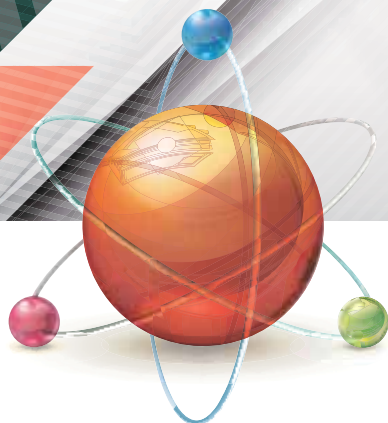


KB 建滔化工集團

KINGBOARD CHEMICAL HOLDINGS LIMITED

Stock Code: 148



2014
INTERIM REPORT

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	17,558,011	17,080,942
Cost of sales and services rendered		(15,208,948)	(14,663,968)
Gross profit		2,349,063	2,416,974
Other income	5	276,895	184,449
Distribution costs		(485,765)	(463,898)
Administrative expenses		(795,706)	(731,354)
Gain on fair value changes of investment properties		628,894	—
Gain on disposal of available-for-sale investments		27,679	23,892
Share-based payments		(7,397)	(27,743)
Finance costs	6	(224,298)	(219,722)
Share of results of associates		108,385	80,506
Profit before taxation		1,877,750	1,263,104
Income tax expense	7	(314,157)	(179,291)
Profit for the period		1,563,593	1,083,813
Profit for the period attributable to:			
Owners of the Company		1,409,293	933,309
Non-controlling interests		154,300	150,504
		1,563,593	1,083,813
		HK\$ (Unaudited)	HK\$ (Unaudited)
Earnings per share	9		
Basic and diluted		1.374	0.910

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit for the period	<u>1,563,593</u>	<u>1,083,813</u>
Other comprehensive (expense) income for the period:		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(381,898)	398,876
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	(67,325)	(62,529)
Reclassification adjustment relating to disposal of available-for-sale investments	(27,679)	(23,892)
Translation reserve:		
Exchange differences arising from translation of foreign operations	<u>1,123</u>	<u>4,407</u>
Other comprehensive (expense) income for the period (net of tax)	<u>(475,779)</u>	<u>316,862</u>
Total comprehensive income for the period	<u><u>1,087,814</u></u>	<u><u>1,400,675</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	974,205	1,217,468
Non-controlling interests	<u>113,609</u>	<u>183,207</u>
	<u><u>1,087,814</u></u>	<u><u>1,400,675</u></u>

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets			
Investment properties		9,496,299	7,700,029
Properties, plant and equipment	10	17,751,900	18,201,741
Prepaid lease payments		981,004	1,018,926
Other non-current assets		727,927	734,889
Goodwill		2,288,149	2,288,149
Interests in associates		549,519	677,650
Available-for-sale investments		4,460,905	4,250,508
Entrusted loans	11	1,486,264	1,405,331
Non-current deposits		527,987	505,609
Deferred tax assets		5,198	4,750
		38,275,152	36,787,582
Current assets			
Inventories		2,966,163	3,145,193
Properties held for development		16,332,457	17,387,531
Trade and other receivables and prepayments	11	9,554,734	8,799,141
Bills receivables	11	2,426,183	2,302,770
Prepaid lease payments		27,952	28,135
Taxation recoverable		53,839	46,649
Bank balances and cash		4,616,800	6,363,240
		35,978,128	38,072,659
Current liabilities			
Trade and other payables	12	4,852,268	4,623,108
Bills payables	12	562,981	715,412
Deposits received from pre-sale of residential units		4,138,391	3,857,305
Taxation payable		514,893	603,661
Bank borrowings		8,350,645	7,172,390
		18,419,178	16,971,876
Net current assets		17,558,950	21,100,783
Total assets less current liabilities		55,834,102	57,888,365

