

KB 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1888

INTERIM REPORT
2020



LEADING
THE FUTURE

INTERIM RESULTS

The board of directors (the “Board”) of Kingboard Laminates Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	6,807,615	7,631,220
Cost of sales		<u>(5,176,509)</u>	<u>(5,782,403)</u>
Gross profit		1,631,106	1,848,817
Other income, gains and losses	5	10,827	7,854
Distribution costs		(170,797)	(168,811)
Administrative costs		(332,457)	(309,003)
(Loss) Gain on fair value changes of equity instruments at fair value through profit or loss		(129,155)	22,410
Gain on disposal of debt instruments at fair value through other comprehensive income		71,711	2,699
Finance costs	6	<u>(39,486)</u>	<u>(69,289)</u>
Profit before taxation		1,041,749	1,334,677
Income tax expense	8	<u>(307,649)</u>	<u>(248,202)</u>
Profit for the period		<u>734,100</u>	<u>1,086,475</u>
Profit for the period attributable to:			
Owners of the Company		732,814	1,082,085
Non-controlling interests		<u>1,286</u>	<u>4,390</u>
		<u>734,100</u>	<u>1,086,475</u>
Earnings per share – Basic and diluted	10	<u>HK0.238</u>	<u>HK\$0.351</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period	<u>734,100</u>	<u>1,086,475</u>
Other comprehensive (expense) 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>(112,239)</u>	<u>(242)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value (loss) gain on debt instruments at fair value through other comprehensive income	<u>(39,095)</u>	510,354
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	<u>(71,711)</u>	<u>(2,699)</u>
	<u>(110,806)</u>	<u>507,655</u>
Other comprehensive (expense) income for the period (net of tax)	<u>(223,045)</u>	<u>507,413</u>
Total comprehensive income for the period	<u><u>511,055</u></u>	<u><u>1,593,888</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>510,893</u>	1,588,775
Non-controlling interests	<u>162</u>	<u>5,113</u>
	<u><u>511,055</u></u>	<u><u>1,593,888</u></u>

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets			
Investment properties		1,397,968	1,402,295
Properties, plant and equipment	11	4,885,826	4,779,863
Right-of-use assets		507,082	573,011
Equity instruments at fair value through profit or loss		96,270	376,092
Equity instruments at fair value through other comprehensive income		6,918	6,918
Debt instruments at fair value through other comprehensive income		554,545	3,559,196
Deposits paid for acquisition of properties, plant and equipment		322,405	398,195
Deferred tax assets		3,884	3,076
Goodwill		238	238
		7,775,136	11,098,884
Current assets			
Inventories		2,056,897	1,818,691
Trade and other receivables and prepayments	12	3,691,543	4,236,656
Bills receivables	12	2,581,332	2,844,205
Properties held for development		1,736,698	1,666,994
Equity instruments at fair value through profit or loss		194,895	5,442
Debt instruments at fair value through other comprehensive income		770,949	791,630
Amounts due from fellow subsidiaries		402,285	424,684
Taxation recoverable		7,836	7,868
Bank balances and cash		3,307,938	2,908,117
		14,750,373	14,704,287

