

KB 建滔化工集團

KINGBOARD CHEMICAL HOLDINGS LIMITED

Stock Code: 148



Interim Report
2010



RESULTS

The board of directors (the “Board”) of Kingboard Chemical 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 2010 together with the comparative figures for the corresponding period in 2009 as follows:

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	2	16,401,754	9,001,533
Cost of sales		<u>(12,852,661)</u>	<u>(6,977,537)</u>
Gross profit		3,549,093	2,023,996
Other income	5	147,424	142,293
Distribution costs		(429,137)	(329,995)
Administrative costs		(746,215)	(523,641)
Discount on acquisition of additional interests in subsidiaries		–	7,182
Finance costs		(87,999)	(68,121)
Share of results of associates		90,779	11,133
Share of results of jointly controlled entities		<u>(2,765)</u>	<u>(1,010)</u>
Profit before taxation		2,521,180	1,261,837
Income tax expense	6	<u>(200,330)</u>	<u>(75,523)</u>
Profit for the period		<u>2,320,850</u>	<u>1,186,314</u>
Profit for the period attributable to:			
Owners of the Company		1,780,371	983,306
Non-controlling interests		<u>540,479</u>	<u>203,008</u>
		<u>2,320,850</u>	<u>1,186,314</u>
Earnings per share	8		
Basic		<u>HK\$2.108</u>	<u>HK\$1.165</u>
Diluted		<u>HK\$2.087</u>	<u>HK\$1.155</u>



Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Profit for the period	<u>2,320,850</u>	<u>1,186,314</u>
Other comprehensive income for the period:		
Cash flow hedge:		
Loss on cash flow hedges	(35,760)	(35,135)
Deferred tax recognised in relation to change in cash flow hedges	5,065	(378)
Reclassification adjustment relating to transfer of cash flow hedges	59,667	34,562
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	159,277	175,596
Reclassification adjustment relating to disposal of available-for-sale investments	(46,771)	19,852
Translation reserve:		
Exchange differences arising on translation of foreign operations and to presentation currency	<u>219,904</u>	<u>24,105</u>
Other comprehensive income for the period (net of tax)	<u>361,382</u>	<u>218,602</u>
Total comprehensive income for the period	<u><u>2,682,232</u></u>	<u><u>1,404,916</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	2,105,722	1,198,273
Non-controlling interests	<u>576,510</u>	<u>206,643</u>
	<u><u>2,682,232</u></u>	<u><u>1,404,916</u></u>



Condensed Consolidated Statement of Financial Position

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current assets			
Investment properties		1,434,845	1,423,437
Properties, plant and equipment	9	17,587,515	17,847,473
Prepaid lease payments		924,785	933,230
Goodwill		2,288,149	2,288,149
Investments in associates		502,376	498,319
Available-for-sale investments		1,367,567	1,206,869
Interests in jointly controlled entities		5,345	8,110
Non-current deposits		386,418	511,659
Intangible assets		310	622
Deferred tax assets		32,607	33,499
		24,529,917	24,751,367
Current assets			
Inventories		4,073,962	3,454,705
Properties held for development		3,720,557	1,980,068
Trade and other receivables and prepayments	10	7,714,676	6,245,782
Bills receivables	10	1,470,717	1,261,966
Prepaid lease payments		22,557	22,667
Derivative financial instruments		304	–
Taxation recoverable		5,710	5,772
Bank balances and cash		5,175,161	5,652,209
		22,183,644	18,623,169
Current liabilities			
Trade and other payables	11	5,596,844	4,473,837
Bills payables	11	1,148,659	755,284
Derivative financial instruments		–	13,329
Taxation payable		457,946	401,906
Bank borrowings – amount due within one year		3,511,969	3,458,564
		10,715,418	9,102,920
Net current assets		11,468,226	9,520,249
Total assets less current liabilities		35,998,143	34,271,616
Non-current liabilities			
Deferred tax liabilities		51,215	56,418
Derivative financial instruments		103,046	130,317
Bank borrowings – amount due after one year		8,052,670	7,960,765
		8,206,931	8,147,500
		27,791,212	26,124,116
Capital and reserves			
Share capital		84,474	84,474
Share premium and reserves		22,935,970	21,421,943
Equity attributable to owners of the Company		23,020,444	21,506,417
Share option reserve of a subsidiary		1,744	14,374
Non-controlling interests		4,769,024	4,603,325
Total equity		27,791,212	26,124,116



Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company												Share option reserve of a subsidiary	Non- controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Goodwill reserve	Special surplus account	Statutory reserve	Hedging reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2010	84,474	4,404,007	1,911	(791)	10,584	156,765	(107,373)	15,216	29,540	1,611,272	15,300,802	21,506,417	14,374	4,603,325	26,124,116	
Profit for the period	-	-	-	-	-	-	-	-	-	1,780,371	1,780,371	-	-	540,479	2,320,850	
Loss on cash flow hedge	-	-	-	-	-	-	(35,760)	-	-	-	-	(35,760)	-	-	(35,760)	
Reclassification adjustment relating to transfer of cash flow hedges	-	-	-	-	-	-	59,667	-	-	-	-	59,667	-	-	59,667	
Deferred tax recognised in relation to change in cash flow hedges	-	-	-	-	-	-	5,065	-	-	-	-	5,065	-	-	5,065	
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	159,277	-	-	159,277	-	-	159,277	
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(46,771)	-	-	(46,771)	-	-	(46,771)	
Exchange differences arising on translation of foreign operations and to presentation currency	-	-	-	-	-	-	-	-	-	183,873	-	183,873	-	36,031	219,904	
Total comprehensive income for the period	-	-	-	-	-	-	28,972	-	112,506	183,873	1,780,371	2,105,722	-	576,510	2,682,232	
Issue of new shares from exercise of warrants	-	206	-	-	-	-	-	-	-	-	-	206	-	-	206	
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	-	-	148	-	148	
Final dividend for the year ended 31 December 2009	-	-	-	-	-	-	-	-	-	-	(380,133)	(380,133)	-	-	(380,133)	
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	155,234	155,234	
Acquisition of additional interests in subsidiaries	-	-	-	(212,663)	-	-	-	-	-	-	-	(212,663)	-	(203,741)	(416,404)	
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	4,915	4,915	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(11,508)	11,508	-	-	(82,935)	(82,935)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(296,167)	(296,167)	
Transfer to non-controlling interests upon exercise of share options	-	-	-	-	-	-	-	-	-	-	-	-	(1,883)	11,883	-	
Transfer to retained earnings upon lapse of share options	-	-	-	-	-	-	-	-	-	695	695	(695)	-	-	-	
Transfers	-	-	-	-	-	44,137	-	-	-	-	(44,137)	-	-	-	-	
	-	206	-	(212,663)	-	44,137	-	-	-	(11,508)	(411,867)	(591,695)	(12,630)	(410,811)	(1,015,136)	
Balance at 30 June 2010	84,474	4,404,213	1,911	(213,454)	10,594	200,902	(78,401)	15,216	142,046	1,783,637	16,668,306	23,020,444	1,744	4,769,024	27,791,212	



Attributable to owners of the Company

	Share capital	Share premium	Capital redemption reserve	Goodwill reserve	Special surplus account	Statutory reserve	Hedging reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Share option reserve of a subsidiary	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2009	83,926	4,384,067	1,911	(791)	10,594	87,302	(111,284)	11,288	(159,232)	1,682,438	13,363,627	19,354,046	13,715	4,249,440	23,617,201
Profit for the period	-	-	-	-	-	-	-	-	-	-	983,306	983,306	-	203,008	1,186,314
Loss on cash flow hedges	-	-	-	-	-	-	(35,135)	-	-	-	-	(35,135)	-	-	(35,135)
Reclassification adjustment relating to transfer of cash flow hedges	-	-	-	-	-	-	34,562	-	-	-	-	34,562	-	-	34,562
Deferred tax recognised in relation to change in cash flow hedges	-	-	-	-	-	-	(378)	-	-	-	-	(378)	-	-	(378)
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	175,596	-	-	175,596	-	-	175,596
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	-	-	-	-	-	19,852	-	-	19,852	-	-	19,852
Exchange differences arising on translation of foreign operations and to presentation currency	-	-	-	-	-	-	-	-	-	20,470	-	20,470	-	3,635	24,105
Total comprehensive income for the period	-	-	-	-	-	-	(651)	-	195,448	20,470	983,306	1,198,273	-	206,643	1,404,916
Issue of new shares from exercise of share options	548	19,940	-	-	-	-	-	-	-	-	-	20,488	-	-	20,488
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	-	-	752	-	752
Final dividend for the year ended 31 December 2008	-	-	-	-	-	-	-	-	-	-	(253,422)	(253,422)	-	-	(253,422)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,520)	(11,520)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	59,614	59,614
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(133,851)	(133,851)
Transfer to retained earnings upon lapse of share options	-	-	-	-	-	-	-	-	-	-	93	93	(89)	-	-
Transfers	-	-	-	-	-	35,178	-	-	-	-	(35,178)	-	-	-	-
	548	19,940	-	-	-	35,178	-	-	-	-	(288,507)	(232,841)	659	(85,757)	(317,939)
Balance at 30 June 2009	84,474	4,404,007	1,911	(791)	10,594	122,680	(112,235)	11,288	36,216	1,702,908	14,058,426	20,319,478	14,374	4,370,326	24,704,178



Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash from operating activities	1,340,279	1,549,825
Net cash used in investing activities	(1,337,165)	(1,162,122)
Net cash used in financing activities	(480,162)	(985,413)
Net decrease in cash and cash equivalents	(477,048)	(597,710)
Cash and cash equivalents at the beginning of the period	5,652,209	4,225,257
Cash and cash equivalents at the end of the period, representing bank balances and cash	5,175,161	3,627,547

Notes:

1. Basis of preparation and principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners

* IFRIC represents the International Financial Reporting Interpretations Committee.



The Group applies HKFRS 3 (Revised) “Business combinations” prospectively to business combinations for which the acquisition date is on or after 1 January 2010. As there was no transactions during the current interim period in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised 2008) Consolidated and separate financial statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group’s accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK (IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments”: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company (the “Directors”) anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.



