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KB

KINGBOARD HOLDINGS LIMI ED
建滔集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(S C : 148)

IN ERIM RES L S ANNO NCEMEN

FINANCIAL HIGHLIGH S

	S 30 J 2018	2017	C
	HK$'million	*HK$'million*	
R	22,018.6	18,665.6	+18%
EBI DA*	5,141.4	4,545.8	+13%
N C			
– Underlying net profit*	2,597.8	2,183.3	+19%
– Reported net profit	4,169.0	2,180.2	+91%
B			
– Based on underlying net profit*	HK$2.436	HK$2.103	+16%
– Based on reported net profit	HK$3.909	HK$2.100	+86%
I	HK$0.60	HK$0.60	–
S	HK$0.50	–	N/A
N	HK$45.1	HK$39.3	+15%
N	35%	20%	

* *Excluding:*

(1) Share-based payments of HK$3.1 million from 1 January 2017 to 30 June 2017 (1 January 2018 to 30 June 2018: Nil).

(2) Gain on disposal of a subsidiary of HK$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).

(3) Written off of properties, plant and equipment of HK$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).

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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2018	2017
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	22,018,609	18,665,562
Cost of sales and services rendered		(17,297,696)	(14,187,713)
Gross profit		4,720,913	4,477,849
Other income, gains and losses	*5*	268,933	200,999
Distribution costs		(563,056)	(519,576)
Administrative expenses		(945,347)	(840,869)
Loss on equity instruments at fair value through profit or loss		(116,389)	–
Gain on disposal of equity instruments at fair value through profit or loss		75,110	–
Gain on disposal of available-for-sale investments		–	246,220
Gain on disposal of a subsidiary	*13*	2,089,808	–
Share-based payments		–	(3,136)
Finance costs	*6*	(202,651)	(157,693)
Share of result of a joint venture		35,717	–
Share of results of associates		113,538	42,201
Profit before taxation		5,476,576	3,445,995
Income tax expense	*7*	(739,867)	(611,605)
Profit for the period		4,736,709	2,834,390
Profit for the period attributable to:			
Owners of the Company		4,169,007	2,180,202
Non-controlling interests		567,702	654,188
		4,736,709	2,834,390
		HK$	*HK$*
		(Unaudited)	(Unaudited)
Earnings per share	*9*		
Basic		3.909	2.100
Diluted		3.870	2.083

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June 2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	4,736,709	2,834,390
Other comprehensive(expenses) income for the period:		
Item that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(671,719)	892,731
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	–	558,098
Fair value loss on debt instruments measured at fair value through other comprehensive income	(335,661)	–
Translation reserve:		
Exchange differences arising from translation of foreign operations	1,186	(4,466)
Other comprehensive (expenses) income for the period (net of tax)	(1,006,194)	1,446,363
Total comprehensive income for the period	3,730,515	4,280,753
Total comprehensive income for the period attributable to:		
Owners of the Company	3,183,959	3,465,076
Non-controlling interests	546,556	815,677
	3,730,515	4,280,753

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Investment properties		17,166,271	17,151,915
Properties, plant and equipment	*10*	15,030,794	14,529,533
Prepaid lease payments		1,536,511	931,029
Goodwill		2,499,291	2,288,149
Interest in an associate		478,953	504,090
Interest in a joint venture		2,240,920	–
Available-for-sale investments		–	5,746,584
Equity instruments at fair value through profit or loss		3,072,925	–
Equity instruments at fair value through other comprehensive income		164,124	–
Debt instruments at fair value through other comprehensive income		5,195,445	–
Entrusted loans	*11*	695,991	788,860
Other non-current assets		685,318	691,213
Deposits paid for acquisition of properties, plant and equipment and investment properties		267,504	485,451
Deferred tax assets		4,425	3,768
		49,038,472	43,120,592
Current assets			
Inventories		2,660,626	2,115,557
Properties held for development		21,788,748	15,637,824
Trade and other receivables and prepayments	*11*	9,144,897	11,763,029
Bills receivables	*11*	4,823,925	5,036,119
Available-for-sale investments		–	778,986
Debt instruments at fair value through other comprehensive income		850,422	–
Prepaid lease payments		32,321	24,363
Taxation recoverable		8,505	7,964
Bank balances and cash		7,048,965	8,113,756
		46,358,409	43,477,598
Assets classified as held for sale		–	1,696,193
		46,358,409	45,173,791
Current liabilities			
Trade and other payables	*12*	8,298,795	9,569,089
Bills payables	*12*	416,394	691,834
Deposit received from pre-sale of residential units		–	3,551,562
Contract liabilities		3,218,753	–
Taxation payable		981,418	886,418
Bank borrowings – amount due within one year		6,197,817	5,290,745
		19,113,177	19,989,648
Net current assets		27,245,232	25,184,143
Total assets less current liabilities		76,283,704	68,304,735