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Current liabilities			
Trade and other payables	13	2,513,625	2,920,282
Bills payables	13	228,988	272,604
Contract liabilities		222,463	189,050
Lease liabilities		278	549
Amounts due to fellow subsidiaries		37,110	47,203
Taxation payable		575,937	597,150
Bank borrowings – amount due within one year		1,074,789	1,291,418
		<u>4,653,190</u>	<u>5,318,256</u>
Net current assets		<u>10,097,183</u>	<u>9,386,031</u>
Total assets less current liabilities		<u>17,872,319</u>	<u>20,484,915</u>
Non-current liabilities			
Lease liabilities		882	901
Deferred tax liabilities		76,855	81,089
Bank borrowings – amount due after one year		692,308	1,653,846
		<u>770,045</u>	<u>1,735,836</u>
		<u>17,102,274</u>	<u>18,749,079</u>
Capital and reserves			
Share capital		308,100	308,100
Reserves		16,747,515	18,393,322
Equity attributable to owners of the Company		17,055,615	18,701,422
Non-controlling interests		46,659	47,657
Total equity		<u>17,102,274</u>	<u>18,749,079</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of Company												
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based payments reserve HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000 (note a)	Goodwill reserve HK\$'000 (note b)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	308,100	1,711,849	(100,953)	7,268	137,180	96,609.00	757,689	708,053	251,384	14,824,243	18,701,422	47,657	18,749,079
Profit for the period	-	-	-	-	-	-	-	-	-	732,814	732,814	1,286	734,100
Exchange differences arising from translation of presentation currency	-	-	(111,115)	-	-	-	-	-	-	-	(111,115)	(1,124)	(112,239)
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	-	(39,095)	-	-	-	-	-	(39,095)	-	(39,095)
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	-	-	-	-	(71,711)	-	-	-	-	-	(71,711)	-	(71,711)
Total comprehensive (expense) income for the period	-	-	(111,115)	-	(110,806)	-	-	-	-	732,814	510,893	162	511,055
Final dividend paid for the year ended 31 December 2019	-	-	-	-	-	-	-	-	-	(2,156,700)	(2,156,700)	-	(2,156,700)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,160)	(1,160)
Transfer to reserve	-	-	-	-	-	-	-	117,535	-	(117,535)	-	-	-
	-	-	-	-	-	-	-	117,535	-	(2,274,235)	(2,156,700)	(1,160)	(2,157,860)
Balance at 30 June 2020	<u>308,100</u>	<u>1,711,849</u>	<u>(212,068)</u>	<u>7,268</u>	<u>26,374</u>	<u>96,609</u>	<u>757,689</u>	<u>825,588</u>	<u>251,384</u>	<u>13,282,822</u>	<u>17,065,615</u>	<u>46,659</u>	<u>17,102,274</u>

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Special reserve	Statutory reserve	Goodwill reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	308,100	1,711,849	239,369	7,268	(292,627)	757,689	473,921	251,425	14,042,578	17,499,572	343,430	17,843,002
Profit for the period	-	-	-	-	-	-	-	-	1,082,085	1,082,085	4,390	1,086,475
Exchange differences arising from translation to presentation currency	-	-	(965)	-	-	-	-	-	-	(965)	723	(242)
Fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	-	510,354	-	-	-	-	510,354	-	510,354
Reclassify to profit or loss upon disposal of debt instruments at fair value through other comprehensive income	-	-	-	-	(2,699)	-	-	-	-	(2,699)	-	(2,699)
Total comprehensive (expense) income for the period	-	-	(965)	-	507,655	-	-	-	1,082,085	1,588,775	5,113	1,593,888
Acquisition of additional interests in a subsidiary (note c)	-	-	-	-	-	-	-	34,094	-	34,094	(293,917)	(259,823)
Final dividend paid for the year ended 31 December 2018	-	-	-	-	-	-	-	-	(1,078,350)	(1,078,350)	-	(1,078,350)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,878)	(1,878)
Transfer to reserve	-	-	-	-	-	-	100,119	-	(100,119)	-	-	-
	-	-	-	-	-	-	100,119	34,094	(1,178,469)	(1,044,256)	(295,795)	(1,340,051)
Balance at 30 June 2019	308,100	1,711,849	238,404	7,268	215,028	757,689	574,040	285,519	13,946,194	18,044,091	52,748	18,096,839

Notes:

- (a) Statutory reserve comprises statutory fund, which is non-distributable, and represents capitalisation of retained profits of certain subsidiaries established in the People's Republic of China (the "PRC") for capital re-investment in these subsidiaries and funds shall be used to (i) make up prior year losses or (ii) expand production operations.
- (b) Goodwill reserve represents the effect of changes in ownership in certain subsidiaries when there is no change in control.
- (c) During the six months ended 30 June 2019, the Group acquired additional interests in a non-wholly owned subsidiary from non-controlling shareholders. As a result of the acquisition, the difference of HK\$34,094,000 between the consideration paid of HK\$259,823,000 and the value of non-controlling interests acquired of HK\$293,917,000 was directly recognised as equity in the goodwill reserve.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from operating activities	1,166,772	1,152,213
Net cash from (used in) investing activities	2,608,562	(490,016)
Net cash used in financing activities	(3,375,513)	(1,778,335)
Net increase (decrease) in cash and cash equivalents	399,821	(1,116,138)
Cash and cash equivalents at the beginning of the period	2,908,117	3,803,125
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>3,307,938</u>	<u>2,686,987</u>

