

KB 延福東園書軒

EADING

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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	18,719,860	27,828,186
Cost of sales and services rendered		(14,839,664)	(19,643,720)
Gross profit		3,880,196	8,184,466
Other income, gains and losses	5	149,885	129,289
Distribution costs		(604,492)	(831,228)
Administrative expenses		(1,197,272)	(1,382,841)
Loss on fair value changes of equity instruments at fair value through profit or loss		(26,513)	(93,723)
Gain on disposal of debt instruments at fair value through other comprehensive income		30,009	92,359
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income		(2,283)	(1,575,440)
Finance costs	6	(503,055)	(155,221)
Share of results of joint ventures		41,944	40,659
Share of result of an associate		45,178	112,427
Profit before taxation		1,813,597	4,520,747
Income tax expense	7	(287,102)	(1,619,114)
Profit for the period		1,526,495	2,901,633
Profit for the period attributable to:			
Owners of the Company		1,389,609	2,409,616
Non-controlling interests		136,886	492,017
		1,526,495	2,901,633
		HK\$ (Unaudited)	HK\$ (Unaudited)
Earnings per share	9		
– Basic		1.253	2.173
– Diluted		1.253	2.173

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,526,495</u>	<u>2,901,633</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>(1,372,008)</u>	<u>(2,778,449)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income included in profit or loss	2,283	1,575,440
Fair value loss on debt instruments measured at fair value through other comprehensive income	<u>(326,502)</u>	<u>(292,242)</u>
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(30,009)</u>	<u>(92,359)</u>
	<u>(354,228)</u>	<u>1,190,839</u>
Other comprehensive expenses for the period	<u>(1,726,236)</u>	<u>(1,587,610)</u>
Total comprehensive (expenses) income for the period	<u><u>(199,741)</u></u>	<u><u>1,314,023</u></u>
Total comprehensive (expenses) income for the period attributable to:		
Owners of the Company	<u>(109,660)</u>	<u>1,061,731</u>
Non-controlling interests	<u>(90,081)</u>	<u>252,292</u>
	<u><u>(199,741)</u></u>	<u><u>1,314,023</u></u>

Condensed Consolidated Statement of Financial Position

		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
	Notes		
Non-current assets			
Investment properties		23,355,858	23,449,630
Property, plant and equipment	10	17,859,982	17,055,297
Right-of-use assets		1,910,568	1,910,795
Goodwill		2,670,528	2,670,528
Intangible assets		38,160	41,400
Interest in an associate		359,390	532,059
Interests in joint ventures		2,480,808	2,369,699
Equity instruments at fair value through profit or loss		2,004,962	1,855,832
Debt instruments at fair value through other comprehensive income		904,825	607,631
Entrusted loans	11	224,642	238,863
Deposits paid for acquisition of property, plant and equipment		1,142,287	1,313,750
Deferred tax assets		2,635	2,577
		52,954,645	52,048,061
Current assets			
Inventories		4,026,712	3,511,514
Properties held for development		16,692,795	16,896,546
Trade and other receivables and prepayments	11	7,997,227	8,221,655
Bills receivables	11	2,962,289	3,128,233
Loan receivable		2,205,857	1,880,000
Equity instruments at fair value through profit or loss		7,148,775	4,685,245
Debt instruments at fair value through other comprehensive income		—	22,302
Taxation recoverable		69,962	76,159
Restricted bank deposits		117,934	130,100
Cash and cash equivalents		4,736,987	6,693,336
		45,958,538	45,245,090

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	12	6,278,389	6,473,651
Bills payables	12	615,748	650,061
Contract liabilities		2,533,285	2,601,532
Dividend payable		994,971	455,422
Taxation payable		1,513,951	1,682,177
Bank borrowings – amount due within one year		8,767,416	5,269,171
Lease liabilities		3,874	4,478
		<u>20,707,634</u>	<u>17,136,492</u>
Net current assets		<u>25,250,904</u>	<u>28,108,598</u>
Total assets less current liabilities		<u>78,205,549</u>	<u>80,156,659</u>
Non-current liabilities			
Deferred tax liabilities		946,443	978,126
Bank borrowings – amount due after one year		13,766,826	14,477,991
Lease liabilities		2,742	4,711
		<u>14,716,011</u>	<u>15,460,828</u>
Net assets		<u><u>63,489,538</u></u>	<u><u>64,695,831</u></u>
Capital and reserves			
Share capital		110,831	110,879
Reserves		58,994,350	59,946,776
Equity attributable to owners of the Company		59,105,181	60,057,655
Non-controlling interests		4,384,357	4,638,176
Total equity		<u><u>63,489,538</u></u>	<u><u>64,695,831</u></u>

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based payments reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022	110,879	6,630,959	1,911	90	773,838	10,594	2,578,494	280,381	(1,501,009)	3,663,474	50,261,361	63,017,172	5,666,121	68,683,293
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,409,616	2,409,616	492,017	2,901,633
Fair value loss on debt instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	290,033	-	-	(290,033)	(12,209)	(292,242)
Reclassify to profit or loss upon disposal of debt instruments through other comprehensive income	-	-	-	-	-	-	-	-	(92,359)	-	-	(92,359)	-	(92,359)
Impairment losses under expected credit loss model on debt instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	1,527,845	-	-	1,527,845	47,595	1,575,440
included in profit or loss	-	-	-	-	-	-	-	-	-	(2,503,338)	-	(2,503,338)	(275,111)	(2,778,449)
Exchange differences arising from translation to presentation currency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	1,155,453	(2,503,338)	2,409,616	1,061,731	252,292	1,314,023
Recognition of equity-verified share-based payments	-	-	-	77,300	-	-	-	-	-	-	-	77,300	48,000	125,300
Final dividend payable for the year ended 31 December 2021	-	-	-	-	-	-	-	-	-	(2,705,452)	(2,705,452)	(2,705,452)	-	(2,705,452)
Dividends payable to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(990,928)	(990,928)
Transfers to reserve	-	-	-	-	-	-	563,560	-	-	-	(563,560)	-	-	-
	-	-	-	77,300	-	-	563,560	-	-	-	(3,268,012)	(2,628,152)	(932,928)	(3,561,080)
Balance at 30 June 2022	110,879	6,630,959	1,911	77,390	773,838	10,594	3,142,054	280,381	(945,556)	1,366,136	49,401,965	61,450,751	4,995,495	66,436,236