2. Revenue

Revenue represents the net amounts received and receivable by the Group from the sale of goods and services rendered to outside customers, net of discounts, returns and sales related taxes by the Group, for each reporting period and is analysed as follows:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sale of laminates	5,283,196	3,070,370
Sale of printed circuit boards ("PCBs")	4,538,290	3,065,150
Sale of chemicals	6,208,530	2,592,204
Others (Note)	371,738	273,809
	<hr/>	<hr/>
	16,401,754	9,001,533
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Note: Amount included service income of HK\$26,491,000 (1 January 2009 to 30 June 2009: HK\$20,230,000).



3. Segment information

The Group's reportable segments under HKFRS 8 are as follows:

Laminates	–	manufacture and sale of laminates
PCBs	–	manufacture and sale of PCBs
Chemicals	–	manufacture and sale of chemicals and related products
Others	–	property developments, manufacture and sale of liquid crystal displays, magnetic products and other businesses

Segment revenues and results by reportable segments are presented below:

	Laminates <i>HK\$'000</i>	PCBs <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2010						
Segment revenue						
External sales	5,283,196	4,538,290	6,208,530	371,738	–	16,401,754
Inter-segment sales	1,570,566	–	369,393	6,458	(1,946,417)	–
	<u>6,853,762</u>	<u>4,538,290</u>	<u>6,577,923</u>	<u>378,196</u>	<u>(1,946,417)</u>	<u>16,401,754</u>
Total						
Result						
Segment result	<u>1,549,942</u>	<u>497,680</u>	<u>498,479</u>	<u>28,280</u>		2,574,381
Unallocated corporate income						89,319
Unallocated corporate expenses						(142,535)
Finance costs						(87,999)
Share of results of associates						90,779
Share of results of jointly controlled entities						(2,765)
						<u>2,521,180</u>
Profit before taxation						2,521,180
Income tax expense						(200,330)
						<u>2,320,850</u>
Profit for the period						<u>2,320,850</u>

Inter-segment sales are charged by reference to market prices.



	Laminates HK\$'000	PCBs HK\$'000	Chemicals HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2009						
Segment revenue						
External sales	3,070,370	3,065,150	2,592,204	273,809	-	9,001,533
Inter-segment sales	1,034,103	-	111,349	54,438	(1,199,890)	-
Total	<u>4,104,473</u>	<u>3,065,150</u>	<u>2,703,553</u>	<u>328,247</u>	<u>(1,199,890)</u>	<u>9,001,533</u>
Result						
Segment result	<u>872,524</u>	<u>217,259</u>	<u>239,035</u>	<u>9,286</u>		1,338,104
Discount on acquisition of additional interests in subsidiaries						7,182
Unallocated corporate income						65,027
Unallocated corporate expenses						(90,478)
Finance costs						(68,121)
Share of results of associates						11,133
Share of results of jointly controlled entities						(1,010)
Profit before taxation						1,261,837
Income tax expense						(75,523)
Profit for the period						<u>1,186,314</u>

Inter-segment sales are charged by reference to market prices.

4. Depreciation

During the reporting period, depreciation of approximately HK\$1,023.3 million (1 January 2009 to 30 June 2009: HK\$887.3 million) was charged in respect of the Group's properties, plant and equipment.



5. Other income

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income comprises:		
Dividends from available-for-sale investments	11,540	17,245
Gain on disposal of available-for-sale investments	46,771	63,708
Interest income	14,665	14,607
Rental income	58,217	42,396
Others	16,231	4,337
	<u>147,424</u>	<u>142,293</u>

6. Income tax expense

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	4,103	3,310
Taxation arising in other jurisdictions	189,588	75,478
	<u>193,691</u>	<u>78,788</u>
Deferred taxation		
Charge (credit) for the period	6,639	(3,265)
	<u>200,330</u>	<u>75,523</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2010 of HK50 cents (2009: HK30 cents) per share to the shareholders whose names appear on the register of members of the Company on Wednesday, 8 September 2010. The dividend warrants will be dispatched on or around Tuesday, 14 September 2010.



8. Earnings per share

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

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings for the purpose of calculating basic and diluted earnings per share	<u>1,780,371</u>	<u>983,306</u>
	Number of shares	
	30 June 2010	30 June 2009
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	844,739,534	844,184,524
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	<u>8,177,686</u>	<u>7,471,757</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>852,917,220</u>	<u>851,656,281</u>

No diluted earnings per share for the six months ended 30 June 2010 has been presented in respect of the Company's warrants because the exercise price of the Company's warrants was higher than the average market price of the Company's shares during the period.

9. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$780 million (1 January 2009 to 30 June 2009: HK\$1,080 million) on acquisition of properties, plant and equipment.

10. Trade and other receivables and prepayments and bills receivables

	30 June	31 December
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	5,492,919	4,400,602
Other receivables and prepayments	<u>2,221,757</u>	<u>1,845,180</u>
	<u>7,714,676</u>	<u>6,245,782</u>



The Group allows credit periods of up to 120 days, depending on the products sold, to its trade customers. The following is an aged analysis of the trade receivables at the end of the reporting period:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
0 – 90 days	4,617,527	3,719,464
91 – 180 days	819,751	621,029
Over 180 days	55,641	60,109
	<u>5,492,919</u>	<u>4,400,602</u>

All bills receivables of the Group are aged within 90 days at the end of each reporting period.

11. Trade and other payables and bills payables

The following is an aged analysis of the trade payables at the end of the reporting period:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
0 – 90 days	1,967,658	1,470,770
91 – 180 days	325,062	300,802
Over 180 days	196,724	285,294
	<u>2,489,444</u>	<u>2,056,866</u>

All bills payables of the Group are aged within 90 days at the end of each reporting period.