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

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

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

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

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

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. Revenue

Analysis of revenue for the period is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue recognised at a point in time		
Sales of glass epoxy laminates	4,312,253	4,317,259
Sales of paper laminates	888,337	981,863
Sales of upstream materials (note a)	935,539	947,627
Sales of properties	84,383	341,270
Others (note b)	466,169	633,941
Revenue recognised overtime (note c)	16,660	71,357
	<hr/>	<hr/>
Revenue from contracts with customers	6,703,341	7,293,317
Interest income from debt instruments	70,917	235,159
Dividend income	742	9,563
Rental and license fee income	32,615	93,181
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	6,807,615	7,631,220
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Notes:

- (a) Sales of upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. The payment terms are ranged from 0 days to 120 days.
- (b) Others mainly includes sales of specialty resin of HK\$254,107,000 (six months ended 30 June 2019: HK\$390,582,000).
- (c) Revenue recognised overtime mainly represents income from drilling services of Nil (six months ended 30 June 2019: HK\$39,874,000) and income from hotel accommodation of HK\$16,660,000 (six months ended 30 June 2019: HK\$31,483,000).

4. Segment information

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, who are Chief Operating Decision Maker (“CODM”) in order to allocate resources to segments and to assess their performance. Specifically, the Group’s reportable segments under HKFRS 8 are organised into three main operating divisions – (i) manufacturing and sale of laminates; (ii) properties; and (iii) investments. The management aggregated the sales of properties, rental and hotel income business into one reportable segment because the financial performance of these businesses are affected by changes in the property market.

The accounting policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS consolidated financial statements. Segment profit or loss represents the profit earned by each segment with certain items not included (unallocated corporate income and expenses and finance costs). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenue and results

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

Six months ended 30 June 2020	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>6,602,298</u>	<u>133,658</u>	<u>71,659</u>	<u>6,807,615</u>
Segment results	<u>1,064,225</u>	<u>57,506</u>	<u>(10,332)</u>	1,111,399
Unallocated corporate income				12,542
Unallocated corporate expenses				(42,706)
Finance costs				<u>(39,486)</u>
Profit before taxation				<u>1,041,749</u>
Six months ended 30 June 2019	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Investments HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>6,980,563</u>	<u>405,935</u>	<u>244,722</u>	<u>7,631,220</u>
Segment results	<u>981,061</u>	<u>186,849</u>	<u>244,179</u>	1,412,089
Unallocated corporate income				18,685
Unallocated corporate expenses				(26,808)
Finance costs				<u>(69,289)</u>
Profit before taxation				<u>1,334,677</u>

For the six months ended 30 June 2020, revenue from one of the Group's customers amounted to HK\$1,070,153,000 (six months ended 30 June 2019: HK\$1,025,573,000), which individually accounted for more than 10% of the Group's revenue for the period.

5. Other income, gains and losses

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other income, gains and losses include:		
Interest income on bank balances and deposits	12,356	18,944
Gain (Loss) on disposal and write off of properties, plant and equipment	181	(8,527)
Others	(1,710)	(2,563)
	<u>10,827</u>	<u>7,854</u>

6. Finance costs

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank borrowings	45,515	76,019
Interest on lease liabilities	30	30
Imputed interest on contract liabilities	317	2,137
Less: Amounts capitalised in the construction in progress	(6,059)	(6,760)
Less: Amounts capitalised in the properties held for development	(317)	(2,137)
	<u>39,486</u>	<u>69,289</u>

Bank and other borrowing costs capitalised during the period includes imputed interest on contract liabilities of HK\$317,000 (six months ended 30 June 2019: HK\$2,137,000) as well as, bank borrowing costs arising from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.2% (six months ended 30 June 2019: 2.7%) per annum to expenditure on qualifying assets.

7. Depreciation

During the period, depreciation of approximately HK\$272.2 million (six months ended 30 June 2019: HK\$273.7 million) was charged in respect of the Group's properties, plant and equipment.