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	671,233	521,196
Bank borrowings	13,967,518	16,507,210
	14,638,751	17,028,406
	41,195,351	40,859,959
Capital and reserves		
Share capital	102,560	102,560
Share premium and reserves	34,848,993	34,055,683
Equity attributable to owners of the Company	34,951,553	34,158,243
Non-controlling interests	6,243,798	6,701,716
Total equity	41,195,351	40,859,959

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company													Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Capital options reserve HK\$'000	Share reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 January 2014	102,560	4,457,742	1,911	273,786	1,028,560	10,594	391,560	28,480	202,163	3,891,621	23,769,246	34,158,243	6,701,716	40,859,959	
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,409,293	1,409,293	154,300	1,563,593	
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	(67,150)	-	-	(67,150)	(175)	(67,325)	
Investment revaluation reserve released on disposal	-	-	-	-	-	-	-	-	(27,679)	-	-	(27,679)	-	(27,679)	
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	1,123	-	1,123	-	1,123	
Exchange differences arising from translation to presentation currency	-	-	-	-	-	-	-	-	-	(341,382)	-	(341,382)	(40,516)	(381,898)	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(94,829)	(340,259)	1,409,293	974,205	113,609	1,087,814	
Recognition of equity-settled share-based payments	-	-	-	5,268	-	-	-	-	-	-	-	5,268	2,129	7,397	
Final dividend for the year ended 31 December 2013	-	-	-	-	-	-	-	-	-	-	(205,119)	(205,119)	-	(205,119)	
Acquisition of additional interests in subsidiaries	-	-	-	-	18,956	-	-	-	-	-	-	18,956	(61,442)	(42,486)	
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(512,214)	(512,214)	
Transfers	-	-	-	-	-	-	23,818	-	-	-	(23,818)	-	-	-	
	-	-	-	5,268	18,956	-	23,818	-	-	-	(228,937)	(180,895)	(571,527)	(752,422)	
Balance at 30 June 2014	102,560	4,457,742	1,911	279,054	1,047,536	10,594	415,378	28,480	107,334	3,551,382	24,949,602	34,951,553	6,243,798	41,195,351	

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Share reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2013	85,467	4,474,835	1,911	241,946	920,326	10,594	337,080	23,338	(13,431)	3,034,612	21,528,957	30,645,635	5,503,511	36,149,146	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	933,309	933,309	150,504	1,083,813
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	(40,753)	-	-	-	(40,753)	(21,776)	(62,529)
Investment revaluation reserve released on disposal	-	-	-	-	-	-	-	-	(23,892)	-	-	-	(23,892)	-	(23,892)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	-	4,407	-	4,407	-	4,407
Exchange differences arising from translation to presentation currency	-	-	-	-	-	-	-	-	-	-	344,397	-	344,397	54,479	398,876
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(64,645)	348,804	933,309	1,217,468	183,207	1,400,675	
Issue of new shares from bonus issue	17,093	(17,093)	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	19,724	-	-	-	-	-	-	-	-	19,724	8,019	27,743
Final dividend for the year ended 31 December 2012	-	-	-	-	-	-	-	-	-	-	(358,960)	(358,960)	-	-	(358,960)
Reserves released upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(6,007)	6,007	-	-	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-	3,658	-	-	-	-	-	-	-	3,658	(20,287)	(16,629)
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(149,000)	(149,000)
Transfers	-	-	-	-	-	-	-	10,320	-	-	-	(10,320)	-	-	-
	17,093	(17,093)	-	19,724	3,658	-	10,320	-	-	(6,007)	(363,273)	(335,578)	(161,268)	(496,846)	
Balance at 30 June 2013	102,560	4,457,742	1,911	261,670	923,984	10,594	347,400	23,338	(78,076)	3,377,409	22,098,993	31,527,525	5,525,450	37,052,975	

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	1,338,402	(1,758,282)
Net cash used in investing activities	(978,042)	(2,008,226)
Net cash (used in) from financing activities	(2,106,800)	4,277,881
Net (decrease) increase in cash and cash equivalents	(1,746,440)	511,373
Cash and cash equivalents at the beginning of the period	6,363,240	3,914,991
Cash and cash equivalents at the end of the period, representing bank balances and cash	4,616,800	4,426,364

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are mandatorily effective for the current interim period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC*) – INT 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the above new Interpretation and amendments to 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.

3. Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. Specifically, the Group's operating segments under HKFRS 8 are as follows:

Laminates	–	manufacture and sale of laminates
Printed circuit boards ("PCBs")	–	manufacture and sale of PCBs
Chemicals	–	manufacture and sale of chemicals
Properties	–	property developments and investments
Others	–	including service incomes, manufacture and sale of liquid crystal displays and magnetic products

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 CODM 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, gain on disposal of available-for-sale investments, income tax expense, finance costs, share-based payments, unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2014							
Segment revenue							
External sales	5,506,363	3,578,532	6,371,492	1,801,115	300,509	-	17,558,011
Inter-segment sales	1,036,957	-	358,914	-	1,064	(1,396,935)	-
Total	<u>6,543,320</u>	<u>3,578,532</u>	<u>6,730,406</u>	<u>1,801,115</u>	<u>301,573</u>	<u>(1,396,935)</u>	<u>17,558,011</u>
Result							
Segment result	<u>743,344</u>	<u>49,730</u>	<u>230,781</u>	<u>955,156</u>	<u>11,047</u>		1,990,058
Gain on disposal of available-for-sale investments							27,679
Share-based payments							(7,397)
Unallocated corporate income							121,705
Unallocated corporate expenses							(138,382)
Finance costs							(224,298)
Share of results of associates							108,385
Profit before taxation							1,877,750
Income tax expense							(314,157)
Profit for the period							<u>1,563,593</u>

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

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Six months ended 30 June 2013							
Segment revenue							
External sales	5,346,872	3,430,835	7,748,536	252,998	301,701	–	17,080,942
Inter-segment sales	<u>1,085,292</u>	<u>–</u>	<u>322,801</u>	<u>–</u>	<u>2,365</u>	<u>(1,410,458)</u>	<u>–</u>
Total	<u><u>6,432,164</u></u>	<u><u>3,430,835</u></u>	<u><u>8,071,337</u></u>	<u><u>252,998</u></u>	<u><u>304,066</u></u>	<u><u>(1,410,458)</u></u>	<u><u>17,080,942</u></u>
Result							
Segment result	<u><u>719,418</u></u>	<u><u>145,021</u></u>	<u><u>396,953</u></u>	<u><u>169,176</u></u>	<u><u>11,040</u></u>		1,441,608
Gain on disposal of available-for-sale investments							23,892
Share-based payments							(27,743)
Unallocated corporate income							76,033
Unallocated corporate expenses							(111,470)
Finance costs							(219,722)
Share of results of associates							<u>80,506</u>
Profit before taxation							1,263,104
Income tax expense							<u>(179,291)</u>
Profit for the period							<u><u>1,083,813</u></u>

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

4. Depreciation

During the reporting period, depreciation of approximately HK\$1,153,700,000 (1 January 2013 to 30 June 2013: HK\$1,113,700,000) was charged in respect of the Group's properties, plant and equipment.

5. Other income

Other income comprises:

Dividends from available-for-sale investments
Interest income from available-for-sale investments
Interest income from bank balances

Six months ended 30 June

2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
49,430	60,766
143,902	82,092
64,251	32,274

6. Finance costs

Interest on bank borrowings wholly repayable within five years
Interest on bank borrowings not wholly repayable within five years

Less: Amount capitalised in the cost of qualifying assets

Six months ended 30 June

2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
222,856	217,650
6,978	7,495
229,834	225,145
(5,536)	(5,423)
224,298	219,722

Borrowing costs capitalised during the reporting period arose on the general borrowing pool and were calculated by applying a capitalisation rate of 1.1% for the period (1 January 2013 to 30 June 2013: 1.1%) per annum to expenditures on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	4,738	1,489
Taxation arising in other jurisdictions	151,125	176,751
	155,863	178,240
Deferred taxation		
Charge for the period	158,294	1,051
	314,157	179,291

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. The income tax provision in respect of operations in other jurisdictions is calculated at the applicable tax rates on the estimated assessable profits for the period based on the relevant jurisdictions.

8. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2014 of HK20 cents per share (1 January 2013 to 30 June 2013: interim and special dividend of HK10 cents and HK20 cents per share respectively) to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 11 September 2014. The dividend warrants will be dispatched on or around Friday, 19 September 2014.

9. Earnings per share

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	1,409,293	933,309

	Number of shares	
	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,025,600,236</u>	<u>1,025,600,236</u>

The calculation of diluted earnings per share for the six months ended 30 June 2014 and 2013 did not take into account the effects of share options of the Company and Kingboard Laminates Holdings Limited ("KLHL"), a listed subsidiary of the Group in Hong Kong, as the exercise prices of the outstanding share options were higher than the average market prices of the Company's and KLHL's shares during the six months ended 30 June 2014 and 2013.

10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$917 million (1 January 2013 to 30 June 2013: HK\$578 million) on acquisition of properties, plant and equipment.

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	5,814,197	5,763,394
Advance to suppliers	871,880	790,279
Deposits paid for acquisition of land use rights of development of properties held for sale (Note i)	928,902	237,586
Entrusted loans (Note ii)	1,569,553	1,486,277
Prepayment and deposits	792,097	644,736
Value added tax ("VAT") recoverables	696,005	797,875
Land appreciation tax on pre-sale properties	95,893	53,859
Amount due from a non-controlling shareholder of a subsidiary (Note iii)	–	237,125
Interest income receivables	90,422	45,498
Other receivables	182,049	147,843
	<u>11,040,998</u>	<u>10,204,472</u>
Less: Non-current portion of entrusted loans	<u>(1,486,264)</u>	<u>(1,405,331)</u>
	<u>9,554,734</u>	<u>8,799,141</u>

Notes:

- (i) The amount represents deposits paid for acquisition of land use rights in PRC which are to be acquired for the purpose of future development for sale.
- (ii) The entrusted loans of HK\$1,569,553,000 (equivalent to approximately RMB1,245,833,000) (31 December 2013: HK\$1,486,277,000, equivalent to approximately RMB1,158,555,000) are due from certain purchasers of the Group's properties in the PRC through four (31 December 2013: three) commercial banks in the PRC (the "Lending Agents"). The entrusted loans are interest bearing ranging from 4.595% to 7.50% (31 December 2013: 4.595% to 7.50%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2013: 2033). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan.
- (iii) The amount as at 31 December 2013 represented consideration receivables from a non-controlling shareholder of a subsidiary in relation to the capital injection of a property development project in PRC. The amount was fully settled during the period.

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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 90 days	4,486,325	4,332,227
91 – 180 days	1,239,784	1,358,850
Over 180 days	88,088	72,317
	<u>5,814,197</u>	<u>5,763,394</u>

All bills receivables of the Group are aged within 90 days (31 December 2013: 90 days) at the end of the reporting period.

12. Trade and other payables and bills payables

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade payables	2,724,226	2,726,572
Accrued expenses	612,411	595,178
Payables for acquisition of properties, plant and equipment	809,695	568,500
Receipt in advance	292,326	314,596
Other tax payables	134,218	161,408
VAT payables	124,690	127,133
Other payables	154,702	129,721
	4,852,268	4,623,108

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 90 days	2,057,762	2,083,147
91 – 180 days	456,014	466,563
Over 180 days	210,450	176,862
	2,724,226	2,726,572

All bills payables of the Group are aged within 90 days (31 December 2013: 90 days) at the end of the reporting period.

13. Share options

(a) Employees' share option scheme of the Company

The existing share option scheme of the Company (the "Scheme") was approved by shareholders of the Company at the extraordinary general meeting held on 23 March 2009.

