner/ Interest of spouse	3,746,700	0.339
Ms. Cheung Wai Lin, Stephanie *(Note 4)*	Beneficial owner/ Interest of spouse	709,000	0.064
Mr. Cheung Ka Shing	Beneficial owner	1,481,000	0.134
Mr. Cheung Ming Man	Beneficial owner	35,000	0.003
Dr. Chong Kin Ki	Beneficial owner	200,000	0.018
Mr. Chan Wing Kee	Beneficial owner	285,000	0.026

Notes:

(1) Out of the 7,628,405 Shares, 7,342,905 Shares were held by Mr. Cheung Kwok Wing and 285,500 Shares were held by his spouse.

(2) Out of the 9,087,228 Shares, 8,416,488 Shares were held by Mr. Chang Wing Yiu and 670,740 Shares were held by his spouse.

(3) Out of the 3,746,700 Shares, 3,312,500 Shares were held by Mr. Ho Yin Sang and 434,200 Shares were held by his spouse.

(4) Out of the 709,000 Shares, 689,000 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")

	C		A C (%)
Mr. Ho Yin Sang *(Note)*	Beneficial owner/ Interest of spouse	1,940,000	0.176
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	1,750,000	0.159
Mr. Cheung Ka Shing	Beneficial owner	1,980,000	0.179

Note: Out of the 1,940,000 Share Options, 1,500,000 were held by Mr. Ho Yin Sang and 440,000 Share Options were held by his spouse.

(c) Ordinary shares of HK$0.10 each ("KLHL Shares") in KLHL, a non-wholly owned subsidiary of the Company

	C		A C (%)
Mr. Cheung Kwok Wing *(Note 1)*	Beneficial owner/ Interest of spouse	1,949,500	0.063
Mr. Chang Wing Yiu *(Note 2)*	Beneficial owner/ Interest of spouse	8,300,000	0.269
Mr. Ho Yin Sang	Interest of spouse	543,000	0.018
Mr. Cheung Ka Shing	Beneficial owner	379,000	0.012

Notes:

(1) Out of the 1,949,500 shares, 1,469,500 shares were held by Mr. Cheung Kwok Wing and 480,000 shares were held by his spouse.

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

(d) Share options of KLHL ("KLHL Share Options")

		A	C	(%)
Mr. Ho Yin Sang	Interest of spouse	11,300,000		0.366
Mr. Leung Tai Chiu	Beneficial owner	550,000		0.018

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

	C	(Note)
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.

(f) Ordinary shares ("EEIC Shares") in the share capital of EEIC, a non-wholly owned subsidiary of the Company

	C	A	C	C

SUB1wgyDIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at 30 June 2020, 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:

		A	C
			(%)
Hallgain Management Limited ("Hallgain") *(Note)*	Beneficial owner	431,500,000 (L)	39.09 (L)
FMR LLC	Investment manager	110,740,321 (L)	10.03 (L)
Fidelity Puritan Trust	Investment manager	88,588,921 (L)	8.03 (L)

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

Note:

As at 30 June 2020: (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 2020 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.

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 2020, 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