8. Income tax expense

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
PRC Enterprise Income Tax	304,523	204,380
PRC Land Appreciation Tax ("LAT")	2,041	38,767
Hong Kong Profits Tax	4,832	7,528
Taxation arising in other jurisdiction	1,295	1,070
	312,691	251,745
Deferred taxation		
Credit for the period	(5,042)	(3,543)
	307,649	248,202

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.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

9. Dividends

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2020 of HK\$0.10 per share (2019: interim dividend of HK\$0.10 per share) and a special interim dividend of HK\$1.90 per share (2019: nil) to the shareholders whose names appear on the register of members of the Company on Friday, 4 December 2020. The dividend warrants will be dispatched on or around Friday, 8 January 2021.

10. Earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	<u>732,814</u>	<u>1,082,085</u>
	Number of shares	
	30 June 2020 '000	30 June 2019 '000
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,081,000</u>	<u>3,081,000</u>

For the six months ended 30 June 2020, the computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise price of these share options was higher than the average market price. No diluted earnings per share for the six months ended 30 June 2019 was presented as there were no potential ordinary shares in issue for the period.

11. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$494.3 million (six months ended 30 June 2019: HK\$312.2 million) on acquisition of properties, plant and equipment.

12. Trade and other receivables and prepayments and bills receivables

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	3,600,767	4,222,258
Less: Allowance for credit losses	(601,396)	(603,257)
	<hr/>	<hr/>
Trade receivables, net	2,999,371	3,619,001
Advance to suppliers	223,173	203,997
Prepaid expenses and deposits	129,138	112,547
Value-added tax ("VAT") recoverable	220,896	208,155
Other receivables	118,965	92,956
	<hr/>	<hr/>
Bills receivables	3,691,543	4,236,656
	2,581,332	2,844,205
	<hr/>	<hr/>
	6,272,875	7,080,861
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The Group allows credit periods of up to 120 days (31 December 2019: 120 days), depending on the products sold to its trade customers.

The following is an aged analysis of trade receivables net of allowance for credit losses based on invoice date at the end of the reporting period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0–90 days	2,147,038	2,664,212
91–180 days	806,177	912,064
Over 180 days	46,156	42,725
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	2,999,371	3,619,001
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Bills receivables of the Group are aged within 90 days (31 December 2019: 90 days) at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

13. Trade and other payables and bills payables

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables	928,068	1,231,111
Accrued expenses	472,139	510,884
Payables for acquisition of properties, plant and equipment	170,995	142,351
Other tax payables	522,723	528,770
VAT payables	125,427	174,312
LAT payables	179,390	182,863
Other payables	114,883	149,991
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	2,513,625	2,920,282
Bills payables	228,988	272,604
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	2,742,613	3,192,886

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0–90 days	844,335	1,172,366
91–180 days	46,391	20,682
Over 180 days	37,342	38,063
	<hr/>	<hr/>
	928,068	1,231,111

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

14. Share options

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

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

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

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

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme (excluding, for this purpose, options lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme by the shareholders of the Company and the shareholders of KHL (i.e. 308,100,000 shares of the Company, representing 10.0% of the total issued share capital of the Company as at the date of this report).

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

The total number of shares of the Company issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the share capital of the Company then in issue unless approved by the shareholders of the Company and KHL in general meetings.

A summary of movements of the number of options for the Period is as follows:

Date of grant	Balance at 1 January 2020	Exercise price per share	Balance at 30 June 2020	Exercisable period
<i>Grant to directors</i>				
3 April 2019				
Mr. Cheung Kwok Wa	6,000,000	HK\$8.39	6,000,000	3 April 2019 to 2 April 2029
Mr. Cheung Kwok Keung	6,000,000	HK\$8.39	6,000,000	3 April 2019 to 2 April 2029
Mr. Cheung Kwok Ping	5,000,000	HK\$8.39	5,000,000	3 April 2019 to 2 April 2029
Mr. Lam Ka Po	5,000,000	HK\$8.39	5,000,000	3 April 2019 to 2 April 2029
Mr. Cheung Ka Ho	2,000,000	HK\$8.39	2,000,000	3 April 2019 to 2 April 2029
Mr. Leung Tai Chiu	550,000	HK\$8.39	550,000	3 April 2019 to 2 April 2029
Mr. Ip Shu Kwan, Stephen	550,000	HK\$8.39	550,000	3 April 2019 to 2 April 2029
Mr. Zhang Lu Fu	550,000	HK\$8.39	550,000	3 April 2019 to 2 April 2029
Mr. Lau Ping Cheung, Kaizer	550,000	HK\$8.39	550,000	3 April 2019 to 2 April 2029
	<u>26,200,000</u>		<u>26,200,000</u>	
<i>Grant to employees</i>				
3 April 2019				
	<u>12,800,000</u>	HK\$8.39	<u>12,800,000</u>	3 April 2019 to 2 April 2029
	<u>39,000,000</u>		<u>39,000,000</u>	
Exercisable at 30 June 2020	<u><u>39,000,000</u></u>			

