

KB 建滔化工集團

KINGBOARD CHEMICAL HOLDINGS LIMITED

Stock Code: 148



INTERIM REPORT
2011

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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited) (Restated)
	Notes		
Revenue	2	18,953,859	16,459,971
Cost of sales and services rendered		(15,330,116)	(12,868,795)
Gross profit		3,623,743	3,591,176
Other income	5	142,017	89,207
Distribution costs		(447,899)	(429,137)
Administrative costs		(794,703)	(730,081)
Finance costs		(156,431)	(87,999)
Share of results of associates		125,043	90,779
Share of results of jointly controlled entities		(687)	(2,765)
Profit before taxation		2,491,083	2,521,180
Income tax expense	6	(264,855)	(200,330)
Profit for the period		<u>2,226,228</u>	<u>2,320,850</u>
Profit for the period attributable to:			
Owners of the Company		1,814,339	1,780,371
Non-controlling interests		411,889	540,479
		<u>2,226,228</u>	<u>2,320,850</u>
Earnings per share	8		
Basic		<u>HK\$2.128</u>	<u>HK\$2.108</u>
Diluted		<u>HK\$2.113</u>	<u>HK\$2.087</u>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit for the period	<u>2,226,228</u>	<u>2,320,850</u>
Other comprehensive income for the period:		
Cash flow hedge:		
Loss on cash flow hedges	(1,375)	(35,760)
Deferred tax recognised in relation to change in cash flow hedges	(4,680)	5,065
Reclassification adjustment relating to transfer of cash flow hedges	35,952	59,667
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	(26,003)	159,277
Reclassification adjustment relating to disposal of available-for-sale investments	(4,550)	(46,771)
Property revaluation reserve:		
Fair value gain on properties transferred to investment properties	290,548	–
Translation reserve:		
Exchange differences arising on translation of foreign operations and to presentation currency	<u>523,449</u>	<u>219,904</u>
Other comprehensive income for the period (net of tax)	<u>813,341</u>	<u>361,382</u>
Total comprehensive income for the period	<u><u>3,039,569</u></u>	<u><u>2,682,232</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	2,532,144	2,105,722
Non-controlling interests	<u>507,425</u>	<u>576,510</u>
	<u><u>3,039,569</u></u>	<u><u>2,682,232</u></u>

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Non-current assets			
Investment properties		3,344,808	2,130,210
Properties, plant and equipment	9	17,553,721	17,574,362
Prepaid lease payments		966,128	919,313
Goodwill		2,288,149	2,288,149
Investments in associates		581,000	564,447
Available-for-sale investments		2,650,438	2,299,936
Interests in jointly controlled entities		262	1,075
Non-current deposits		1,812,438	1,715,339
Deferred tax assets		20,429	25,549
		29,217,373	27,518,380
Current assets			
Inventories		4,915,318	4,023,228
Properties held for development		6,730,737	4,625,399
Trade and other receivables and prepayments	10	9,413,476	7,958,511
Bills receivables	10	2,288,801	1,932,724
Prepaid lease payments		25,755	23,617
Taxation recoverable		31,196	41,693
Bank balances and cash		4,853,753	5,143,658
		28,259,036	23,748,830
Current liabilities			
Trade and other payables	11	4,916,952	4,368,885
Bills payables	11	964,671	1,163,337
Deposits received from pre-sale of residential units		1,264,071	1,061,578
Derivative financial instruments		7,130	47,070
Taxation payable		545,112	591,764
Bank borrowings		4,979,630	5,241,974
		12,677,566	12,474,608
Net current assets		15,581,470	11,274,222
Total assets less current liabilities		44,798,843	38,792,602

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	80,534	73,378
Derivative financial instruments	26,931	50,755
Bank borrowings	11,007,888	7,086,134
	11,115,353	7,210,267
	33,683,490	31,582,335
Capital and reserves		
Share capital	85,467	84,950
Share premium and reserves	27,772,106	25,685,224
Equity attributable to owners of the Company	27,857,573	25,770,174
Non-controlling interests	5,825,917	5,812,161
Total equity	33,683,490	31,582,335