12. Share options

(a) *Employees' share option scheme of the Company*

The Company adopted its first share option scheme on 11 May 1998, and such share option scheme was terminated upon the adoption of its second share option scheme ("2002 Scheme") on 2 July 2002 for the duration of 10 years. In view of the recent changes to the Listing Rules, a new share option scheme (the "Scheme") was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 23 March 2009. The 2002 Scheme was accordingly terminated on the same day without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme.



Under the Scheme which is valid for a period of 10 years, the board of directors of the Company 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 of the Company 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 adoption 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 approval 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.

In accordance with the terms of the 2002 Scheme and the Scheme, share options of the Company issued vest at the date of grant.

There was no share options granted under the Scheme since its adoption. At 30 June 2010, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 9,144,000 (31 December 2009: 9,144,000), representing 1.08% (31 December 2009: 1.08%) of the shares of the Company in issue on that date.



A summary of the movements of the share options under the 2002 Scheme for the period is as follows:

	Granted to Directors	Granted to employees	Total
Balance at 1 January 2010 and 30 June 2010 (Note)	<u>3,914,600</u>	<u>5,229,400</u>	<u>9,144,000</u>

Note: The above share options were granted on 11 October 2002 at an exercise price of HK\$3.74 per share. These options are exercisable during the period from 15 October 2002 to 2 July 2012.

There was no share options exercised during the six months ended 30 June 2010.

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

The 2002 Elec & Eltek Employees' Share Option Scheme (the "2002 EEIC Scheme") which was adopted from 12 November 2002 for the duration of 5 years, had been terminated in November 2007 without affecting the rights of holders of any options granted and outstanding under the 2002 EEIC Scheme.

EEIC has since 1997, had in place share option schemes to acknowledge the contributions of and to motivate employees to contribute to EEIC and its subsidiaries ("EEIC Group"). With the expiration of the 2002 EEIC Scheme, the directors of EEIC wished to have in place a new share option scheme to replace the expired 2002 EEIC Scheme for the purpose of providing an opportunity for employees who have contributed significantly to the growth and performance of the EEIC Group to participate in the equity of EEIC so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services as well as to align the interests of employees with the interests of shareholders.

The 2008 Elec & Eltek Employees' Share Option Scheme (the "2008 EEIC Scheme") was approved by the shareholders of EEIC at the extraordinary general meeting held on 21 April 2008 and was adopted and took effect from 9 May 2008 upon approval by the shareholders of the Company.

The 2008 EEIC Scheme which shall be administered by the committee of directors of EEIC as authorised by EEIC's directors, is open to full-time employees and directors of any company within EEIC and its subsidiaries, the parent group and of an associated company of EEIC, subject to certain conditions being satisfied.

The 2008 EEIC Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in EEIC either at an "Exercise Price", which equals to the average of the last dealt prices for an EEIC share for a period of 5 consecutive market days immediately preceding the relevant date of grant, or at a discount to the Exercise Price as defined earlier, whereby the discount shall not exceed 20% of the Exercise Price.

Options granted at the Exercise Price or discount to the Exercise Price may be exercised after the first or second anniversary respectively of the date of grant and expiring on the fifth anniversary of the date of grant.



The duration of the 2008 EEIC Scheme is 10 years and the total number of shares in EEIC that may be issued shall not exceed 10% of the total number of EEIC shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of EEIC excluding treasury shares from time to time. The total number of EEIC shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of EEIC shares in issue from time to time.

Share options may be accepted within 30 days after the relevant date of grant accompanied by payment of S\$1.00 (or its equivalent) as consideration by the participants, but the grant of share options do not confer rights on the option holders to any dividend entitlement or to vote at any shareholders' meeting.

There was no share options granted under the 2008 EEIC Scheme since its adoption. However, there are outstanding share options under the 2002 EEIC Scheme and a summary of the movements of the outstanding share options under the 2002 EEIC Scheme for the period is as follows:

	Granted to Directors	Granted to employees	Total
Balance at 1 January 2010 (<i>Note</i>)	3,892,800	5,233,400	9,126,200
Lapsed during the period	–	(1,010,200)	(1,010,200)
Exercised during the period	(3,892,800)	(3,457,200)	(7,350,000)
	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2010	<u> </u> –	<u> </u> 766,000	<u> </u> 766,000

Note:

The interests in share options arise by virtue of

- (i) 4,055,000 share options accepted by the Directors and 5,745,000 share options accepted by the employees of the Group on 24 June 2005, which would entitle the relevant Directors and employees to subscribe for shares in EEIC at an adjusted subscription price of US\$2.033 per share after the 1 for 5 bonus issue effected by EEIC on 13 October 2005 ("Bonus Issue"). The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing on 26 November 2006, 26 November 2007, 26 November 2008, 26 November 2009 and 26 March 2010 respectively and all ending on 24 May 2010;
- (ii) 150,000 share options accepted by the independent non-executive directors of EEIC on 29 September 2005, which would entitle the relevant directors to subscribe for shares in EEIC at an adjusted subscription price of US\$2.375 per share after the Bonus Issue. The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing on 5 September 2006, 5 September 2007, 5 September 2008, 5 September 2009 and 5 July 2010 respectively, and all ending on 4 September 2010; and
- (iii) 1,020,000 share options accepted by full-time employees of EEIC and its subsidiaries on 12 December 2006, which would entitle the relevant employees to subscribe for shares in EEIC at a subscription price of US\$2.400 per share. The share options are exercisable in whole or in part at the staggered manner within 4 option periods, commencing on 13 November 2008, 13 November 2009, 13 November 2010 and 13 September 2011, respectively, and all ending on 12 November 2011.