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	746,909	783,418
Bank borrowings – amount due after one year	20,021,567	13,797,597
	20,768,476	14,581,015
	55,515,228	53,723,720
Capital and reserves		
Share capital	106,645	106,645
Reserves	48,026,199	45,932,874
Equity attributable to owners of the Company	48,132,844	46,039,519
Non-controlling interests	7,382,384	7,684,201
Total equity	55,515,228	53,723,720

Notes:

1. **B**

3. Segment information (continued)

Under HKFRS 8, segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. The CODM assesses segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (share of results of associates, share of result of a joint venture, gain on disposal of available-for-sale investments, gain on disposal of equity instruments at fair value through profit or loss, loss on equity instruments at fair value through profit or loss, written off of properties, plant and equipment, gain on disposal of a subsidiary, finance costs, share-based payments and unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	Laminates	**PCB**	**Chemical**	**Property**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2018							
Segment revenue							
External sales	7,914,490	4,456,752	8,324,933	1,087,758	234,676	–	22,018,609
Inter-segment sales	1,147,818	–	411,609	–	1,073	(1,560,500)	–
Total	9,062,308	4,456,752	8,736,542	1,087,758	235,749	(1,560,500)	22,018,609
Result							
Segment result	1,913,176	280,472	1,114,269	652,977	(18,801)		3,942,093
Gain on disposal of equity instruments at fair value through profit or loss							75,110
Gain on disposal of a subsidiary							2,089,808
Loss on equity instruments at fair value through profit or loss							(116,389)
Written off of properties, plant and equipment							(518,608)
Unallocated corporate income							249,661
Unallocated corporate expenses							(191,703)
Finance costs							(202,651)
Share of result of a joint venture							35,717
Share of result of an associate							113,538
Profit before taxation							5,476,576

6. F

	S 30 J 2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	228,554	176,531
Less: Amount capitalised in the cost of qualifying assets	(25,903)	(18,838)
	202,651	157,693

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK$18,633,000 (1 January 2017 to 30 June 2017: HK$14,074,000) arose from a bank borrowing specific for the property development project and bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.5% (1 January 2017 to 30 June 2017: 2.3%) per annum to expenditure on qualifying assets.

7. I

	S 30 J 2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	3,680	2,665
Taxation arising in other jurisdictions	734,737	606,561
	738,417	609,226
Deferred taxation		
Charge for the period	1,450	2,379
	739,867	611,605

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

8. I

The directors of the Company (the "Director") have resolved to declare an interim dividend and a special interim dividend for the six months ended 30 June 2018 of HK$0.60 per share (1 January 2017 to 30 June 2017: HK$0.60 per share) and HK$0.50 per share (1 January 2017 to 30 June 2017: Nil) respectively to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 31 October 2018. The dividend warrants will be dispatched on or around Friday, 7 December 2018.

9. E

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

	S 6 30 J	
	2018	**2017**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	4,169,007	2,180,202

	N 6.	
	30 J 2018	**30 J 2017**
	(Unaudited)	(Unaudited)

11. [illegible]

Note: The entrusted loans of HK$742,965,000 (31 December 2017: HK$845,616,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2017: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans are interest bearing ranging from 3.92% to 5.39% (31 December 2017: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2017: 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.