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Capital redemption reserve	Warrant reserve	Other reserves	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 2011	84,960	4,425,228	-	1,911	675,086	782,436	10,594	211,988	(49,757)	22,484	137,703	2,066,261	17,411,291	25,770,174	5,812,161	31,582,335
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	1,814,339	1,814,339	411,889	2,226,228
Loss on cash flow hedge	-	-	-	-	-	-	-	-	(1,375)	-	-	-	-	(1,375)	-	(1,375)
Transfer to profit or loss on cash flow hedge	-	-	-	-	-	-	-	-	35,952	-	-	-	-	35,952	-	35,952
Deferred tax recognised in relation to change in cash flow hedges	-	-	-	-	-	-	-	-	(4,680)	-	-	-	-	(4,680)	-	(4,680)
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	-	-	(26,003)	-	-	(26,003)	-	(26,003)
Investment revaluation reserve released on disposal	-	-	-	-	-	-	-	-	-	(4,550)	-	-	-	(4,550)	-	(4,550)
Fair value gain on properties transferred to investment properties	-	-	-	-	-	-	-	-	-	290,548	-	-	-	290,548	-	290,548
Exchange differences arising on translation of foreign operations and to presentation currency	-	-	-	-	-	-	-	-	-	-	-	427,913	-	427,913	96,536	523,449
Total comprehensive income for the period	-	-	-	-	-	-	-	-	29,897	290,548	(30,553)	427,913	1,814,339	2,532,144	507,425	3,039,569
Issue of new shares from exercise of share options	447	16,283	-	-	-	-	-	-	-	-	-	-	-	16,730	-	16,730
Issue of new shares from exercise of warrants	70	33,319	-	-	(5,565)	-	-	-	-	-	-	-	-	27,824	-	27,824
Recognition of equity-settled share based payments	-	-	30,317	-	-	-	-	-	-	-	-	-	-	30,317	13,020	43,337
Final dividend for the year ended 31 December 2010	-	-	-	-	-	-	-	-	-	-	-	(512,800)	(512,800)	-	(512,800)	
Capital contribution from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,046	3,046
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(6,816)	-	-	-	-	-	-	(6,816)	(67,185)	(94,001)	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(35,771)	35,771	-	(101,192)	(101,192)	
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(321,358)	(321,358)	
Transfers	-	-	-	-	-	-	-	36,231	-	-	-	-	(36,231)	-	-	
	517	49,602	30,317	-	(5,565)	(6,816)	-	36,231	-	-	(35,771)	(513,200)	(444,745)	(493,669)	(938,414)	
Balance at 30 June 2011	85,467	4,474,830	30,317	1,911	669,521	775,619	10,594	248,219	(19,860)	313,032	107,150	2,448,403	18,712,370	27,857,573	5,825,917	33,683,490

Attributable to owners of the Company

	Share capital		Capital redemption reserve	Other reserves	Special surplus account	Statutory reserve	Hedging reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2010	84,474	4,404,007	1,911	(791)	10,594	156,765	(107,373)	15,216	29,540	1,611,272	15,300,802	21,506,417	4,617,699	26,124,116
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,780,371	1,780,371	540,479	2,320,850
Loss on cash flow hedges	-	-	-	-	-	-	(35,780)	-	-	-	-	(35,780)	-	(35,780)
Transfer to profit or loss on cash flow hedge	-	-	-	-	-	-	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
Investment revaluation reserve released on disposal	-	-	-	-	-	-	-	-	(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)
Capital contribution from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	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)	(82,935)
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(296,167)	(296,167)
Transfer to retained earnings upon lapse of share options	-	-	-	-	-	-	-	-	-	-	895	895	(895)	-
Transfers	-	-	-	-	-	44,137	-	-	-	-	(44,137)	-	-	-
	-	206	-	(212,663)	-	44,137	-	-	-	(11,508)	(411,867)	(591,636)	(423,441)	(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	16,669,306	23,020,444	4,770,768	27,791,212

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(1,194,015)	1,340,279
Net cash used in investing activities	(1,659,500)	(1,337,165)
Net cash from (used in) financing activities	2,563,610	(480,162)
Net decrease in cash and cash equivalents	(289,905)	(477,048)
Cash and cash equivalents at the beginning of the period	5,143,658	5,652,209
Cash and cash equivalents at the end of the period, representing bank balances and cash	4,853,753	5,175,161

Notes:

1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements 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 with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosure
HK(IFRIC*)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC*)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

HKFRSs issued but not yet effective

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosures of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹

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

HKFRS 10 replaces the parts of HKAS 27 “Consolidation and separate financial statements” that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties’ rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. The application of HKFRS 11 might result in changes in the classification of the Group’s joint arrangements and will change the accounting treatments.

The Group has already commenced an assessment of the impact of these new and revised standards but is not yet in a position to state whether these new and revised standards would have a material impact on its results of operations and financial position.

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, and rental income received and receivable by the Group, for each reporting period and is analysed as follows:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Sale of laminates	5,825,716	5,283,197
Sale of printed circuit boards ("PCBs")	4,021,582	4,538,290
Sale of chemicals	8,625,697	6,208,530
Rental income	100,331	58,249
Others (Note)	380,533	371,705
	<u>18,953,859</u>	<u>16,459,971</u>

Note: Amount included service income of HK\$30,961,000 (1 January 2010 to 30 June 2010: HK\$26,491,000).

3. Segment information

Rental income from property investments is reclassified as part of the principal activities of the Group and as a result, the rental income of HK\$100,331,000 for the six months ended 30 June 2011 was reclassified as revenue from other income. The directors of the Company are of the opinion that such reclassification is necessary to give a better understanding of the performance of the Group and the comparative amounts presented have been restated to conform with the revised classification.