The share options were granted on 24 June 2005, 29 September 2005 and 12 December 2006. The estimated fair value of each share option granted on those dates was approximately HK\$1.58, HK\$1.55 and HK\$2.56 per share respectively.

These fair values were calculated using the Trinomial Lattice Model. The inputs into the model were as follows:

	Share option grant date		
	12 December 2006	29 September 2005	24 June 2005
Share price at grant date	US\$2.74	US\$2.92	US\$2.53
Subscription price	US\$2.40	US\$2.85*	US\$2.44*
Expected volatility	36.6%	21.2%	25.4%
Expected life	5 years	5 years	5 years
Risk-free rate	3.7%	4.2%	3.7%

* *The original subscription price of the share options granted on 29 September 2005 and 24 June 2005 were adjusted to US\$2.375 and US\$2.033 respectively as a result of the Bonus Issue.*

Expected volatility was determined by using the historical volatility of EEIC's share price over the previous five years. The expected life used in the model has been adjusted, based on the best estimate of the management, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK\$148,200 for the six months ended 30 June 2010 (1 January 2009 to 30 June 2009: HK\$752,000) in relation to the share options granted by EEIC.

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

The share option scheme of KLHL (the "KLHL Scheme") was approved by the shareholders of KLHL and the shareholders of the Company on 18 May 2007 and 25 June 2007 respectively. The KLHL Scheme has taken effect after obtaining the approval from the Listing Committee of the Stock Exchange on 6 July 2007.

The KLHL Scheme would be valid for a period of 10 years. The directors of KLHL may, at its discretion, grant options to subscribe for shares in KLHL to eligible participants who contribute to the long-term growth and profitability of KLHL and include (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to KLHL, any of its subsidiaries or any entity ("KLHL's Invested Entity") in which KLHL and its subsidiaries (collectively referred to as the "KLHL Group") hold an equity interest; (ii) any non-executive directors (including independent non-executive directors) of KLHL, any of its subsidiaries or any KLHL's Invested Entity; (iii) any supplier of goods or services to any member of the KLHL Group or any KLHL's Invested Entity; (iv) any customer of the KLHL Group or any KLHL's Invested Entity; (v) any person or entity that provides research, development or other technological support to the KLHL Group or any KLHL's Invested Entity; and (vi) any shareholder of any member of the KLHL Group or any KLHL's Invested Entity or any holder of any securities issued by any member of the KLHL Group or any KLHL's Invested Entity.



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

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

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

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

The total number of shares of KLHL 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 KLHL then in issue unless approved by the shareholders of KLHL and the Company in general meetings.

No share option was granted pursuant to the KLHL Scheme since its adoption.

13. Warrants

On 2 March 2010, a bonus issue of warrants ("Warrants") to the shareholders of the Company on the basis of 1 warrant for every 10 shares held by shareholders of the Company whose names appear on the register of members of the Company on 26 April 2010, was proposed. Consequently, 84,473,904 Warrants were issued, conferring rights to the holders of the Warrants from any time on 5 May 2010 up to 31 October 2012 (both days inclusive) to subscribe for up to an aggregate of 84,473,904 shares of the Company at an initial subscription price of HK\$40 per share (subject to adjustment), representing an aggregate subscription price of HK\$3,378,956,160.

During the six months ended 30 June 2010, 5,199 new shares of the Company were issued on exercise of the Warrants. Exercise in full of the remaining outstanding Warrants would, under the present capital structure, result in the receipt by the Company of HK\$3,378,748,200 in subscription monies and the issue of 84,468,705 new shares of the Company.



14. Commitments

	30 June 2010 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2009 <i>HK\$'000</i> <i>(Audited)</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of properties, plant and equipment	367,075	339,475

15. Related party transactions

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

	Six months ended 30 June	
	2010 <i>HK\$'000</i> <i>(Unaudited)</i>	2009 <i>HK\$'000</i> <i>(Unaudited)</i>
Sales of goods to a minority shareholder of a subsidiary	177,938	135,531
Purchase of goods from a minority shareholder of a subsidiary	19,665	32,903
Drilling service provided by a minority shareholder of a subsidiary	–	2,713
Purchase of goods from an associate	146,297	132,517
Sales of goods to a substantial shareholder of the Company	58,080	–
Purchase of goods from a substantial shareholder of the Company	166,634	–

Included in trade and other receivables and prepayments as at 30 June 2010 was an amount due from a minority shareholder of a subsidiary of approximately HK\$34,585,000 (31.12.2009: HK\$109,135,000) and an amount due from a substantial shareholder of the Company of approximately HK\$23,499,000 (31.12.2009: nil).

Included in trade and other payables as at 30 June 2010 was an amount due to an associate of approximately HK\$24,068,000 (31.12.2009: HK\$26,173,000) and an amount due to a substantial shareholder of the Company of approximately HK\$65,432,000 (31.12.2009: nil).