The Group allows credit period of up to 120 days (31 December 2017: 120 days), depending on the products sold, to its trade customers. The following is an aging analysis of trade receivables net of allowance for doubtful debts based on invoice date at the end of the reporting period:

	30 J[illegible] 2018 *HK$'000* (Unaudited)	**31 D[illegible] 2017** *HK$'000* (Audited)
0–90 days	5,378,828	4,873,171
91–120 days	918,287	786,520
121–150 days	448,081	399,032
151–180 days	143,597	123,979
Over 180 days	100,160	93,941
	6,988,953	6,276,643

Bills receivables of the Group are aged within 90 days (31 December 2017: 90 days) at the end of the reporting period.

12. [illegible]

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

	30 J[illegible] 2018 *HK$'000* (Unaudited)	**31 D[illegible] 2017** *HK$'000* (Audited)
0–90 days	2,263,683	2,073,037
91–180 days	466,018	432,894
Over 180 days	51,660	192,514
	2,781,361	2,698,445

All bills payables of the Group are aged within 90 days (31 December 2017: 90 days) at the end of the reporting period.

13. G[illegible]

On 10 January 2018, the Group disposed its interest in a subsidiary, Win Real Group Limited, to an independent third party for a cash consideration of HK$3,786,000,000 with a gain of HK$2,089,808,000. The subsidiary has an indirect equity interest of 49% in an associate established in the PRC.

B SINESS RE IE

On behalf of the Board, I am delighted to report that Kingboard Holdings Limited and its subsidiaries (the "Group") delivered outstanding results during the six months ended 30 June 2018 (the "Period"). During the Period, the ongoing Sino-US trade clashes have slightly derailed the uptrend of the electronics sector, leading to challenges in the operating environment. Nevertheless, the laminates and printed circuit board ("PCB") divisions continued their respective paces of growth by leveraging their comprehensive business coverage from upstream to downstream. Robust growth momentum was maintained for these two segments. The chemicals division benefited from China's supply-side reform to eradicate ineffective capacity, as well as state efforts to raise domestic demand. Prices of the Group's major chemical products, including coke, caustic soda, acetic acid, methanol and phenol acetone, showed substantial price increases. As a result, the chemical segment recorded a significant profit growth. With the rental contribution from the newly acquired commercial properties in London and Shanghai, the property division achieved steady growth in rental income. On the back of the Group's diversified business portfolio development, the Group has boosted profitability steadily, resulting in strong growth momentum against volatility of market condition.

Group revenue grew 18% year on year to HK$22,018.6 million, while the underlying net profit expanded by 19% to HK$2,597.8 million. Taking into account a pre-tax gain of HK$2,089.8 million from the disposal of a subsidiary, reported net profit surged 91% to HK$4,169.0 million. The Board has resolved an interim dividend of HK$0.60 per share which, together with a special interim dividend of HK$0.50 per share, representing a total dividend of HK$1.10 per share.

FINANCIAL HIGHLIGH S

	S 30 J		
	2018	2017	C
	HK$'million	*HK$'million*	
R	22,018.6	18,665.6	+18%
EBI DA*	5,141.4	4,545.8	+13%
N			
C			
– Underlying net profit*	2,597.8	2,183.3	+19%
– Reported net profit	4,169.0	2,180.2	+91%
B			
– Based on underlying net profit*	HK$2.436	HK$2.103	+16%
– Based on reported net profit	HK$3.909	HK$2.100	+86%
I	HK$0.60	HK$0.60	–
S	HK$0.50	–	N/A
N	HK$45.1	HK$39.3	+15%
N	35%	20%	

* *Excluding:*

(1) *Share-based payments of HK$3.1 million from 1 January 2017 to 30 June 2017 (1 January 2018 to 30 June 2018: Nil).*

(2) *Gain on disposal of a subsidiary of HK$2,089.8 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).*

(3) *Written off of properties, plant and equipment of HK$518.6 million from 1 January 2018 to 30 June 2018 (1 January 2017 to 30 June 2017: Nil).*

PERFORMANCE

The Group continued to be the world's top laminates producer for the thirteenth consecutive year. During the Period, capacity expansion of glass yarn, glass fabric and glass epoxy laminates ("FR4"), coupled with price increases of these products, drove the laminates division's turnover (including inter-segment sales) up by 21% to HK$9,062.3 million. However, the price increases were not able to fully offset cost inflation. EBITDA therefore declined by 7% to HK$2,234.9 million.