Condensed Consolidated Statement of Cash Flow

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	1,083,326	3,497,605
Net cash used in investing activities	(5,203,441)	(2,282,477)
Net cash from financing activities	2,163,766	99,382
Net (decrease) increase in cash and cash equivalents	(1,956,349)	1,314,510
Cash and cash equivalents at the beginning of the period	6,693,336	5,512,357
Cash and cash equivalents at the end of the period	4,736,987	6,826,867

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 new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

Additional adopted HKFRS

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for Group's the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments To HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and 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

HKFRS 8 “Operating Segments” (“HKFRS 8”) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, who are the Chief Operating Decision Makers (“CODM”), in order to allocate resources to segments and to assess their performance. Specifically, the Group’s reportable segments under HKFRS 8 are organised into six main operating divisions – (i) laminates, (ii) PCBs, (iii) chemicals, (iv) properties, (v) investments (mainly investment income from debt instruments at fair value through other comprehensive income and equity instruments at fair value through profit or loss) and (vi) others (mainly including service income, manufacture and sale of magnetic products and hotel business).

3. Segment information – continued

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2022								
Segment revenue								
External sales	8,574,489	6,985,757	7,487,008	4,352,201	168,000	260,731	–	27,828,186
Inter-segment sales	2,172,586	–	449,407	–	–	2,998	(2,624,991)	–
Total	<u>10,747,075</u>	<u>6,985,757</u>	<u>7,936,415</u>	<u>4,352,201</u>	<u>168,000</u>	<u>263,729</u>	<u>(2,624,991)</u>	<u>27,828,186</u>
Result								
Segment result	<u>1,863,785</u>	<u>502,745</u>	<u>1,698,323</u>	<u>2,129,767</u>	<u>(1,416,804)</u>	<u>(2,477)</u>		4,775,339
Unallocated corporate income								95,025
Unallocated corporate expenses								(222,182)
Share-based payments								(125,300)
Finance costs								(155,221)
Share of result of joint ventures								40,659
Share of results of an associate								<u>112,427</u>
Profit before taxation								<u>4,520,747</u>

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

4. Depreciation

During the reporting period, depreciation of approximately HK\$997,029,000 (six months ended 30 June 2022: HK\$939,773,000) was charged in respect of the Group's property, plant and equipment.

5. Other income, gains and losses

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income, gains and losses include:		
Interest income from bank balances and deposits	36,638	28,041
Interest income on entrusted loans	6,582	9,450
Interest income on loan receivable	66,984	66,984
Government grants	35,976	27,005
Others	3,705	(2,191)
	<u>149,885</u>	<u>129,289</u>

6. Finance costs

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on bank borrowings	514,883	161,353
Imputed interest on contract liabilities	–	1,915
Interest on lease liabilities	194	219
Less: Amounts capitalised in the construction in progress	(5,808)	(5,522)
Amounts capitalised in the properties held for development	(6,214)	(2,744)
	<u>503,055</u>	<u>155,221</u>

Bank and other borrowing costs capitalised include imputed interest on contract liabilities of HK\$1,915,000 for the six months ended 30 June 2022 (six months ended 30 June 2023: Nil) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.73% for the six months ended 30 June 2022 (six months ended 30 June 2023: 4.81%) per annum to expenditure on qualifying assets.

7. Income tax expense

The amount comprises:

PRC Enterprise Income Tax ("EIT")
 PRC Land Appreciation Tax ("LAT")
 Hong Kong Profits Tax
 Taxation arising in other jurisdictions
 Withholding tax in the PRC

Deferred taxation

Six months ended 30 June

2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
194,605	885,763
22,991	515,333
7,173	12,603
25,407	26,925
45,947	187,539
296,123	1,628,163
(9,021)	(9,049)
287,102	1,619,114

8. Interim dividend

The Directors have resolved to declare an interim dividend of HK\$0.16 and a special interim dividend of HK\$0.50 per share for the six months ended 30 June 2023 (2022: interim dividend of HK\$0.30 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 December 2023. The dividend warrants will be dispatched on or around Friday, 5 January 2024.

9. Earnings per share

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings for the purpose of basic and diluted earnings per share	<u>1,389,609</u>	<u>2,409,616</u>
	Number of shares	
	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,108,619,692	1,108,791,736
Add: Effect of potentially dilutive ordinary shares arising from share options	<u>4,863</u>	<u>10,470</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,108,624,555</u>	<u>1,108,802,206</u>

10. Additions to property, plant and equipment

During the reporting period, the Group had addition of approximately HK\$2,202,099,000 (six months ended 30 June 2022: HK\$2,457,534,000) on property, plant and equipment.

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	7,395,632	7,989,399
Less: Allowance for credit losses	(1,090,417)	(1,176,760)
Trade receivables, net	6,305,215	6,812,639
Advance to suppliers	351,535	289,233
Entrusted loans (Note)	246,860	261,693
Prepayment and deposits	371,085	327,618
Value added tax recoverables	687,694	535,470
Other receivables	259,480	233,865
	8,221,869	8,460,518
Less: Non-current portion of entrusted loans (Note)	(224,642)	(238,863)
	7,997,227	8,221,655

As at 1 January 2022, the gross carrying amount of trade receivables from contracts with customers amounted to HK\$10,836,887,000 with allowance for credit losses of HK\$1,257,523,000.

Note: The entrusted loans of HK\$246,860,000 (31 December 2022: HK\$261,693,000) are due from certain purchasers of properties developed by the Group in the PRC through four (31 December 2022: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 3.43% to 4.90% (31 December 2022: 3.43% to 5.39%) per annum, payable on monthly basis and the principal will be payable on or before 2034 (31 December 2022: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan, PRC.