BUSINESS REVIEW

On behalf of the Board of Directors, I am pleased to report to our shareholders that Kingboard Chemical Holdings Limited (the "Group") delivered another set of excellent results with record high revenue and net profit for the six months ended 30 June 2010 ("1H 2010"). Revenue in 1H 2010 jumped 82% to HK\$16,401.8 million, while net profit soared 81% to HK\$1,780.4 million. Both laminate and printed circuit board (PCB) divisions posted spectacular performance on the back of strong global demand for electronic products and thriving domestic sales in China. The Group's laminate division maintained its No. 1 position in the world with leading market share for the fifth consecutive year and our PCB division remained the largest PCB manufacturer in China. Chemical division recorded significant growth in revenue against the same period last year, which in turn became the key growth impetus for the Group. Moreover, leveraging on our robust financial capability, the Group had successfully built up a new business – property developments, which is expected to generate attractive returns to our shareholders in the coming years. In May 2010, the Group had the honour to be named by Forbes Magazine as one of the Global 2000 leading companies and by Bloomberg Businessweek as one of the leading Tech 100 companies.



Financial Highlights

	Six months ended 30 June		Change
	2010 HK\$'million	2009 HK\$'million	
Revenue	16,401.8	9,001.5	+82%
EBITDA	3,632.5	2,217.3	+64%
Profit before tax	2,521.2	1,261.8	+100%
Net profit attributable to shareholders	1,780.4	983.3	+81%
Basic earnings per share	HK\$2.108	HK\$1.165	+81%
Interim dividend per share	HK50.0 cents	HK30.0 cents	+67%
Dividend payout ratio	24%	26%	
Net asset value per share	HK\$27.3	HK\$24.1	+13%
Net gearing	23%	22%	

Performance

Driven by strong global demand for electronic products in 1H 2010, market supply of glass fabric and glass yarn became tight. Since the Group strategically stocked up lower costs upstream materials in 2009 and riding on our vertically-integrated business model with a steady and abundant supply of upstream materials, the laminate division was able to seize this business opportunity and delivered record-breaking revenue and earnings. Revenue (including inter-segment sales) increased by 67% to HK\$6,853.8 million while shipment volume increased by 34% with average monthly shipment reaching 9.4 million square meters. Earnings before interest, tax, depreciation and amortization ("EBITDA") rose 54% to HK\$1,931.6 million. This outstanding performance clearly demonstrated our competitive advantage built on our vertically-integrated business model.

Similar to the laminate division, capacity utilization rates for the Group's PCB plants continued to improve in 1H 2010 against the backdrop of a more favorable operating landscape. With stringent cost control initiatives and ongoing efficiency improvements, PCB division's revenue jumped 48% to HK\$4,538.3 million, and EBITDA rose 66% to HK\$780.7 million. To meet the ever-changing market demand for electronic products, the Group has actively tapped into the high density interconnect ("HDI") PCB market. HDI PCB sales, as a percentage of total PCB revenue, increased substantially from only 2% during the same period last year to 10% in 1H 2010.

Boosted by a vibrant domestic market in China and additional sales contribution from the Yangzhou chemical refinery plant in Jiangsu province, chemical division's revenue achieved remarkable growth. Revenue in 1H 2010 soared 143% to HK\$6,577.9 million. Fuelled by robust demand, the phenol/acetone plant in Huizhou, Guangdong province generated substantial earnings for the division. The caustic soda plant in Hengyang, Hunan province also recorded satisfactory return in 1H 2010. Hence, the chemical division's EBITDA jumped 84% to HK\$828.1 million. Share of associates results (majority of which was contributed by the methanol joint venture with China BlueChemical Limited) increased to HK\$90.8 million as the average selling price for methanol recovered in 1H 2010 against the same period last year.



The Group's property developments projects in eastern and southern China are making good progress. Our commercial investment properties – Kingboard Modern Plaza in Shanghai and Zhan Wang Digital Plaza in Guangzhou contributed stable and recurring rental income. Meanwhile, pre-sale of Shanghai Yu Garden in Kunshan, Jiangsu province has received an overwhelming response with pre-sale ratio of approximately 80%. Total investment for this residential project is approximately RMB580 million and cash receipt in advance in connection with the pre-sale of this project was over RMB800 million at the end of June 2010. Earnings in respect of this project will be recognized in next financial year.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position continued to be robust. As at 30 June 2010, net current assets and current ratio of the Group were approximately HK\$11,468.2 million (31 December 2009 – HK\$9,520.2 million) and 2.07 (31 December 2009 – 2.05) respectively.

The net working capital cycle decreased from 81 days as at 31 December 2009 to 67 days as at 30 June 2010 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 57 days (31 December 2009 – 67 days) as the Group consumed lower costs inventories strategically stocked up in 2009 in line with much higher revenue in the current period.
- Trade receivables, in terms of debtors turnover days, reduced to 61 days (31 December 2009 – 68 days).
- Trade and bills payables, in terms of creditors turnover days, reduced to 51 days (31 December 2009 – 54 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 23% (31 December 2009: 22%). The proportion of bank borrowings between short term and long term stood at 30%:70% (31 December 2009: 30%:70%). As at 30 June 2010, the Group had cash on hand and committed and undrawn banking facilities of HK\$5.2 billion and HK\$4.7 billion respectively. Hence, with a robust balance sheet coupled with strong liquidity, the Group is well positioned to ride through any challenges or capture growth opportunities in the market place. About 6% of the Group's bank borrowings was denominated in RMB. The rest are either in Hong Kong or US dollars.