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 chief operating decision maker ("CODM") in order to allocate resources to segments and to access their performance. Specifically, the Group's operating 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
Properties	- property developments and investments
Others	- manufacture and sale of liquid crystal displays, magnetic products and others

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements. The executive directors assess segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (share of results of associates and jointly controlled entities, income tax expenses, finance costs, and unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	Laminates HK\$'000	PCBs HK\$'000	Chemicals HK\$'000	Properties HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2011							
Segment revenue							
External sales	5,825,716	4,021,582	8,625,697	100,331	380,533	-	18,953,859
Inter-segment sales	<u>1,343,156</u>	<u>-</u>	<u>452,726</u>	<u>-</u>	<u>7,269</u>	<u>(1,803,151)</u>	<u>-</u>
Total	<u>7,168,872</u>	<u>4,021,582</u>	<u>9,078,423</u>	<u>100,331</u>	<u>387,802</u>	<u>(1,803,151)</u>	<u>18,953,859</u>
Result							
Segment result	<u>1,089,741</u>	<u>352,511</u>	<u>1,065,515</u>	<u>84,276</u>	<u>15,139</u>		2,607,182
Unallocated corporate income							75,988
Unallocated corporate expenses							(160,012)
Finance costs							(156,431)
Share of results of associates							125,043
Share of results of jointly controlled entities							<u>(687)</u>
Profit before taxation							2,491,083
Income tax expense							<u>(264,855)</u>
Profit for the period							<u>2,226,228</u>

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

	Laminates HK\$'000	PCBs HK\$'000	Chemicals HK\$'000	Properties HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2010 (Restated)							
Segment revenue							
External sales	5,283,197	4,538,290	6,208,530	58,249	371,705	-	16,459,971
Inter-segment sales	<u>1,570,565</u>	<u>-</u>	<u>369,393</u>	<u>-</u>	<u>6,459</u>	<u>(1,946,417)</u>	<u>-</u>
Total	<u>6,853,762</u>	<u>4,538,290</u>	<u>6,577,923</u>	<u>58,249</u>	<u>378,164</u>	<u>(1,946,417)</u>	<u>16,459,971</u>
Result							
Segment result	<u>1,545,559</u>	<u>492,703</u>	<u>498,479</u>	<u>33,103</u>	<u>20,213</u>		2,590,057
Unallocated corporate income							44,848
Unallocated corporate expenses							(113,740)
Finance costs							(87,999)
Share of results of associates							90,779
Share of results of jointly controlled entities							<u>(2,765)</u>
Profit before taxation							2,521,180
Income tax expense							<u>(200,330)</u>
Profit for the period							<u>2,320,850</u>

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

4. Depreciation

During the reporting period, depreciation of approximately HK\$1,065.9 million (1 January 2010 to 30 June 2010: HK\$1,023.3 million) was charged in respect of the Group's properties, plant and equipment.

5. Other income

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Other income comprises:		
Dividends from available-for-sale investments	38,601	11,540
Gain on disposal of available-for-sale investments	4,551	46,771
Gain on fair value changes of investment properties	26,915	–
Interest income	24,438	14,665
Others	47,512	16,231
	<u>142,017</u>	<u>89,207</u>

6. Income tax expense

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	7,088	4,103
Taxation arising in other jurisdictions	248,875	189,588
	<u>255,963</u>	<u>193,691</u>
Deferred taxation		
Charge for the period	8,892	6,639
	<u>264,855</u>	<u>200,330</u>

Hong Kong Profits Tax is calculated at 16.5% (2010: 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 2011 of HK40 cents (2010: HK50 cents) per share to the shareholders whose names appear on the register of members of the Company on Monday, 19 September 2011. The dividend warrants will be dispatched on or around Friday, 23 September 2011.

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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>1,814,339</u>	<u>1,780,371</u>
	Number of shares	
	30 June	30 June
	2011	2010
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	852,566,187	844,739,534
Add: Effect of dilutive potential ordinary shares relating to:		
– outstanding share options issued by the Company	1,762,901	8,177,686
– outstanding warrants issued by the Company	<u>4,243,159</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>858,572,247</u>	<u>852,917,220</u>

9. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$1,143 million (1 January 2010 to 30 June 2010: HK\$780 million) on acquisition of properties, plant and equipment.

10. Trade and other receivables and prepayments and bills receivables

	30 June 2011 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2010 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	6,056,310	5,159,244
Advance to suppliers	1,025,524	947,077
Other receivables and prepayments	<u>2,331,642</u>	<u>1,852,190</u>
	<u><u>9,413,476</u></u>	<u><u>7,958,511</u></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 2011 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2010 <i>HK\$'000</i> <i>(Audited)</i>
0 – 90 days	4,891,214	4,190,710
91 – 180 days	1,108,451	907,357
Over 180 days	<u>56,645</u>	<u>61,177</u>
	<u><u>6,056,310</u></u>	<u><u>5,159,244</u></u>

Included in trade receivables are receivables for sales to a substantial shareholder of the Company of approximately HK\$203,623,000 (31.12.2010: HK\$19,008,000).

All bills receivables of the Group are aged within 90 days at the end of the 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 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0 – 90 days	1,688,713	1,658,076
91 – 180 days	343,432	347,702
Over 180 days	232,981	191,247
	<hr/>	<hr/>
	<u>2,265,126</u>	<u>2,197,025</u>

Included in trade payables are payables for purchases from a substantial shareholder of the Company of approximately HK\$108,753,000 (31.12.2010: HK\$34,485,000).