As at 30 June 2023, entrusted loans amounting to HK\$224,642,000 (31 December 2022: HK\$238,863,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

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

The Group allows credit period of up to 120 days (31 December 2022: 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
2023
HK\$'000**

31 December
2022

12. Trade and other payables and bills payables

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	2,909,171	2,935,374
Accrued expenses	1,263,217	1,310,794
Payable for acquisition of property, plant and equipment	569,929	374,831
Other tax payables	671,048	839,622
VAT payables	147,867	185,586
Land appreciation tax payables	—	112,845
Other payables	717,157	714,599
	<u>6,278,389</u>	<u>6,473,651</u>

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–90 days	2,252,521	2,257,104
91–180 days	406,380	412,482
Over 180 days	250,270	265,788
	<u>2,909,171</u>	<u>2,935,374</u>

Bills payables of the Group related to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables, which are aged within 90 days (31 December 2022: 90 days) at the end of the reporting period. Included in bills payables as at 30 June 2023 was payables for acquisition of property, plant and equipment of HK\$48,851,000 (31 December 2022: HK\$32,697,000).

13. Share options

(a) Existing 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) *Exercise of share options*

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

	Date of grant	Balance at 1 January 2023 <i>(Note ii)</i>	Grant during the period	Exercised during the period	Balance at 30 June 2023	Exercise price per share	Exercisable period
Directors							
Mr. Cheung Kwok Wing	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Chang Wing Yiu	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Cheung Kwong Kwan	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Ho Yin Sang	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Cheung Ka Shing	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
	14 August 2019	20,000	–	(20,000)	–	HK\$17.304	14 August 2019 to 13 August 2029 <i>(Note ii)</i>
Ms. Ho Kin Fan	23 June 2022	1,720,000	–	–	1,720,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Chen Maosheng	23 June 2022	330,000	–	–	330,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Cheung Ming Man	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Dr. Chong Kin Ki	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Chan Wing Kee	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Mr. Stanley Chung Wai Cheong	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Sub-total		<u>12,670,000</u>	<u>–</u>	<u>(20,000)</u>	<u>12,650,000</u>		
Employees	23 June 2022	3,720,000 <i>(Note ii)</i>	–	–	3,720,000	HK\$30.89	23 June 2022 to 22 June 2032 <i>(Note ii)</i>
Total		<u>16,390,000</u>	<u>–</u>	<u>(20,000)</u>	<u>16,370,000</u>		
<i>Exercisable at</i>							
1 January 2023		16,390,000					
30 June 2023		<u>16,370,000</u>					

13. Share options – continued

(a) Exercise of share options

Note:

- (i) During the period ended 30 June 2022, 16,370,000 options were granted by the Company on 23 June 2022 under the share option scheme of the Company, of which 14,490,000 options were granted to directors and/or their associate(s) and 1,880,000 were granted to employees (excluding any associate of directors). The closing price of the Company's shares on 22 June 2022 (namely the date immediately before the aforesaid grant date) is HK\$28.80. The estimated fair value of the aforesaid options was HK\$77,300,000, of which HK\$68,423,000 was attributable to the options granted to directors and/or their associate(s) while HK\$8,877,000 was attributable to the options granted to employees. The fair value of each of the abovementioned options was identical, namely HK\$4.722. All share options were vested on the date of grant.

As at 30 June 2023, 16,370,000 options (as at 31 December 2022: 16,390,000 options) remained outstanding under the share option scheme of the Company.

As at 30 June 2023, there was no participant with share options granted in excess of the individual limit.

- (ii) The share options granted on 14 August 2019 above were vested upon grant. During the period ended 30 June 2023, under the Scheme, options of 20,000 shares granted by the Company at exercise price of HK\$17.304 per share were exercised. The weighted average closing prices of the Company's shares on the Stock Exchange on the five trading days immediately before the exercise date was HK\$23.94. The amount of HK\$90,000 was reclassified from share-based payments reserve to share premium.
- (iii) Including the spouse of Mr. Ho Yin Sang, a Director of the Company, in respect of 1,840,000 options.

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

The number of Share Options available for grant under the scheme mandate as at 1 January 2023 and 30 June 2023 was 62,445,223.

13. Share options – continued

(b) *Employee share option scheme of Kingboard Laboratories 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

13. Share options – continued

(b) *Exercise of share options under the 2017 KLHL Scheme by Directors of KLHL*

A summary of movements of the number of share options under the 2017 KLHL Scheme for the period is as follows:

Directors of KLHL	Date of grant	Outstanding as at 1 January 2023 <i>(Note i)</i>	Grant during the period	Exercise price per share	Outstanding as at 30 June 2023	Exercisable period
Mr. Cheung Kwok Wa	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Cheung Kwok Keung	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Cheung Kwok Ping	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Lam Ka Po	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Cheung Ka Ho	23 June 2022	2,000,000	–	HK\$9.728	2,000,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Zhou Pei Feng	23 June 2022	1,000,000	–	HK\$9.728	1,000,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Ip Shu Kwan, Stephen	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Zhang Lu Fu	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Kung, Peter	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Mr. Ho Kwok Ming	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Subtotal		<u>29,000,000</u>	<u>–</u>		<u>29,000,000</u>	
Grant to employees of KLHL <i>(Note ii)</i>	23 June 2022	<u>7,900,000</u>	<u>–</u>	HK\$9.728	<u>7,900,000</u>	23 June 2022 to 22 June 2032 <i>(Note i)</i>
Total		<u><u>36,900,000</u></u>	<u><u>–</u></u>		<u><u>36,900,000</u></u>	
Exercisable at						
1 January 2023		36,900,000				
30 June 2023		<u><u>36,900,000</u></u>				

13. Share options – continued

(b) *Estimated fair value of the share options granted by KLHL*

Notes:

- (i) During the period ended 30 June 2022, 36,900,000 options were granted by KLHL on 23 June 2022 under the share option scheme of KLHL, of which 29,000,000 options were granted to directors of KLHL and 7,900,000 were granted to employees of KLHL. As at 31 December 2022 and 30 June 2023, 36,900,000 options remained outstanding under the share option scheme of KLHL. The closing price of KLHL's shares on 22 June 2022 (namely the date immediately before the aforesaid grant date) is HK\$9.46. The estimated fair value of the aforesaid options was HK\$48,000,000, of which HK\$37,724,000 was attributable to the options granted to directors of KLHL while HK\$10,276,000 was attributable to the options granted to employees of KLHL. The fair value of each of the abovementioned options was identical, namely HK\$1.3008. All share options were vested on the date of grant.