Note:

During the year ended 31 December 2019, 39,000,000 options were granted by the Company on 3 April 2019 under the share option scheme of the Company, of which 26,200,000 options were granted to directors and 12,800,000 were granted to employees. The closing price of the Company's shares on 2 April 2019 (namely the date immediately before the aforesaid grant date) is HK\$8.49. The estimated fair value of the aforesaid options was HK\$96,609,000, of which HK\$64,901,000 was attributable to the options granted to directors while HK\$31,708,000 was attributable to the options granted to employees. The fair value of each of the abovementioned options was identical, namely HK\$2.48.

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

15. Capital and other commitments

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition of properties, plant and equipment	11,155	14,637
Other expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition and other expenditures relating to properties held for development	291,394	289,826
	302,549	304,463

16. Contingent liabilities

The Group provided guarantees amounting to approximately HK\$42,580,000 as at 30 June 2020 (31 December 2019: HK\$127,150,000) in respect of bank mortgage loans granted to purchasers of the Group's properties. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 2020 and 31 December 2019.

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

17. Related party transactions

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(i) Sales of goods and drilling services provided to fellow subsidiaries	1,070,153	1,025,573
(ii) Purchases of goods from fellow subsidiaries	209,059	305,323
(iii) Sales of laminates and copper to a shareholder with significant influence over the ultimate holding company	120,830	281,234
(iv) Purchases of drill bits and machineries from a shareholder with significant influence over the ultimate holding company	142,208	123,759

BUSINESS REVIEW

On behalf of the board (“Board”) of directors (“Directors”) of Kingboard Laminates Holdings Limited, I am delighted to report a healthy development for the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Period”). According to the latest research report of Prismark Partners LLC, the Group is ranked as the world’s top laminates producer for the fifteenth consecutive year, with a global market share of 16% in the year of 2019. During the Period, the laminates segment achieved satisfactory results despite a considerable number of unfavourable factors. Owing to the COVID-19 pandemic, the mainland electronics industry entered a temporary period of demand vacuum following a suspension of production activities. Overseas sales channels also contracted on the spread of the disease. However, the Group drove work and production resumption in an orderly manner amid the pandemic, seizing the opportunities of domestic demand growth for computers and 5G-related electronic products, which helped minimise the adverse impacts brought about by the pandemic. As the Group continued to focus on the development of its laminates business, the property segment was engaged primarily in selling the remaining units in hand during the Period, leading to a drop in its segment revenue. During the Period, fair value changes of equity instruments at fair value through profit or loss incurred a loss owing to the fluctuations of the securities market amidst the COVID-19 pandemic and the consequent development and occurrences, and interest income from debt instruments at fair value through other comprehensive income declined owing to sales of some debt instruments during the period. Therefore, the Group’s revenue was down 11% year on year to HK\$6,807.6 million, along with a 32% decrease in profit attributable to the owners of the Company to HK\$732.8 million. On consideration of the Group’s robust financial position, the Board has proposed an interim dividend of HK\$0.10 per share with a special interim dividend of HK\$1.90 per share to give back to the shareholders.