The Group continued to adopt prudent financial management policy including the use of interest rate swap contract to minimize exposure to fluctuation in interest rates movement. At the end of June 2010, we had entered into interest rate swap agreements of notional amount of HK\$3.9 billion with reputable financial institutions for a weighted average duration of 0.82 year and interest rate of 2.98%. The Group also entered into commodity forward contracts so as to minimize its exposure to fluctuation in commodities prices. The fair value of these contracts amounted to HK\$304,000 as at 30 June 2010. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into any other type of derivative financial instruments throughout the first six months of 2010. There was no material foreign exchange exposure to the Group during the period under review. The Group's revenue, mostly denominated in Hong Kong dollars, Renminbi and US dollars, was fairly matched with the currency requirement of operating expenses.



HUMAN RESOURCES

As at 30 June 2010, the Group had a global workforce of about 49,000 (31 December 2009: 45,400). The increase in headcount was in line with the expanded business activities in 1H 2010 against last year. In addition to offering competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and individual performance.

PROSPECTS

Laminate shipment volume softened in May and June this year as customers made inventory adjustments. However, since the end of July, the Group has experienced a strong rebound in customers order level. Currently, most of the Group's laminate plants are operating at full capacities. Electronics manufacturers have continued to launch new products, thereby driving the Group's laminate business growth. To cater for increasing demand, monthly production capacities of both composite epoxy material ("CEM") laminates and glass epoxy laminates will each increase by 400,000 sheets under the phase one expansion plan of the Jiangyin plant, Jiangsu province in the second half of 2010. Total monthly laminate production capacity for the Group is expected to reach 9.8 million sheets by the end of this year. Furthermore, in line with our laminate capacities expansion plans, the Group also plans to set up upstream materials production capacities of glass fabric and glass yarn in eastern China over the next few years.

PCB order bookings maintained good momentum in the first two months of the third quarter. In particular, the increasing popularity of 3G telecommunications and high technology handheld electronic gadgets have driven the growth of HDI sales, making this product segment a key growth driver for the PCB division. The Group will push ahead with further market share gain by expanding production capacities of the two HDI plants in due course. The new PCB plant at Yizheng Industrial Park, Yangzhou, Jiangsu province is currently undergoing first phase of construction. With trial production scheduled for the middle of 2011, the plant is expected to reach monthly capacity of one million square feet by the end of 2011.

The PRC government's policies of boosting domestic demand coupled with improving living standards for mainland citizens are expected to drive demand for chemical products in China. Selling prices for the Group's key chemical products remained steady in the first two months of the third quarter. Demand for phenol/acetone extended its robust momentum. Meanwhile, the efficiency enhancement plan currently in progress in the Huizhou phenol/acetone plant, Guangdong province is expected to be completed by the end of this year.

The Group is fully committed to allocating resources to foster the long term development of the property developments division. The Group currently holds a land bank with a gross floor area of approximately 2.2 million square meters in China, of which about 75,000 square meters are completed investment properties held for leasing, with the rest being properties held for development. These sites are located mainly at prime locations in Kunshan, Jiangsu province, Shanghai and Guangzhou. Management will actively seek good business opportunities to further enhance shareholders value. Leasing activity at Guangzhou Dong Zhao Building kicks off in the second half of 2010 and is expected to bring in additional rental income next year. Meanwhile, the Group has made good progress in discussions with local authorities in Shenzhen to explore the feasibility of redeveloping the plant in Longhua, Shenzhen under the "City Renewal Scheme".



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 in the reporting period.

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS

The register of members and register of warrantholders of the Company will be closed from Monday, 6 September 2010 to Wednesday, 8 September 2010 (both days inclusive) during which period no transfers of shares or warrants will be registered. In order to qualify for receiving the interim dividend, the Company's shareholders are reminded to ensure that all transfer documents, accompanied by the relevant share certificates or in the case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 3 September 2010.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2010, the interests of the Directors 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 ("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	Beneficial owner	3,391,725	0.40
Mr. Chan Wing Kwan (<i>Note 1</i>)	Beneficial owner	1,080,250	0.12
Mr. Cheung Kwong Kwan	Beneficial owner	873,200	0.10
Mr. Chang Wing Yiu (<i>Note 2</i>)	Beneficial owner	3,355,274	0.39
Mr. Ho Yin Sang (<i>Note 3</i>)	Beneficial owner	2,424,129	0.28
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,810,000	0.21



Notes:

- (1) Out of the 1,080,250 Shares, 1,020,250 Shares were held by Mr. Chan Wing Kwan and 60,000 Shares were held by his spouse.
- (2) Out of the 3,355,274 Shares, 2,677,074 Shares were held by Mr. Chang Wing Yiu and 678,200 Shares were held by his spouse.
- (3) Out of the 2,424,129 Shares, 1,256,629 Shares were held by Mr. Ho Yin Sang and 1,167,500 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 under the 2002 Scheme
Mr. Chan Wing Kwan	Beneficial owner	966,600
Mr. Chang Wing Yiu	Beneficial owner	859,800
Mr. Ho Yin Sang (<i>Note</i>)	Beneficial owner	2,294,600
Mr. Cheung Kwong Kwan	Beneficial owner	1,109,600

Note: Out of the 2,294,600 Share Options, 978,600 Share Options were held by Mr. Ho Yin Sang and 1,316,000 Share Options were held by his spouse.