As at 30 June 2023, there was no participant with share options granted in excess of the individual limit.

- (ii) Including the spouse of Mr. Ho Yin Sang, a Director of the Company, in respect of 5,900,000 options. The spouse of Mr. Ho Yin Sang is an employee of KLHL.

Save as disclosed, there has been no option granted or outstanding under the 2017 KLHL Scheme. During the Period, no option has lapsed or has been cancelled or exercised under the 2017 KLHL Scheme. The number of options available for grant under the scheme mandate of the 2017 KLHL Scheme is 232,200,000 as at 1 January 2023 and 30 June 2023.

14. Capital and other commitments

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	741,323	575,776
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	327,360	658,912
	1,068,683	1,234,688

15. Related party transactions

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	278,870	253,357
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	403,934	532,085
Sales of goods to a non-controlling shareholder of a subsidiary	12,753	17,778
Purchase of goods from an associate	130,202	158,433
Sale of properties to a Director	—	82,434
	<u> </u>	<u> </u>

Included in trade and other receivables and prepayments as at 30 June 2023 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$5,771,000 (31 December 2022: HK\$9,365,000).

Included in trade and other receivables as at 30 June 2023 was an amount due from an associate of approximately HK\$8,224,000 (31 December 2022: HK\$3,772,000) and a joint venture of HK\$137,500,000 (31 December 2022: HK\$137,500,000).

16. Contingent liabilities

The Group provided guarantees amounting to approximately HK\$295,999,000 as at 30 June 2023 (31 December 2022: HK\$556,851,000) to facilitate mortgage bank loans applications of purchasers of the properties that were developed by the Group. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 2023 and 31 December 2022.

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

BUSINESS REVIEW

On behalf of the board of directors (the “Board”), I am pleased to provide our shareholders with a report on the performance of Kingboard Holdings Limited and its subsidiaries (the “Group”) for the six months ended 30 June 2023 (the “Period”). During the Period, multiple headwinds including geopolitical conflicts, rising inflation and interest rates, and weakened consumer sentiments have made it challenging for businesses across the board. Despite the difficult market conditions and escalating costs, the Group has effectively navigated these obstacles by leveraging its advantage built on a vertical value chain and a diversified business portfolio. The hard work of the team has also played a crucial role in helping the Group achieve an underlying net profit of more than HK\$1.3 billion amid the complex market conditions. During the Period, it is notable that the majority of printed circuit board factories on the Chinese Mainland have recorded utilisation rates of less than 50%. The Group’s Printed Circuit Boards (“PCBs”) Division, on the other hand, has successfully expanded on the back of its balanced market segment portfolio, driving its facilities to achieve near full utilisation and generating increased earnings. The Property Division’s rental portfolio also delivered a stable cash inflow, attributable to a rise in occupancy rates, the consecutive expiration of rent-free periods, and the positive impact of Two London Wall Place, a commercial tower acquired by the Group in June 2022. As a result, the division has experienced steady growth in rental income for the Group.

During the Period, the Group recorded a revenue of HK\$18,719.9 million, a 33% decrease compared with the same period last year. This was primarily driven by year-on-year declines in both the sales volume and selling prices of laminates and chemical products, as well as a decline in the handover of residential properties. Underlying net profit attributable to the owners of the Company (excluding non-recurring items) decreased by 45% to HK\$1,389.6 million. The Board has resolved to declare an interim dividend of HK16 cents per share and a special interim dividend of HK50 cents per share, with a total of HK66 cents per share.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2023 HK\$'million	2022 HK\$'million	
Revenue	18,719.9	27,828.2	-33%
EBITDA*	3,337.2	5,767.4	-42%
Profit before tax*	1,813.6	4,646.0	-61%
Net profit attributable to owners of the Company			
– Underlying net profit*	1,389.6	2,522.3	-45%
– Reported net profit	1,389.6	2,409.6	-42%
Earnings per share			
– Based on underlying net profit*	HK\$1.253	HK\$2.275	-45%
– Based on reported net profit	HK\$1.253	HK\$2.173	-42%
Interim dividend per share	HK\$0.16	HK\$0.30	-47%
Special interim dividend per share	HK\$0.50	–	N/A
Net asset value per share	HK\$53.3	HK\$55.4	-4%
Net gearing	28%	19%	

* Excluding:

From 1 January 2022 to 30 June 2022, share-based payments with gross amount of HK\$125.3 million, and net amount of HK\$112.7 million after share of non-controlling shareholders (from 1 January 2023 to 30 June 2023: Nil).

PERFORMANCE

Laminates Division: The Laminates Division demonstrated commendable progress despite a decline in demand within the electronics industry during the Period. The division successfully pursued new market development initiatives and enhanced its product portfolio. There was a significant rise in the share of sales attributed to high-end and high-value-added products. This high-end product portfolio includes thin laminates designed for portable devices, lead-free and halogen-free laminates complying with stringent environmental standards, fire-resistant laminates and low thermal expansion coefficient laminates with wide compatibility, as well as high-frequency and high-speed laminates ensuring low loss and high transmission speed. Segment revenue of the Laminates Division declined 23% to HK\$8,270.3 million. The division's experienced management team worked diligently during the Period to mitigate the impact of high commodity, energy and transportation costs. Through technical enhancements, the division was able to reduce energy consumption and improve productivity. Additionally, the division increased the utilisation of automation, resulting in lower labour costs. These initiatives effectively helped offset the impact of cost inflation. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") were down 47% to HK\$1,189.5 million.

PCBs Division: The division has been focused on expanding sales in various market segments, including the automobile, telecommunications and consumer electronics sectors. To support this goal, the PCBs Division has consistently recruited high-calibre management and technical talents, while also investing in advanced machinery and establishing highly automated production lines. The division has made substantial progress in high-end PCBs development, thus building a product line with higher added value. With a focus on market demands and efficiency, the PCBs Division implemented a modern manufacturing execution system ("MES"), and introduced precise quality tracing and analysis across the entire manufacturing process to drive improvements in production efficiency and product quality. The division benefited from a decrease in the prices of upstream laminate materials compared to the same period last year and the management team improved cost efficiency by enhancing production technology and automation of facilities. Although segment revenue decreased by 18% to HK\$5,723.7 million, the division managed to increase EBITDA by 16% to HK\$970.7 million.