All bills payables of the Group are aged within 90 days at the end of the 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 (the "2002 Scheme") on 2 July 2002 for the duration of 10 years. In view of the 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 28,000,000 share options granted under the Scheme since its adoption. At 30 June 2011, the number of shares in respect of which options had been granted and remained outstanding was 28,000,000 (31 December 2010: 4,474,000), representing 3.28% (31 December 2010: 0.53%) of the shares of the Company in issue on that date.

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

	Number of share options outstanding as at 31 December 2010	Granted during the period	Exercised during the period	Number of share options outstanding as at 30 June 2011	Option grant date	Exercise period	Exercise price HK\$
Directors							
Cheung Kwok Wing (Executive Director)	-	2,800,000	-	2,800,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Chang Wing Yiu (Executive Director)	484,800	-	(484,800)	-	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	-	2,600,000	-	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Cheung Kwong Kwan (Executive Director)	359,600	-	(359,600)	-	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	-	2,600,000	-	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Ho Yin Sang (Executive Director)	603,600	-	(603,600)	-	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	-	2,600,000	-	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Mok Cham Hung, Chadwick (Executive Director)	-	2,600,000	-	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Cheung Wai Lin, Stephanie (Executive Director)	-	2,600,000	-	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Chan Wing Kwan (Non-executive Director)	591,600	-	(591,600)	-	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
Sub-total	<u>2,039,600</u>	<u>15,800,000</u>	<u>(2,039,600)</u>	<u>15,800,000</u>			
Employees							
	2,434,400	-	(2,434,400)	-	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	-	12,200,000	-	12,200,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 (Note 1)	40.7
Sub-total	<u>2,434,400</u>	<u>12,200,000</u>	<u>(2,434,400)</u>	<u>12,200,000</u>			
Total	<u>4,474,000</u>	<u>28,000,000</u> (Note 2)	<u>(4,474,000)</u> (Note 3)	<u>28,000,000</u>			

Notes:

1. These share options are exercisable only from the date of grant until 22 March 2019 with the maximum number of shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of shares subject to the share options from 21 March 2011 to 22 March 2019 ("Lot 1"); (b) additional 25% of the total number of shares subject to the share options from 21 March 2012 to 22 March 2019 ("Lot 2"); (c) additional 25% of the total number of shares subject to the share options from 21 March 2013 to 22 March 2019 ("Lot 3"); and (d) remaining 25% of the total number of shares subject to the share options from 21 March 2014 to 22 March 2019 ("Lot 4").
2. The closing price of the Company's shares quoted on the Stock Exchange immediately before the granting date is HK\$39.55.
3. The weighted average closing price of the Company's shares quoted on the Stock Exchange immediately before the various exercise dates is HK\$42.20.

The estimated fair value of the share options granted during the period under the Scheme as at the date of grant was HK\$242,535,149, which was calculated using the Black-Scholes option pricing model with the following parameters and assumptions:

	Lot 1	Lot 2	Lot 3	Lot 4
Stock price (HK\$)	40.680	40.680	40.680	40.680
Exercise price (HK\$)	40.700	40.700	40.700	40.700
Risk free rate (%)	1.459	1.623	1.785	1.918
Expected option period (years)	4.004	4.505	5.005	5.505
Expected volatility (%)	33.028	33.028	33.028	33.028
Expected dividend yield (%)	<u>3.200</u>	<u>3.625</u>	<u>3.250</u>	<u>3.593</u>

Risk free rate was based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority. The expected option period was determined with reference to the scheme and information provided by the Company. The expected volatility was determined by applying the 1-year historical volatility of the Company as input for option pricing model as extracted from Bloomberg. Expected dividend yield was based on dividend payout of the Company estimated by Bloomberg.

The estimated fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

The Group recognised the total expense of approximately HK\$30,317,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$nil) in relation to the share options granted by the Company.

(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 the EEIC Group, 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 at a 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 (if any) 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 option 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:

	Number of share options outstanding as at 31 December 2010	Exercised during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2011	Option grant date	Exercise period	Exercise price US\$
Employees	316,100	(163,400)	(3,500)	149,200	12 Dec 2006	13 Nov 2008 to 12 Nov 2011 <i>(Note 1)</i>	2.4
Total	316,100	(163,400) <i>(Note 2)</i>	(3,500)	149,200			

Notes:

- 1,020,000 share options were accepted by full-time employees of the EEIC Group on 12 December 2006, which would entitle the relevant employees to subscribe for shares in EEIC at a subscription price of US\$2.40 per share. The share options are exercisable in whole or in part at the staggered manner within four 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 weighted average closing price of the EEIC's shares quoted on the Singapore Stock Exchange Securities Trading Limited on the five trading dates immediately before the various exercise dates during the period is US\$3.32.

The Group recognised the total expense of approximately HK\$7,800 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$148,200) 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.