Financial Highlights

	Six months ended 30 June		
	2020 <i>HK\$'million</i>	2019 <i>HK\$'million</i>	Change
Revenue	6,807.6	7,631.2	-11%
EBITDA	1,360.5	1,683.1	-19%
Profit before tax	1,041.7	1,334.7	-22%
Net profit attributable to owners of the Company	732.8	1,082.1	-32%
Earnings per share	HK\$0.238	HK\$0.351	-32%
Interim dividend per share	HK\$0.10	HK\$0.10	–
Special interim dividend per share	HK\$1.90	–	N/A
Net asset value per share	HK\$5.54	HK\$5.86	-5%
	Net Cash 1,540.8	Net gearing 14%	

PERFORMANCE

Laminates division: During the Period, despite a slide in market demand for laminates as a result of the pandemic, the laminates division proactively stepped up coordinated efforts to prevent infection while securing production. As the pandemic was gradually brought under control in Mainland China, the Group reverted to full production, expanded sales coverage and actively adapted to the changes in demand, in a bid to mitigate the losses incurred by the pandemic. The laminates division reported a slight drop of 5% in revenue to HK\$6,602.3 million. Meanwhile, the Group took full advantage of its vertically integrated production model as an effective means to further trim down on costs and enhance profit margin while continuing to safeguard product supply. Hence, EBITDA rose by 9% to HK\$1,349.8 million. Output volume during the Period was comparable to that of last year, with its monthly average amounting to 9.5 million square metres.

Property division: The Group continued to execute a development strategy centred around the laminates business, while the property segment was engaged primarily in selling the remaining units in hand during the Period. Segment revenue slipped by 67% to HK\$133.7 million, whilst EBITDA fell by 67% to HK\$63.6 million.

INVESTMENTS

As at 30 June 2020, the Group held in approximately HK\$1,325 million of debt instruments, representing approximately 5.9% of the total assets of the Group as at 30 June 2020, which consist of mostly bonds issued mainly by companies listed on the Main Board of the Stock Exchange. The Group acquired its debt instruments through on-market purchases. The Group will from time to time monitor the movement of prices and may adjust its investment portfolio as and when appropriate.

There was no securities investment in an investee company with a value of 5 per cent. or more of the Group's total assets as at 30 June 2020. The following table sets out the main investments of debt instruments held by the Group as at the end of the Period:

Investment	Principal business(es) of underlying company	Number of securities held (000)	Percentage of securities held (of the securities of the same class)	Investment cost (HK\$'000)	Fair value as at 30 June 2020 (HK\$'000)	Percentage to the Group's total assets as of 30 June 2020	Gain/(loss) on disposal during the Period (HK\$'000)	Unrealised gain/(loss) during the Period (HK\$'000)	Investment strategy
Bonds with fixed coupon interest 7.125% per annum and maturity date in January 2022 issued on Singapore Exchange Securities Trading Limited ("SGX") issued by Country Garden Holdings Company Limited ("Country Garden")	Residential property development focusing on urbanization, running a centralised and standardised business model that comprises property development, construction, decoration, property investment, as well as hotel development and management	20,500	4.8%	159,431	170,070	0.8%	46,659	10,639	To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income
Bonds with fixed coupon rate of 5.875% per annum and maturity date in February 2023 listed on SGX by Guangzhou R&F Properties Co., Ltd. (Guangzhou R&F)	Development and sale of properties, property investment, hotel operations and other property development related services in the PRC	17,000	2.8%	125,594	115,566	0.5%	(30,519)	(9,829)	To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income
Bonds with fixed coupon rate of 8.875% per annum and maturity date in September 2021 listed on SGX by Guangzhou R&F	Development and sale of properties, property investment, hotel operations and other property development related services in the PRC	18,500	9.3%	149,965	156,125	0.7%	16,563	12,160	To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income
Bonds with fixed coupon rate of 9.88% per annum and maturity date in November 2022 listed on Stock Exchange issued by KWG Group Holdings Limited	Property development in the PRC with a bearing position in Guangzhou	96,000	17.5%	748,800	770,949	3.4%	-	22,149	To enhance diversity of the investment portfolio of the Group while maintaining and generating stable income; long-term investment for interest income

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Group's integrated financial and liquidity position remained robust. As at 30 June 2020, Group net current assets and current ratio were approximately HK\$10,097.2 million (31 December 2019: HK\$9,386.0 million) and 3.17 (31 December 2019: 2.76) respectively.