Chemicals Division: Both the sales volume and selling prices of chemical products recorded declines compared to the same period last year, thus affecting the overall performance of the Chemicals Division. Segment revenue (including inter-segment sales) dropped by 35% to HK\$5,134.6 million, bringing EBITDA down by 84% to HK\$311.2 million.

Property Division: During the Period, the Property Division experienced a decrease in revenue from property sales by 91% to HK\$333 million due to reduced delivery of residential properties. However, the division saw a 18% increase in rental income to HK\$714.4 million, attributed to higher occupancy rates, the expiration of rent-free periods, and the contribution from Two London Wall Place, a commercial tower acquired by the Group in June 2022. Consequently, the segment revenue of the Property Division decreased by 76% to HK\$1,047.4 million, with EBITDA also decreasing by 72% to HK\$587.4 million.

INVESTMENTS

As at 30 June 2023, the Group held in aggregate approximately HK\$10,059 million (31 December 2022: approximately HK\$7,171 million) investments in securities instruments, representing approximately 10% (31 December 2022: approximately 7%) of the total asset of the Group as at 30 June 2023. These securities investment consist of mostly shares 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 these securities instruments through on-market purchases. The Group will from time to time monitor the price movement of prices in securities and bonds and may adjust its investment portfolio as and when appropriate.

The following table sets out the securities investments held by the Group which the Group considers to be relatively significant as at 30 June 2023. None of the value of the following (or any other) securities investments of the Company, on a standalone or (where applicable) aggregate basis reached 5% or more of the total assets of the Company as at the end of the Period:

	Number of securities held	Investment cost	Fair value as at 30 June 2023	Percentage to the Group's total assets	*Accumulated fair value loss up to
				as of 30 June 2023	30 June 2023
Investment in Guangzhou R&F Properties Co., Ltd. ("GRFP")	'000	HK\$'000	HK\$'000		HK\$'000
Bonds with fixed coupon rate of 6.5% per annum and maturity date in July 2025 listed on Singapore Exchange Securities Trading Limited ("SGX") by GRFP ("GRFP Group A Notes")	107,777	787,729	61,663	0.062%	(726,066)
Bonds with fixed coupon rate of 6.5% per annum and maturity date in July 2027 listed on SGX by GRFP ("GRFP Group B Notes")	144,280	1,026,572	92,679	0.094%	(933,893)

				Percentage to the Group's total assets as of 30 June 2023	*Accumulated fair value loss up to 30 June 2023
Investment in Guangzhou R&F Properties Co., Ltd. ("GRFP")	Number of securities held '000	Investment cost HK\$'000	Fair value as at 30 June 2023 HK\$'000		
Bonds with fixed coupon rate of 6.5% per annum and maturity date in July 2028 listed on SGX by GRFP ("GRFP Group C Notes")	68,019	469,140	39,247	0.040%	(429,893)
		<u>2,283,441</u>	<u>193,589</u>	<u>0.196%</u>	<u>(2,089,852)</u>

* Including the impairment loss recognised in profit or loss with gross amount of HK\$2,283,000 during the Period, and the accumulated impairment loss recognised in profit or loss with gross amount of HK\$1,581,283,000.

In terms of bond investments, the Group retained a certain number of listed bonds in order to generate stable and fixed interest income as the investment strategy. The Group's bond portfolio (including those as set out in the above table) totalled a fair value of approximately HK\$905 million as at 30 June 2023 (and the corresponding total investment cost was approximately HK\$2,981 million). During the period, interest income from bond investments amounted to approximately HK\$9 million representing an decrease of approximately 86% compared to approximately HK\$64 million with the corresponding period in 2022.

Guangzhou R&F Properties Co., Ltd. (stock code: 2777) is principally engaged in the properties sector.

In respect of the above GRFP debts instruments, based on the announcements of GRFP dated 17 June 2022, 30 June 2022, 11 July 2022 and 14 July 2022, GRFP conducted the Consent Solicitations in June 2022 to seek waivers of existing and potential consequential Defaults or Events of Default under the Notes and to extend its debt maturity profile. GRFP offered Eligible Holders of each Series of the Notes an opportunity to consent to, among others, the extension of the maturity date of such Series of the Notes, which will allow GRFP to improve its overall financial condition and maintain a sustainable capital structure. In July 2022, GRFP completed the above debt restructuring scheme.

During the Period, the Group did not acquire or sell the above GRFP debts instruments at fair value through other comprehensive income.

According to above announcements, GRFP were not able to pay the bond interests due to its adverse financial condition. The Group had performed an impairment assessment on the debt instruments held under the expected credit loss ("ECL") model. The measurement of ECL is a function of the probability of default and loss given default (i.e. the magnitude of the loss if there is a default), with the assessment of the probability of default and loss given default being based on historical data and forward-looking information. The estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, and also with reference to the time value of money. In determining ECL on the Group's debt instruments for the Period, the management had taken into accounts factors including the defaults of the bond issuer in making payments of interest and principal for its indebtedness, and forward-looking information including the future macroeconomic conditions at places where the bond issuer is operating.

The Group recognised impairment loss in profit or loss under ECL model of HK\$2,283,000 for the Period and accumulated ECL of HK\$1,581,283,000 on the above GRFP debt instruments at fair value through other comprehensive income by reference to exposures at default, recovery rate and adjustments for forward looking information.