Details of the share options granted by KLHL pursuant to the KLHL Scheme and the share options outstanding as at 30 June 2011 were as follows:


	Number of share options outstanding as at 31 December 2010	Granted during the period	Number of share options outstanding as at 30 June 2011	Option grant date	Exercise period	Exercise price HK\$
Directors and employees of KLHL	–	100,000,000	100,000,000	21 Mar 2011	21 Mar 2011 to 17 May 2017 (Note 1)	6.54
Total	–	100,000,000 (Note 2)	100,000,000			

Notes:

- These share options are exercisable only from the date of grant until 17 May 2017 with the maximum number of shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of shares subject to the share options from 21 March 2011 to 17 May 2017 ("KLHL Lot 1"); (b) additional 25% of the total number of shares subject to the share options from 21 March 2012 to 17 May 2017 ("KLHL Lot 2"); (c) additional 25% of the total number of shares subject to the share options from 21 March 2013 to 17 May 2017 ("KLHL Lot 3"); and (d) remaining 25% of the total number of shares subject to the share options from 21 March 2014 to 17 May 2017 ("KLHL Lot 4").
- The closing price of KLHL's shares quoted on the Stock Exchange immediately before the granting date is HK\$6.30.

The estimated fair value of the share options granted during the period under the KLHL Scheme as at the date of grant was HK\$104,092,742, which was calculated using the Black-Scholes option pricing model with the following parameters and assumptions:

	KLHL Lot 1	KLHL Lot 2	KLHL Lot 3	KLHL Lot 4
Stock price (HK\$)	6.460	6.460	6.460	6.460
Exercise price (HK\$)	6.540	6.540	6.540	6.540
Risk free rate (%)	1.072	1.283	1.485	1.648
Expected option period (years)	3.081	3.582	4.082	4.582
Expected volatility (%)	34.417	34.417	34.417	34.417
Expected dividend yield (%)	6.529	6.423	5.613	6.374



Risk free rate was based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority. The expected option period was determined with reference to the KLHL Scheme and information provided by KLHL. The expected volatility was determined by applying the 1-year historical volatility of KLHL as input for option pricing model as extracted from Bloomberg. Expected dividend yield was based on dividend payout of KLHL estimated by Bloomberg.

The estimated fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

The Group recognised the total expense of approximately HK\$13,012,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$Nil) in relation to the share options granted by KLHL.

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 approximately HK\$3,378,956,000.

The fair value of equity component of the Warrants was amounted to HK\$675,791,000 based on the quoted price of the Warrants as at the first day of their trading on the Stock Exchange and the amount was transferred from retained profits to warrant reserve as a bonus issue of warrants.

During the six months ended 30 June 2011, 695,542 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 approximately HK\$3,347,607,000 in subscription monies and the issue of 83,690,186 new shares of the Company.

14. Commitments

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
– acquisition of properties, plant and equipment	949,514	708,533
– acquisition of properties	541,611	503,344
– capital injection in an unlisted investment	18,917	18,917
	<u>1,510,042</u>	<u>1,230,794</u>

15. Related party transactions

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

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Sales of goods to a minority shareholder of a subsidiary	56,589	177,938
Purchase of goods from a minority shareholder of a subsidiary	–	19,665
Purchase of goods from an associate	114,503	146,297
Sales of goods to a substantial shareholder of the Company	337,289	58,080
Purchase of goods from a substantial shareholder of the Company	273,316	166,634

Included in trade and other receivables and prepayments as at 30 June 2011 was an amount due from a minority shareholder of a subsidiary of approximately HK\$18,383,000 (31.12.2010: HK\$17,523,000) and an amount due from a substantial shareholder of the Company of approximately HK\$203,623,000 (31.12.2010: HK\$19,008,000).

Included in trade and other payables as at 30 June 2011 was an amount due to an associate of approximately HK\$19,803,000 (31.12.2010: HK\$11,502,000) and an amount due to a substantial shareholder of the Company of approximately HK\$108,753,000 (31.12.2010: HK\$34,485,000).

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 for the six months ended 30 June 2011 ("1H 2011"). The business operating environment remained challenging for the Group during the reporting period. As a result of disruption to the electronics supply chain caused by the earthquake in Japan in the second quarter of 2011 ("Q2 2011"), the performance of both laminate and printed circuit board ("PCB") divisions were negatively impacted. Meanwhile, driven by favourable chemical prices and robust demand for chemical products in China, our chemical projects generated remarkable returns to the Group. Thus, the contribution of earnings before interest, tax, depreciation and amortisation ("EBITDA") of the chemical division surged to 42% of Group EBITDA (first half of 2010 ("1H 2010"): 25%). In addition, our investment properties continued to bring in stable rental income for the Group. Group revenue was up 15% to HK\$18,953.9 million. EBITDA increased 2% to HK\$3,713.4 million and net profit rose by 2% to HK\$1,814.3 million.