The net working capital cycle increased from 88 days as at 31 December 2019 to 121 days as at 30 June 2020 on the following key metrics:

- Inventories, in terms of stock turnover days, were 72 days (31 December 2019: 48 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, were 91 days (31 December 2019: 80 days).
- Trade and bills payable (excluding bills payable for properties, plant and equipment), including amounts due to fellow subsidiaries, in terms of creditor turnover days, were 42 days (31 December 2019: 40 days).

As at 30 June 2020, net cash (bank balances and cash net of bank borrowings) was HK\$1,540.8 million (31 December 2019: net gearing ratio (ratio of bank borrowings net of bank balances and cash to total equity) was 0%). The increase in net cash was mainly due to the sale of some debt instruments at fair value through other comprehensive income during the period. The proportion of short-term to long-term bank borrowings stood at 61%: 39% (31 December 2019: 44%: 56%).

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

DEBT MATURITY PROFILE

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	1,074,789	1,268,918
More than one year but not more than two years	692,308	933,077
More than two years but not more than three years	–	740,769
More than three years but not more than five years	–	2,500
	<u>1,767,097</u>	<u>2,945,264</u>
<i>Reclassification due to repayment on demand clause</i>		
Current	1,074,789	1,291,418
Non-current	692,308	1,653,846
	<u>1,767,097</u>	<u>2,945,264</u>

The Group's variable-rate bank borrowings as at 30 June 2020 carry interest ranged from HIBOR + 1.02% (31 December 2019: HIBOR + 1.02% to HIBOR + 1.50%) per annum.

The effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings as at 30 June 2020 ranged from 1.94% to 3.73% (31 December 2019: 2.02% to 4.03%) per annum.

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
HK\$	<u>1,767,097</u>	<u>2,945,264</u>

CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately HK\$42.6 million in aggregate as at 30 June 2020 (31 December 2019: HK\$127.2 million) in respect of bank mortgage loans granted to purchasers of the Group's properties. Please refer to note 16 to the Group's unaudited condensed consolidated financial statements for the Period in this report for further details of such guarantees.

HUMAN RESOURCES

As at 30 June 2020, the Group employed a workforce of approximately 9,500 (31 December 2019: 9,600). In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance.

PROSPECTS

Looking forward to the second half of the year, China will continue to give impetus to its new infrastructure strategy and strengthen the construction and blueprint of its 5G network. In addition, the epidemic situation in some European countries has been brought under control with economic activities restarted. Increase in demand in the electronics industry chain, including the automotive industry, will drive business volume growth for the Group's laminates division. Output volume of laminates during exceeded 12 million square meters both in June and July 2020. Recently, the price of some upstream materials has increased, and the copper foil was in short supply. It is expected that the prices of laminates and copper foil products have room for upward adjustment. The Group, as a leading supplier of base materials for electronic appliances, will stay market-oriented and evolve around customer demands. It will seek to extend its portfolio of laminates products in accordance with market trends. The Group's high-quality development is sturdily based on a vertically integrated supply chain, continuous strengthening of core competencies, and steady revenue growth. During the first half of the year, the Group has increased its monthly copper foil capacities in Lianzhou, Guangdong Province by 300 tonnes. Plans are in the pipeline for a further increase of 900 tonnes per month in the second half. The newly built laminates plant in Shaoguan, Guangdong Province will soon complete trial production before gradually moving towards stable production, which will see an additional 480,000 square metres of glass epoxy laminates manufactured per month.

For the residential project in Kunshan, Jiangsu Province, China, the Group is carrying out sales as planned, and is currently making good progress. At present, the Group has no intention of further land-banking and will concentrate on completing the existing real estate projects.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks, the management and employees for their unreserved support to the Group during the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 December 2020 to Friday, 4 December 2020 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving an interim dividend and a special interim dividend, the Company's shareholders are reminded to ensure all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 2 December 2020.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the interests of the Directors (including the Managing Director of the Company) and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Position

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

Name of Director	Capacity	Number of issued shares held	Approximate percentage of the issued share capital of the Company %
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	7,322,000	0.238
Mr. Cheung Kwok Keung	Beneficial owner	352,000	0.011
Mr. Cheung Kwok Ping	Beneficial owner	1,000,000	0.032
Mr. Lam Ka Po	Beneficial owner	1,303,000	0.042
Mr. Cheung Ka Ho	Beneficial owner	2,000	0.00006
Mr. Zhang Lu Fu	Beneficial owner	10,000	0.0003

Note:

¹ 75,000 Shares were held by his spouse.