Based on the announcements of GRFP dated 17 June 2022, 30 June 2022 and 11 July 2022: (i) The GRFP Group A Notes consisting of the 2022 Notes, the July 2022 Notes and the November 2022 Notes ("GRFP 6.5% senior notes due 2025") were issued by GRFP in July 2022, and due in July 2025. The GRFP 6.5% senior notes due 2025 are listed on the SGX and carry an interest of 6.5% per annum and interests are payable semi-annually. The net proceeds from the GRFP

6.5% senior notes due 2025 were mainly for refinancing medium to long-term debt that will be due within one year and offshore refinancing; (ii) The GRFP Group B Notes consisting of the 2023 Notes, the February 2023 Notes and the August 2023 Notes (“GRFP 6.5% senior notes due 2027”) were issued by GRFP in July 2022, and due in July 2027. The GRFP 6.5% senior notes due 2027 are listed on SGX and carry an interest of 6.5% per annum and interests are payable semi-annually. The net proceeds from the GRFP 6.5% senior notes due 2027 were mainly for refinancing debt and for general corporate purposes of GRFP and offshore refinancing; (iii) The GRFP Group C Notes consisting of the February 2024 Notes, the March 2024 Notes, the July 2024 Notes and the September 2024 Notes (“GRFP 6.5% senior notes due 2028”) were issued by GRFP in July 2022, and due in July 2028. The GRFP 6.5% senior notes due 2028 are listed on SGX and carry an interest of 6.5% per annum and interests are payable semi-annually. The net proceeds from the GRFP 6.5% senior notes due 2028 were mainly for refinancing medium to long-term debt that will be due within one year and offshore refinancing. According to the 2023 interim results announcement of GRFP, the net debt to total equity ratio of GRFP increased to 192% at 30 June 2023 from 171% at 31 December 2022.

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

The Company’s equity instruments consist primarily of listed shares of a cluster of wide-ranging primarily blue-chip listed issuers as at 30 June 2023. During the Period, the dividend income from equity instrument at fair value through profit or loss is HK\$227,819,000, and the amount of loss on fair value changes of equity instruments at fair value through profit or loss is HK\$26,513,000. The Company’s investment strategy of these equity investment is to make mid- to long-term investments in the prospects of primarily reputable sizeable issuers on recognizable stock exchange for creating values for the Group and its shareholders, with the risks involved balanced and moderated by the diversity of the portfolio and the corporate governance and disclosures of such issuers. There was no equities 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 2023.

The Group’s Investment Strategy for These Investments

Our investment portfolio is comprised mainly of listed securities of a variety of blue-chip listed companies and debt securities issued by creditable listed companies in Hong Kong. Our investment objective is to generate stable interest and dividend income and create value of the Group and its shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2023,

As at 30 June 2023, variable-rate bank borrowings which carry interest ranging from Hong Kong Inter-Bank Offer Rate ("HIBOR") +0.78% to HIBOR+1.25% (31 December 2022: HIBOR+0.78% to HIBOR+1.15%) per annum and Loan Prime Rate ("LPR") -1.00% to LPR -0.55% per annum (31 December 2022: LPR-0.9% to LPR+1.355%) and fixed rate bank borrowings which carry interest rate range from 2.75% to 3.00% per annum (31 December 2022: fixed interest rate was 2.6% per annum).

The range of effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings as at 30 June 2023 ranged from 2.75% to 6.18% (31 December 2022: 2.75% to 5.50%) per annum.

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

30 June
2023

CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately HK\$295,999,000 as at 30 June 2023 (31 December 2022: HK\$556,851,000) to facilitate mortgage bank loans applications of purchasers of the properties that were developed by the Group. 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 2023, the Group employed a global workforce of approximately 35,000 (31 December 2022: 35,000). Recognising the significance of staff members as a valuable asset, the Group adopts sound human resources management and planning practices, which continue to contribute to delivering satisfactory results. In addition to offering competitive salary packages, the Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in Note 13 to the consolidated financial statements. The Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance. The Kingboard Management Academy has been instrumental in actively nurturing mid-rank and senior management personnel over the years. Furthermore, the Group recruits and nurtures several hundred promising university graduates from mainland China, Hong Kong and Taiwan annually. The Group is committed to implementing training programmes to retain talented individuals in order to gain fresh energy for long-term development and drive the Group's continued growth.

PROSPECTS

Entering the second half of the year, there has been a noticeable increase in both consumer and corporate confidence, leading to more active supply and business chains. The Group's various business segments are thus displaying encouraging signs of improvement; however, the prevailing macroeconomic challenges, such as geopolitical changes, high interest rates, and inflation, have prompted the Group to focus on strengthening its cash flow management. This will enable the Group to navigate more complicated internal and external environments. In line with the state's goal to achieve peak carbon dioxide emissions by 2030 and carbon neutrality by 2060, the Group is adopting a professional and systematic approach to establish distributed solar photovoltaics within its facilities. This initiative is expected to yield long-term benefits for the Group. In line with the Group's vision of becoming a green corporation, its Hebei acetic acid project is utilising advanced and energy-efficient carbon capture technology developed by the School of Environment, Tsinghua University, to capture and recycle 200,000 tonnes of carbon dioxide annually. These demonstrated the Group's commitment to achieving its environment, social and governance (ESG) goals. Building on the back of its robust performance, the Group will continue to pursue its overall strategy of maintaining a diversified and synergistic business portfolio, while leveraging its vertical production model to gain a competitive edge. Emphasis will be placed on strict cost controls and technological enhancements, including the proactive deployment of big data management tools to further improve operational efficiencies. The Group also remains committed to research and development, safe production, and improving its environmental performance. All these efforts are geared towards realising a high-quality, sustainable development in line with the Group's objectives.

Laminates Division: Entering the second half of the year, a gradual resumption of consumer confidence is leading to a return to growth in shipments, with the inventories of PCB makers and end-user customers substantially clearing up after more than a year of a downward cycle. It is anticipated that, due to various factors such as the rise of export orders, the rapid growth of new energy vehicles and its peripheral products like charging stations, and the increasing adoption of photovoltaic and other clean energy sources and artificial intelligence, the laminates market will gradually stabilize and rebound. Furthermore, raw material prices have been consistently dropping during this market downturn. While this trend has put tremendous price pressure on the Group's inventory materials, it is worth noting that almost all raw materials used in laminates, save for copper, have now reached extremely low price points. This is set to improve the Group's gross profit margin in the second half of the year. All business units remain steadfast in their commitment to upholding high quality standards while maintaining effective cost controls. It is also anticipated that the years of research and development invested by the Group will gradually yield positive results. Moving forward, the division will continue to collaborate with premium customers, working together towards the certification of high-end products. The Group added 450 tonnes of copper foil monthly capacities in Lianzhou, Guangdong Province during the first half of the year. An additional 300 tonnes per month will be added over the second half. The Group's upstream materials have gained wide recognition from external customers, and this expansion plan will drive increased external upstream sales and earnings, while also meeting internal business needs. The Group also has plans to expand its laminates monthly capacities in Thailand by 400,000 sheets to address the development pace.