Under the Scheme which is valid for a period of 10 years, the Board may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds any equity interests ("Invested Entity"), including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vi) any person or entity who from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 business days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of 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 adoption of the Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

In compliance with the terms of the Scheme adopted and under Rule 17.03(13) of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), the subscription price of the share options granted by the Company pursuant to the Scheme which remained outstanding (the "Outstanding Options") as at the date of completion of the bonus issue of the Company approved by the shareholders of the Company at the annual general meeting held on 6 May 2013 (the "Bonus Issue"), being 29 May 2013, and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the Outstanding Options were adjusted (the "Adjustments") in the manner set out below as a result of the implementation of the Bonus Issue, with effect from 29 May 2013.

Date of grant	Immediately before completion of the Bonus Issue		Immediately after completion of the Bonus Issue	
	Subscription price per share	Number of Outstanding Options	Adjusted subscription price per share	Adjusted number of Outstanding Options
	HK\$		HK\$	
21 March 2011	40.70	28,000,000	33.92	33,600,000

The Company's auditor, Deloitte Touche Tohmatsu, has issued a report of factual findings to the Directors that: (1) the computation of the Adjustments was mathematically accurate; and (2) the Adjustments were made according to the applicable formula set out in Rule 17.03(13) of the Listing Rules.

As at 30 June 2014, the number of shares of the Company in respect of which options had been granted and remained outstanding was 33,600,000 (31 December 2013: 33,600,000), representing 3.28% (31 December 2013: 3.28%) of the shares of the Company in issue on that date.

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

	Number of share options outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2014	Share options grant date	Exercise period	Exercise price HK\$
Executive Directors									
Cheung Kwok Wing	3,360,000	-	-	-	-	3,360,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Chang Wing Yiu	3,120,000	-	-	-	-	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Cheung Kwong Kwan	3,120,000	-	-	-	-	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Ho Yin Sang	3,120,000	-	-	-	-	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Mok Cham Hung, Chadwick	3,120,000	-	-	-	-	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Cheung Wai Lin, Stephanie	3,120,000	-	-	-	-	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Sub-total	<u>18,960,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,960,000</u>			
Employees	14,640,000	-	-	-	-	14,640,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Sub-total	<u>14,640,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,640,000</u>			
Total	<u><u>33,600,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>33,600,000</u></u>			

The Group recognised the total expense of approximately HK\$5,268,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$19,724,000) in relation to the share options granted by the Company.

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

The existing share option scheme of EEIC (the "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 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 EEIC Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in EEIC at a price, which shall be determined by the committee of directors of EEIC and which shall either be 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 a price 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 exercisable 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 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.

As at 30 June 2014, there was no share option granted under the EEIC Scheme since its adoption.

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

The existing 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 is 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.

An 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 and 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.

As at 30 June 2014, the total number of shares of KLHL in respect of which options had been granted and remained outstanding was 100,000,000 (31 December 2013: 100,000,000), representing approximately 3.33% (31 December 2013: 3.33%) of the issued share capital of KLHL on that date.

Details of the share options granted by KLHL pursuant to the KLHL Scheme and the share options outstanding as at 30 June 2014 were as follows:

	Number of share options outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2014	Share options 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	6.54
Total	<u>100,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000,000</u>			

The Group recognised the total expense of approximately HK\$2,129,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$8,019,000) in relation to the share options granted by KLHL.

14. Capital and other commitments

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of properties, plant and equipment	330,353	265,662
– capital injection in an unlisted investment	6,308	6,308
	<u>336,661</u>	<u>271,970</u>
Other expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition and other expenditures relating to properties held for development	1,636,954	1,661,550
	<u>1,636,954</u>	<u>1,661,550</u>

15. Related party transactions

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sales of goods to a non-controlling shareholder of a subsidiary	30,551	36,877
Purchase of goods from an associate	140,710	135,397
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	362,246	485,702
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	400,761	378,482

Included in trade and other receivables and prepayments as at 30 June 2014 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$12,741,000 (31 December 2013: HK\$19,083,000).