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

Name of Director	Capacity	Interest in underlying shares pursuant to Share Options	Approximate percentage of the issued share capital of the Company as at the end of the Reporting Period
			%
Mr. Cheung Kwok Wa	Beneficial owner	6,000,000	0.195
Mr. Cheung Kwok Keung	Beneficial owner	6,000,000	0.195
Mr. Cheung Kwok Ping	Beneficial owner	5,000,000	0.162
Mr. Lam Ka Po	Beneficial owner	5,000,000	0.162
Mr. Cheung Ka Ho	Beneficial owner	2,000,000	0.065
Mr. Leung Tai Chiu	Beneficial owner	550,000	0.018
Mr. Ip Shu Kwan, Stephen	Beneficial owner	550,000	0.018
Mr. Zhang Lu Fu	Beneficial owner	550,000	0.018
Mr. Lau Ping Cheung, Kaizer	Beneficial owner	550,000	0.018

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

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

Note: None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

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

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of KHL %
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	20,700,820	1.876
Mr. Cheung Kwok Keung	Beneficial owner	4,723,422	0.428
Mr. Cheung Kwok Ping ²	Beneficial owner/ Interest of spouse	5,736,383	0.520
Mr. Lam Ka Po	Beneficial owner	2,500,000	0.227
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.035

Notes:

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

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

(e) Ordinary shares (“EEIC Shares”) in the share capital of Elec & Eltek International Company Limited (“EEIC”), a fellow subsidiary of the Company

Name of Director	Capacity	Number of issued EEIC Shares held ^{Note}	Approximate percentage of the issued share capital of EEIC %
Mr. Cheung Kwok Wa	Beneficial owner	706,200	0.378
Mr. Cheung Kwok Ping	Beneficial owner	520,000	0.278
Mr. Lam Ka Po	Beneficial owner	486,600	0.260

Note: With the voluntary conditional cash offer in respect of these shares by GF Securities (Hong Kong) Brokerage Limited on behalf of Elec & Eletek International Holdings Limited accepted.

Other than as disclosed above, none of the Directors (including the Managing Director of the Company) nor their respective associate, had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2020.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors (including the Managing Director of the Company), the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Shares

Name of shareholder	Notes	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company %
Hallgain Management Limited ("Hallgain")	(a) & (b)	Interest of controlled corporations	2,204,546,500(L)	71.55
KHL	(c)	Beneficial owner Interest of controlled corporations	83,686,000(L) 2,120,860,500(L)	2.71 68.84
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner Interest of controlled corporation	1,785,000,000(L) 335,860,500(L)	57.94 10.90
Capital Research and Management Company		Investment manager	177,205,851(L)	5.75

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

Notes:

- At 30 June 2020, (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.
- The interests are held by KHL directly and indirectly. KHL is owned as to over one-third of its entire issued capital of KHL by Hallgain as at 30 June 2020.
- The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KHL. Mr. Lam Ka Po, being a Director, is also a director of Jamplan.
- The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions which fall to be disclosed to the Company under Section 336 of the SFO in the issued share capital of the Company as at 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been in compliance with the relevant code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") throughout the six-month period ended 30 June 2020, save for the deviation from code A.4.1 of the CG Code, since the non-executive Director and independent non-executive Directors are not appointed for specific terms. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting, in accordance with the Company's Articles of Association. As such, the Company considers that steps have been taken with a view to ensuring that the Company's corporate governance practices are in line with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, each Director has confirmed that he 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-month period ended 30 June 2020.

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

Hong Kong, 28 August 2020

Board of Directors*Executive Directors*

Mr. Cheung Kwok Wa (*Chairman*)

Mr. Cheung Kwok Keung (*Managing Director*)

Mr. Cheung Kwok Ping

Mr. Lam Ka Po

Mr. Cheung Ka Ho

Mr. Zhou Pei Feng

Non-executive Director

Mr. Lo Ka Leong

Independent non-executive Directors

Mr. Leung Tai Chiu

Mr. Ip Shu Kwan, Stephen

Mr. Zhang Lu Fu

Mr. Lau Ping Cheung, Kaizer