PCBs Division: The Group possesses multifaceted advantages that target end-user segments such as automotive, telecommunications, and consumer electronics. These include supreme craftsmanship, comprehensive certification, and a commitment to delivering high-quality products. Currently, the division has a robust order pipeline, with a notable demand for PCBs in new energy vehicle and photovoltaic applications. The division is continuously evolving towards higher technical content, focusing on areas like high aspect ratio and high precision alignment. These ongoing efforts aim to build a portfolio of higher-value-added products whilst forging a closer collaborative ecosystem with customers. The Group is also actively investing in new technologies, particularly in the areas of 6G mobile telecommunications, high-speed servo, and 4D imaging mmWave radar for vehicles. The division is committed to strengthening the core competitiveness of its various PCB brands, namely Elec & Eltek, Techwise Circuits, and Express Electronics. In the second half of the year, the division plans to bring in an additional 400,000 square feet of monthly capacity for multi-layered PCBs. This expansion is aimed at increasing the industry penetration of Kingboard's PCBs.

Chemicals Division: In 2023, the state will continue to prioritise a development mode that emphasises ecological protection and green transition. The Chemicals Division will take part in this national effort by actively promoting production safety and meeting emission standards. Additionally, the division will strive to enhance production efficiency and optimise resources utilisation to reduce energy consumption. The majority of the division's phenol acetone and Bisphenol A output is driven by the demand for engineering-grade plastic materials used to lower the weight of new energy vehicles, photovoltaic film, and electric cables applied to solar power generators and wing paddles in wind turbines. To meet this growing demand, the Group is gearing up to add an annual capacity of 450,000 tonnes of phenol acetone and 240,000 tonnes of Bisphenol A in Daya Bay, Huizhou, Guangdong Province. Acetic acid is another major chemical that has a wide range of applications. As downstream market grows, there has been a corresponding increase in demand for acetic acid. To this end, the Group plans to build an acetic acid project in Xingtai City, Hebei Province with an annual capacity of 800,000 tonnes. The project will incorporate advanced and energy-efficient carbon dioxide capture technology developed by the School of Environment, Tsinghua University. This new project will enable the Group to expand its presence in the chemicals industry. The Chemicals Division is dedicated to leveraging innovation and technology, while promoting enterprise-wide transformation towards a high-quality green and low-carbon trajectory.

Property Division: With a portfolio of development properties invested in and mainly funded internally by the Group over the past few years, and the sales of completed residential properties primarily with no project loans attached currently, the division was therefore able to successfully mitigate the challenges in the Mainland property market. Adhering to the division's cautious business strategy, there has been no acquisition of new land in the past five years. Instead, priority has been given to the scheduled sales of residential projects in eastern China, aiming to expedite capital recycling. In parallel, the division is recording steady growth in rental income, which is estimated to reach HK\$1,400 million for the full year of 2023. The Group has strategically balanced its investment property portfolio across the United Kingdom, Hong Kong, and eastern and southern China, contributing to risk diversification and ensuring a continuous influx of stable cash flow for the Group.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, clients, banks, management, and employees for their unwavering support to the Group during the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 14 December 2023 to Friday, 15 December 2023 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend and special interim dividend, the

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2023, the interests of the Directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position

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

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Kwok Wing (<i>Note 1</i>)	Beneficial owner/ Interest of spouse	5,413,405	0.488
Mr. Chang Wing Yiu (<i>Note 2</i>)	Beneficial owner/ Interest of spouse	9,570,228	0.863
Mr. Cheung Kwong Kwan	Beneficial owner	5,136,500	0.463
Mr. Ho Yin Sang (<i>Note 3</i>)	Beneficial owner/ Interest of spouse	1,003,200	0.091
Mr. Cheung Ka Shing	Beneficial owner	1,085,500	0.098
Mr. Cheung Ming Man	Beneficial owner	35,000	0.003
Dr. Chong Kin Ki (<i>Note 4</i>)	Beneficial owner/ Interest of spouse	110,000	0.010
Mr. Chan Wing Kee	Beneficial owner	285,000	0.026

Notes:

- (1) Out of the 5,413,405 Shares, 5,127,905 Shares were held by Mr. Cheung Kwok Wing and 285,500 Shares were held by his spouse.
- (2) Out of the 9,570,228 Shares, 8,899,488 Shares were held by Mr. Chang Wing Yiu and 670,740 Shares were held by his spouse.
- (3) Out of the 1,003,200 Shares, 655,000 Shares were held by Mr. Ho Yin Sang and 348,200 Shares were held by his spouse.
- (4) Out of the 110,000 Shares, 90,000 Shares were held by Dr. Chong Kin Ki and 20,000 Shares were held by his spouse.

All Directors above also hold share options of the Company, details of which are mentioned in the section headed "Directors' interests in shares — Long position (b) share options of the Company".

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

Name of Director	Capacity	Interest in underlying Shares pursuant to the Share Options	Approximate percentage of the issued share capital of the Company as at the end of the Reporting Period (%)
Mr. Cheung Kwok Wing	Beneficial owner	2,000,000	0.180
Mr. Chang Wing Yiu	Beneficial owner	2,000,000	0.180
Mr. Cheung Kwong Kwan	Beneficial owner	2,000,000	0.180
Mr. Ho Yin Sang (<i>Note</i>)	Beneficial owner/ Interest of spouse	3,840,000	0.346
Mr. Cheung Ka Shing	Beneficial owner	2,000,000	0.180
Ms. Ho Kin Fan	Beneficial owner	1,720,000	0.155
Mr. Chen Maosheng	Beneficial owner	330,000	0.030
Mr. Cheung Ming Man	Beneficial owner	150,000	0.014
Dr. Chong Kin Ki	Beneficial owner	150,000	0.014
Mr. Stanley Chung Wai Cheong	Beneficial owner	150,000	0.014
Mr. Chan Wing Kee	Beneficial owner	150,000	0.014