Elec & Eltek International Company Limited, a subsidiary which has been listed on the main board of the Singapore Exchange, successfully achieved dual primary listing status by introduction to the main board of the Hong Kong Stock Exchange on 8 July 2011. This sets another important milestone in the long term development of our PCB division. Leveraging on a broader investors base in these two key stock exchanges in Asia region, the Group can have access to capital market with strong financial flexibility.

During the period under review, the Group had the honour to be named by Forbes Magazine as one of the Global 2000 leading companies for the second consecutive year. This clearly underscores the accomplishments of our management with strong leadership in building and managing a successful business portfolio with diversified income streams. To reward our shareholders, the Board resolved to declare an interim dividend of HK40 cents per share.

Financial Highlights

	Six months ended 30 June		Change
	2011 HK\$'million	2010 HK\$'million	
Revenue	18,953.9	16,460.0	+15%
EBITDA	3,713.4	3,632.5	+2%
Profit before tax	2,491.1	2,521.2	-1%
Net profit attributable to owners of the Company	1,814.3	1,780.4	+2%
Basic earnings per share	HK\$2.128	HK\$2.108	+1%
Interim dividend per share	HK40.0 cents	HK50.0 cents	-20%
Dividend payout ratio	19%	24%	
Net asset value per share	HK\$32.6	HK\$27.3	+19%
Net gearing ratio	33%	23%	




Performance

In the first quarter of 2011 (“Q1 2011”), demand for laminate products rebounded from the levels seen in the last quarter of 2010. Average selling price (“ASP”) for laminate products, especially glass epoxy laminates, showed an uptrend in Q1 2011 due to higher copper price compared with Q1 2010. In Q2 2011, the global electronics supply chain was impacted badly by the unprecedented earthquake in Japan. Shortage of certain key electronics components caused across-the-board inventory adjustments by our end-customers which in turn dampened the demand for laminates. The consequent lower utilisation rate of our production facilities compared with the corresponding period last year, coupled with raw material and operating cost increases, squeezed the division’s margins. Overall laminate shipment volume was down 8%, with an average monthly shipment of 8.8 million square metres. However, despite signs of slowdown in the global economy, the China domestic market remained buoyant. Laminate division strategically expanded its business presence in China, and Renminbi (“RMB”) revenue contribution jumped to 42% in the current period from 39% last year. Overall laminate division revenue (including inter-segment sales) was HK\$7,168.9 million, with EBITDA at HK\$1,487.5 million.

Similar to the laminate division, performance of the PCB division was also affected by weaker demand for PCB products especially conventional PCBs due to the disruption of the electronics supply chain in Q2 2011. Nevertheless, underpinned by stringent cost control initiatives and ongoing product mix upgrade, the Group was able to mitigate cost pressure from labour and raw material cost increases as well as RMB appreciation. Demand for high density interconnects (“HDI”) PCBs remained strong, driven by a surge in the production of high-end electronics products, such as smartphones. The Group focused on expanding HDI business with support from the two dedicated HDI plants in Kaiping, Guangdong province and Kunshan, Jiangsu province, which enabled the division to seize the thriving HDI market opportunity. HDI PCB turnover contribution surged to 16% of PCB sales in 1H 2011 from 10% in 1H 2010. Turnover of the PCB division reached HK\$4,021.6 million while EBITDA was HK\$621.7 million.

Chemical division posted remarkable results, with increases in chemicals shipment volume and ASP against the same period last year. Boosted by robust demand and the strong ASP for phenol/acetone in 1H 2011, our phenol/acetone plant in Huizhou, Guangdong province, generated impressive earnings for the Group. Other chemical projects, including chemical refinery plant in Yangzhou, Jiangsu province, caustic soda plant in Hengyang, Hunan province, and coke/methanol plant in Xingtai, Hebei province, also delivered excellent performance. Fueled by improved ASP for acetic acid against the corresponding period last year, the acetic acid plant in Hebei turned around to generate a profit during the current period. As a result, chemical division revenue soared 38% to HK\$9,078.4 million with EBITDA up 73% to HK\$1,442.9 million in 1H 2011. Share of associates results (the bulk of which was contributed by our natural gas based methanol plant joint venture with China BlueChemical Limited) increased by 38% to HK\$125.0 million as a result of higher methanol price in 1H 2011.



The Group's key investment properties in eastern and southern China continued to generate stable rental income. Shanghai Kingboard Modern Plaza and Guangzhou Zhan Wang Digital Plaza have consistently made a steady earnings contribution. Renovation of Guangzhou Dong Zhao Building was completed in March of this year. Leasing activities of this building have commenced with the occupancy rate recently reaching 50% of lettable area. Rental income from the properties division jumped 72% to HK\$100.3 million in 1H 2011. As at 30 June 2011, the Group held a land bank of over 3 million square metres of gross floor area located at prime sites in major cities such as Guangzhou, Shanghai and Kunshan in China.


LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be solid. As at 30 June 2011, net current assets and current ratio of the Group were approximately HK\$15,581.5 million (31 December 2010 – HK\$11,274.2 million) and 2.23 (31 December 2010 – 1.90) respectively.