The PCB division's business was driven by consumption upgrade in China, with strong sales continuing to be recorded in the automobile and consumer electronics sectors. The division's product portfolio moved further upmarket towards a higher layers and higher value-added offering. Additionally, with the completion of the acquisition of Kin Yip Technology Electronics Co., Ltd., a high-end PCB plant in Huizhou, Guangdong Province, the acquired capacity has been fully incorporated into the Group. Segment turnover grew 16% to HK$4,456.8 million, with EBITDA expanding 3% to HK$546.8 million.

As China has tightened up its safety and environmental protection policies, the chemical industry has had to adopt more stringent production standards. This has led to the phasing out of inefficient capacity, and thus an improvement in the supply/demand conditions of the sector's competitive environment. The market has demonstrated a strong demand for the Group's chemical products. All major products, in particular, caustic soda, acetic acid and phenol acetone, recorded substantial period-over-period price increases. Segment turnover (including inter-segment sales) went up by 34% to HK$8,736.5 million, with EBITDA surging 125% to HK$1,520.6 million.

The pace of property sales slowed under the impact of restrictive state policies during the Period. Turnover from property sales therefore decreased to HK$572.0 million, resulting in a 45% drop in segment turnover to HK$1,087.8 million, despite a growth in rental income to HK$515.8 million. EBITDA declined 3% to HK$655.6 million.

LIQ IDI AND CAPI AL RESO RCES

The Group's financial and liquidity position remained robust. As at 30 June 2018, Group net current assets and current ratio were approximately HK$27,245.2 million (31 December 2017: HK$25,184.1 million) and 2.43 (31 December 2017: 2.26) respectively.

The net working capital cycle increased from 41 days as at 31 December 2017 to 52 days as at 30 June 2018 on the following key metrics:

– Inventories, in terms of stock turnover days, were 28 days (31 December 2017: 23 days).

– Trade receivables, in terms of debtor turnover days, were 57 days (31 December 2017: 53 days).

– Trade and bills payables (excluding bills payables to properties, plant and equipment), in terms of creditor turnover days, were 33 days (31 December 2017: 35 days).

Despite some impacts from the macroeconomic control policies on residential property sales, the property division has adopted a more effective marketing strategy to expedite sales and cash inflows. As the occupancy of commercial properties in Shanghai steadily increases and with the expiry of rent-free periods, it is expected that the division's rental income will grow at a stable pace.

APPRECIA ION

On behalf of the Board of Directors, I wish to express my sincere gratitude to our shareholders, customers, banks, and the management and employees for their unreserved support for the Group during the Period.

CLOS RE OF REGIS ER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 October 2018 to Wednesday, 31 October 2018 (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 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 29 October 2018.

P RCHASE, SALE OR REDEMP ION OF COMPAN 'S LIS ED SEC RI IES

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

A DI COMMI EE

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 2018.

COMPLIANCE I H HE CORPORA E GO ERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable 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 2018, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to Code A.4.1 of the CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meetings, in accordance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

COMPLIANCE I H HE 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"). Following a specific enquiry, each Director has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding director's securities transactions adopted by the Company throughout the six months ended 30 June 2018.

By Order of the Board
K H L
C K
Chairman

Hong Kong, 24 August 2018

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Cheung Ka Shing, and Chen Maosheng, being the executive Directors and Messrs. Cheung Ming Man, Chong Kin Ki, Leung Tai Chiu and Chan Wing Kee being the independent non-executive Directors.