Note: Out of the 3,840,000 Share Options, 2,000,000 were held by Mr. Ho Yin Sang and 1,840,000 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

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL (%)
Mr. Cheung Kwok Wing	Beneficial owner	2,126,500	0.068
Mr. Chang Wing Yiu	Beneficial owner	11,820,000	0.379
Mr. Ho Yin Sang	Beneficial owner	809,000	0.026
Mr. Cheung Ka Shing	Beneficial owner	379,000	0.012
Mr. Cheung Kwong Kwan	Beneficial owner	5,000,000	0.160
Ms. Ho Kin Fan	Beneficial owner	200,000	0.006
Dr. Chong Kin Ki	Interest of spouse	50,000	0.002

(d) Share options of the KLHL (“KLHL Share Options”)

Name of Director	Capacity	Interest in underlying KLHL Shares pursuant to the KLHL Share Options	Approximate percentage of the issued share capital of KLHL as at the end of the Reporting Period (%)
Mr. Ho Yin Sang	Interest of spouse	5,900,000	0.189

(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**

Name of Director	Capacity	Number of non-voting deferred shares held (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.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its

SHARE OPTIONS

Particulars of the share option schemes of the Company and KLHL (including their vesting and exercise period) are set out in Note 13 to the consolidated financial statements.

The following table discloses movements in the Share Options under the share option scheme of the Company during the Period:

	Date of grant	Balance at 1 January 2023	Grant during the period	Exercised during the period	Balance at 30 June 2023	Exercise price per share	Exercisable period
Directors							
Mr. Cheung Kwok Wing	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Chang Wing Yiu	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Cheung Kwong Kwan	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Ho Yin Sang	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Cheung Ka Shing	23 June 2022	2,000,000	–	–	2,000,000	HK\$30.89	23 June 2022 to 22 June 2032
	14 August 2019	20,000	–	(20,000)	–	HK\$17.304	14 August 2019 to 13 August 2029
Ms. Ho Kin Fan	23 June 2022	1,720,000	–	–	1,720,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Chen Maosheng	23 June 2022	330,000	–	–	330,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Cheung Ming Man	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032
Dr. Chong Kin Ki	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Chan Wing Kee	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032
Mr. Stanley Chung Wai Cheong	23 June 2022	150,000	–	–	150,000	HK\$30.89	23 June 2022 to 22 June 2032

The following table discloses movements in the KLHL Share Options during the Period:

Directors of KLHL	Date of grant	Outstanding as at 1 January 2023	Grant during the period	Exercise price per share	Outstanding as at 30 June 2023	Exercisable period
Mr. Cheung Kwok Wa	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032
Mr. Cheung Kwok Keung	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032
Mr. Cheung Kwok Ping	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032
Mr. Lam Ka Po	23 June 2022	6,000,000	–	HK\$9.728	6,000,000	23 June 2022 to 22 June 2032
Mr. Cheung Ka Ho	23 June 2022	2,000,000	–	HK\$9.728	2,000,000	23 June 2022 to 22 June 2032
Mr. Zhou Pei Feng	23 June 2022	1,000,000	–	HK\$9.728	1,000,000	23 June 2022 to 22 June 2032
Mr. Ip Shu Kwan, Stephen	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032
Mr. Zhang Lu Fu	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032
Mr. Kung, Peter	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032
Mr. Ho Kwok Ming	23 June 2022	500,000	–	HK\$9.728	500,000	23 June 2022 to 22 June 2032
Subtotal		<u>29,000,000</u>	<u>–</u>		<u>29,000,000</u>	
Grant to employees of KLHL	23 June 2022	7,900,000	–	HK\$9.728	7,900,000	23 June 2022 to 22 June 2032
Total		<u>36,900,000</u>	<u>–</u>		<u>36,900,000</u>	
Exercisable at 1 January 2023		36,900,000				
30 June 2023		<u>36,900,000</u>				

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at 30 June 2023, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Hallgain Management Limited ("Hallgain") (<i>Note</i>)	Beneficial owner	458,097,700 (L)	41.33 (L)
FMR LLC	Investment manager	110,514,012 (L)	9.97 (L)
FIDELITY PURITAN TRUST	Investment manager	77,538,276 (L)	6.99 (L)

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

Note:

As at 30 June 2023: (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 2023 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2023, the Company repurchased 500,000 Shares on the Stock Exchange for an aggregate consideration of HK\$11,926,075 before expenses pursuant to the share buy-back mandate approved by our shareholders at the annual general meeting held on May 23, 2022. All of the repurchased Shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Date of repurchase	Purchase consideration per share		No. of shares repurchased	Aggregate consideration HK\$
	Highest price paid HK\$	Lowest price paid HK\$		
April 20, 2023	24.35	24.05	50,000	1,210,775
April 21, 2023	24.45	24.45	50,000	1,222,500
April 24, 2023	24.60	24.35	50,000	1,221,975
April 25, 2023	24.10	23.90	50,000	1,201,900
April 26, 2023	23.20	22.95	50,000	1,151,800
April 27, 2023	23.45	23.15	50,000	1,167,000
April 28, 2023	24.05	23.75	50,000	1,192,600
May 2, 2023	23.65	23.50	50,000	1,181,250
May 3, 2023	23.70	23.40	50,000	1,179,325
May 4, 2023	24.15	23.80	50,000	1,196,950
Total			<u>500,000</u>	<u>11,926,075</u>

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2023.

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 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report 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 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, each Director has confirmed that he or she has complied with the required standard set out in the Model Code and the code of conduct regarding Director’s securities transactions adopted by the Company throughout the six months ended 30 June 2023.

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

Hong Kong, 28 August 2023

Board of Directors:

Executive Directors

Mr. Cheung Kwok Wing (*Chairman*)
Mr. Chang Wing Yiu (*Managing Director*)
Mr. Cheung Kwong Kwan
Mr. Ho Yin Sang
Mr. Cheung Ka Shing
Ms. Ho Kin Fan
Mr. Chen Maosheng

Independent Non-Executive Directors

Mr. Cheung Ming Man
Dr. Chong Kin Ki
Mr. Chan Wing Kee
Mr. Stanley Chung Wai Cheong