The net working capital cycle increased from 65 days as at 31 December 2010 to 78 days as at 30 June 2011 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 58 days (31 December 2010 – 55 days).
- Trade receivables, in terms of debtors turnover days, increased to 58 days (31 December 2010 – 56 days).
- Trade and bills payable, in terms of creditors turnover days, reduced to 38 days (31 December 2010 – 46 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 33% (31 December 2010 : 23%). The proportion of bank borrowings between short term and long term stood at 31%:69% (31 December 2010 : 43%:57%). During the period under review, the Group invested around HK\$1,143.3 million and HK\$2,719.0 million in new production capacity and properties development projects respectively. As at 30 June 2011, the Group had cash on hand and committed and undrawn banking facilities of HK\$4.8 billion and HK\$2.3 billion respectively. Hence, with a robust balance sheet coupled with strong liquidity, the Group is well equipped to ride through any challenges and capture growth opportunities in the market place.



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 2011, outstanding notional amount of interest rate swap agreements stood at HK\$1.7 billion with a weighted average duration and interest rate of 0.52 year and 3.06% respectively. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into any other material derivative financial instruments throughout the first six months of 2011. There was no material foreign exchange rate exposure to the Group during the period under review. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirement of operating expenses.

HUMAN RESOURCES

As at 30 June 2011, the Group had a global workforce of approximately 49,300 (31 December 2010 – 47,300). The increase in headcount was in line with the expanded business activities. In addition to offering a competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and individual performance.

PROSPECTS

Looking ahead to the second half of 2011 ("2H 2011"), the outlook for the global economy remains uncertain owing to concerns about the ongoing eurozone debt crisis and a slowdown in the US economy. Benefitting from solid business fundamentals and a seasoned management team, the Group is confident that it can face any headwinds that may occur. Meanwhile, with continued accelerating urbanisation and industrialisation in the PRC, demand for electronics and chemical products is expected to maintain a positive growth momentum. Our well diversified business portfolio has always effectively mitigated risk exposure for the Group during different economic cycles, and we will continue to invest in our core businesses so as to deliver attractive returns for our shareholders in future.

With regard to the laminate division, the Group will focus on expanding the domestic market business in China to gain additional market share. Laminates order book and ASP have shown an uptrend at the beginning of the third quarter of 2011. New monthly capacities of 400,000 sheets of composite epoxy material ("CEM") and glass epoxy laminates from our plant in Jiangyin, Jiangsu province already went into mass production in Q2 2011. Additional monthly capacities of 400,000 sheets of CEM and glass epoxy laminates are expected to commence trial production early next year. Meanwhile, the Group also plans to increase its capacity of high performance laminates at its Jiangmen plant in Guangdong province in order to meet buoyant laminate demand for multilayer and HDI PCBs. Furthermore, plans for a new glass fabric and glass yarn plants in Changzhou, Jiangsu province, are also underway. Trial production schedule will be fixed in due course in accordance with market demand.



High-end communication devices and high technology electronics products are set to become the next major growth driver in the market. The Group will therefore continue to expand HDI PCB capacity to meet customer demand. Two dedicated HDI plants in Kaiping and Kunshan will progressively ramp up HDI capacity in line with the Group's strategy. In addition, phase I of the new PCB base in Yangzhou, Jiangsu province, is expected to start trial production by end of this year.

In order to increase our market share in the domestic chemical market, the Group will allocate more resources to the chemical division. The new Yangzhou phenol/acetone plant is expected to commence trial production by the end of 2011, with an annual capacity of 300,000 tonnes. Resource sharing with the Yangzhou chemical refinery plant at the same site will help to secure the supply of feedstock for the phenol/acetone plant. This project is expected to become another strong growth impetus for the chemical division next year. Meanwhile, our capacity enhancement plan for the existing phenol/acetone plant in Huizhou is currently in the pipeline so as to further improve operating efficiency.

Earnings in connection with the Group's first residential development project – Shanghai Yu Garden in Kunshan will be recognized in 2H 2011. In addition, pre-sale for another residential project – Kunshan Qiandeng Yu Garden is also expected to commence in 2H 2011. With this new income stream, the properties division is expected to generate stable and attractive returns for the Group.

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 of the Company will be closed from Thursday, 15 September 2011 to Monday, 19 September 2011 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 14 September 2011.

Registered holders of the Company's 2012 warrants who wish to exercise their subscription rights attached to their warrants in order to qualify for receiving the interim dividend should complete and sign the subscription form and lodge them with the relevant warrant certificates and the appropriate subscription money with Tricor Secretaries Limited at the above address not later than 4:00 p.m. on Wednesday, 14 September 2011.