The Company adopted its first share option scheme on 11 May 1998, and such share option scheme was terminated upon the adoption of its second share option scheme ("2002 Scheme") on 2 July 2002 for the duration of 10 years. In view of the recent changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), a new share option scheme was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 23 March 2009. The 2002 Scheme was accordingly terminated on the same day without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme.

(c) *Warrants of the Company ("Warrants")*

Name of Director	Capacity	Interest in underlying Shares pursuant to the Warrants
Mr. Cheung Kwok Wing	Beneficial owner	352,172
Mr. Chan Wing Kwan (<i>Note 1</i>)	Beneficial owner	108,025
Mr. Cheung Kwong Kwan	Beneficial owner	111,320
Mr. Chang Wing Yiu (<i>Note 2</i>)	Beneficial owner	335,527
Mr. Ho Yin Sang (<i>Note 3</i>)	Beneficial owner	219,412
Mr. Mok Cham Hung, Chadwick	Beneficial owner	181,000



Notes:

- (1) Out of the 108,025 Warrants, 102,025 Warrants were held by Mr. Chan Wing Kwan and 6,000 Warrants were held by his spouse.
- (2) Out of the 335,527 Warrants, 267,707 Warrants were held by Mr. Chang Wing Yiu and 67,820 Warrants were held by his spouse.
- (3) Out of the 219,412 Warrants, 102,662 Warrants were held by Mr. Ho Yin Sang and 116,750 Warrants were held by his spouse.

(d) *Ordinary shares of HK\$0.10 each ("KLHL Shares") in KLHL*

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	41,500	0.001
Mr. Chan Wing Kwan (Note 1)	Beneficial owner	100,000	0.003
Mr. Chang Wing Yiu (Note 2)	Beneficial owner	100,000	0.003
Mr. Ho Yin Sang (Note 3)	Beneficial owner	540,000	0.01
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	804,000	0.02

Notes:

- (1) The 100,000 KLHL Shares were held by the spouse of Mr. Chan Wing Kwan.
- (2) The 100,000 KLHL Shares were held by the spouse of Mr. Chang Wing Yiu.
- (3) The 540,000 KLHL Shares were held by the spouse of Mr. Ho Yin Sang.

(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. Chan Wing Kwan	Beneficial owner	1,481,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000
Mr. Chang Wing Yiu	Beneficial owner	423,200

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



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

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC
Mr. Cheung Kwok Wing	Beneficial owner	1,161,200	0.62
Mr. Chan Wing Kwan (<i>Note</i>)	Beneficial owner	1,053,200	0.57
Mr. Chang Wing Yiu	Beneficial owner	973,200	0.52
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,120,200	0.60

Note: Out of the 1,053,200 EEIC Shares, 1,023,200 EEIC Shares were held by Mr. Chan Wing Kwan and 30,000 EEIC Shares were held by his spouse.

- (g) *Ordinary shares ("KCFH Shares") of US\$0.10 each in the share capital of Kingboard Copper Foil Holdings Limited ("KCFH"), a non wholly-owned subsidiary of the Company*

Name of Director	Capacity	Number of issued KCFH Shares held	Approximate percentage of the issued share capital of KCFH
Mr. Cheung Kwok Wing	Beneficial owner	1,000,000	0.14
Mr. Ho Yin Sang (<i>Note</i>)	Beneficial owner	2,000	0.0003
Mr. Lai Chung Wing, Robert	Beneficial owner	72,000	0.01

Note: The 2,000 KCFH Shares were held by the spouse of Mr. Ho Yin Sang.

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 associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2010.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long position

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Nature of interest	Interest in underlying Shares pursuant to the Warrants	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("Hallgain") (Note)	Beneficial owner	25,975,442	265,503,429	31.43
Capital Research and Management Company	Investment manager	9,055,694	89,853,440	10.63
FIL Limited	Investment manager	5,757,250	57,697,000	6.83
FMR LLC	Investment manager	–	50,755,000	6.00
Value Partners Limited	Investment manager	–	42,970,500	5.08

Note: As at 30 June 2010: (i) no shareholder of Hallgain is 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 Wing and Chan Wing Kwan, being Directors, are also directors of Hallgain.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2010, 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.

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 2010.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2010, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the 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 meeting in compliance 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 Code.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Following a specific enquiry, 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 securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2010.

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

Hong Kong, 20 August 2010

Board of Directors:

Executive Directors

Mr. Cheung Kwok Wing (*Chairman*)
Mr. Chan Wing Kwan (*Managing Director*)
Mr. Cheung Kwong Kwan
Mr. Chang Wing Yiu
Mr. Ho Yin Sang
Ms. Cheung Wai Lin, Stephanie
Mr. Mok Cham Hung, Chadwick

Independent non-executive Directors

Mr. Cheng Wai Chee, Christopher
Mr. Henry Tan
Mr. Lai Chung Wing, Robert
Mr. Tse Kam Hung