DIRECTORS' INTERESTS

At 30 June 2011, the interests of the Directors, chief executive and their respective 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")), which (1) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position they were taken or deemed to have under such provisions of the SFO); (2) were recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (3) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Long position

(a) Ordinary shares of HK\$0.10 each of the Company (the "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	3,269,675	0.38
Mr. Chan Wing Kwan (Note 1)	Beneficial owner	1,655,250	0.19
Mr. Cheung Kwong Kwan	Beneficial owner	1,968,200	0.23
Mr. Chang Wing Yiu (Note 2)	Beneficial owner	4,115,274	0.48
Mr. Ho Yin Sang (Note 3)	Beneficial owner	3,767,729	0.44
Mr. Mok Cham Hung, Chadwick (Note 4)	Beneficial owner	2,940,000	0.34
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	210,000	0.02

Notes:

- (1) Out of the 1,655,250 Shares, 1,595,250 Shares were held by Mr. Chan Wing Kwan and 60,000 Shares were held by his spouse.
- (2) Out of the 4,115,274 Shares, 3,397,074 Shares were held by Mr. Chang Wing Yiu and 718,200 Shares were held by his spouse.
- (3) Out of the 3,767,729 Shares, 2,485,229 Shares were held by Mr. Ho Yin Sang and 1,282,500 Shares were held by his spouse.
- (4) Out of the 2,940,000 Shares, 2,830,000 Shares were held by Mr Mok Cham Hung, Chadwick and 110,000 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 under the 2009 Scheme
Mr. Cheung Kwok Wing	Beneficial owner	2,800,000
Mr. Chang Wing Yiu	Beneficial owner	2,600,000
Mr. Ho Yin Sang (<i>Note</i>)	Beneficial owner	5,040,000
Mr. Cheung Kwong Kwan	Beneficial owner	2,600,000
Mr. Mok Cham Hung, Chadwick	Beneficial owner	2,600,000
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	2,600,000

Note: Out of the 5,040,000 Share Options, 2,600,000 Share Options were held by Mr. Ho Yin Sang and 2,440,000 Share Options were held by his spouse.

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

Name of Director	Capacity	Interest in underlying Shares pursuant to the Warrants
Mr. Cheung Kwok Wing	Beneficial owner	165,222
Mr. Chan Wing Kwan (<i>Note 1</i>)	Beneficial owner	78,025
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 (<i>Note 4</i>)	Beneficial owner	182,000

Notes:

- (1) Out of the 78,025 Warrants, 72,025 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.
- (4) Out of the 182,000 Warrants, 181,000 Warrants were held by Mr. Mok Cham Hung, Chadwick and 1,000 Warrants were held by his spouse.

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

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	253,500	0.008
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	0.018
Mr. Mok Cham Hung, Chadwick (Note 4)	Beneficial owner	60,000	0.002

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.
- (4) The 60,000 KLHL Shares were held by the spouse of Mr. Mok Cham Hung, Chadwick.

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

Name of Director	Capacity	Interest in underlying shares pursuant to KLHL Share Options
Mr. Ho Yin Sang (Note 1)	Beneficial owner	9,000,000
Mr. Mok Cham Hung, Chadwick (Note 2)	Beneficial owner	10,000,000

Notes:

- (1) The 9,000,000 KLHL Shares Options were held by the spouse of Mr. Ho Yin Sang.
- (2) The 10,000,000 KLHL Shares Options were held by the spouse of Mr. Mok Cham Hung, Chadwick.

- (f) *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.

- (g) *Ordinary shares in the share capital of EEIC ("EEIC Shares"), 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	1,448,200	0.78
Mr. Chan Wing Kwan (Note)	Beneficial owner	1,018,600	0.55
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.26
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,120,200	0.60
Mr. Ho Yin Sang	Beneficial owner	486,600	0.26

Note: Out of the 1,018,600 EEIC Shares, 978,600 EEIC Shares were held by Mr. Chan Wing Kwan and 40,000 EEIC Shares were held by his spouse.

- (h) *Ordinary shares of US\$0.10 each ("KCFH Shares") 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 (Note)	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, chief executive nor their respective 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 2011 which (1) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position they were taken or deemed to have under such provisions of SFO); (2) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (3) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Directors or chief executive of the Company, as at 30 June 2011, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Long position

The Shares

Name of shareholder	Nature of interest	Interest in underlying Shares pursuant to the Warrants	Number of Shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("Hallgain") <i>(Note)</i>	Beneficial owner	25,969,292	266,485,579	31.18
Capital Research and Management Company	Investment manager	–	85,351,244	9.99
FMR LLC	Investment manager	–	50,755,000	5.94
Value Partners Limited	Investment manager	–	42,970,500	5.03

Note: As at 30 June 2011: (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 had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2011 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2011, 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 period ended 30 June 2011.

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 2011, save for the deviation that the non-executive Director and 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 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 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 the Model Code for Securities Transactions by Directors of Listed Issuers as 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 2011.

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

Hong Kong, 29 August 2011



Board of Directors:

Executive Directors

Mr. Cheung Kwok Wing (*Chairman*)

Mr. Cheung Kwong Kwan

Mr. Chang Wing Yiu

Mr. Ho Yin Sang

Ms. Cheung Wai Lin, Stephanie

Mr. Mok Cham Hung, Chadwick

Mr. Chen Maosheng

Non-executive Directors

Mr. Chan Wing Kwan

Independent non-executive Directors

Mr. Cheng Wai Chee, Christopher

Mr. Henry Tan

Mr. Lai Chung Wing, Robert

Mr. Tse Kam Hung