Included in trade and other receivables and prepayments as at 30 June 2014 was an amount due from an associate of approximately HK\$22,774,000 (31 December 2013: HK\$38,845,000).

16. Contingent liabilities

- (a) The Group provided guarantees amounting to approximately HK\$1,742,390,000 as at 30 June 2014 (31 December 2013: HK\$628,386,000) in respect of mortgage bank loans granted to purchasers of the Group's properties. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 2014.

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

- (b) During the year ended 31 December 2011, the Company and certain subsidiaries of the Company (the "Defendants") were named as a defendant in the Supreme Court of Bermuda in respect of an allegation that the affairs of Kingboard Copper Foil Holdings Limited ("KBCF") (KBCF is a subsidiary of the Group, which is listed on the Singapore Exchange Securities Trading Limited) had been and or were being conducted in a manner which was oppressive or unfairly prejudicial to the non-controlling shareholders of KBCF. The petitioner was seeking an order to the Defendants to repurchase all of the KBCF's shares held by the petitioner at the price to be fixed by a valuer or Supreme Court of Bermuda. As at 30 June 2014, the case has not yet reached the stage of drafting witness statements and is still at an early stage in the litigation. As a result, management and the lawyer of the Group are difficult to provide the estimates on the outcome of the case. Accordingly, no provision for liability has been made in connection with this claim.

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 resilient results for the six months ended 30 June 2014 ("1H 2014"). During the reporting period, the global economy continued to show progressive recovery with the US economy maintaining positive momentum and the Euro zone showing positive signs of recovery. Supported by the central government's stimulation policies to boost domestic demand in China, the growth momentum of the PRC economy continued at a steady pace. Against a backdrop of thriving sales in mobile phones and telecommunication/Internet-related products, revenue of both laminates and Printed Circuit Board ("PCB") divisions showed an uptrend from last year. As the Huizhou phenol/acetone plant suspended production for capacity enhancement in the current period, revenue of the chemical division was lower than in the same period last year. With regards to the property division, sales revenue of Qiandeng Kingboard Yu Garden Phase 1 project for units already taken up by buyers was recognized in the reporting period. The Group also saw much higher contract sales of our residential projects when compared against the first half of last year. Furthermore, the Group's investment properties maintained a stable contribution on steadily rising rental income.

Against the backdrop of a challenging operating environment over the past few years, our management team reacted promptly to market changes to tap new business opportunities. With dedicated support from our employees, all core business divisions delivered profitable results. Group revenue increased 3% to HK\$17,558.0 million. EBITDA (excluding non-recurring items) was HK\$2,644.9 million, with underlying net profit reaching HK\$944.5 million. To reward our shareholders, the Board resolved to declare an interim dividend of HK20 cents per share.

Financial Highlights

	Six months ended 30 June		Change
	2014 HK\$'million	2013 HK\$'million	
Revenue	17,558.0	17,080.9	+3%
EBITDA*	2,644.9	2,641.3	–
Net profit attributable to owners of the Company			
– Underlying net profit*	944.5	958.9	-2%
– Reported net profit	1,409.3	933.3	+51%
Basic earnings per share			
– Based on underlying net profit*	HK\$0.921	HK\$0.935	-2%
– Based on reported net profit	HK\$1.374	HK\$0.910	+51%
Interim dividend per share	HK20.0 cents	HK10.0 cents	+100%
Special dividend per share	–	HK20.0 cents	-100%
Net asset value per share	HK\$34.1	HK\$30.7	+11%
Net gearing	43%	50%	

* Excluding:

- (1) Gain on fair value changes of investment properties of HK\$471.7 million (1 January 2013 to 30 June 2013: nil), net of deferred tax.
- (2) Share-based payments of HK\$6.9 million (1 January 2013 to 30 June 2013: HK\$25.6 million), net of portion shared by non-controlling shareholders.

PERFORMANCE

The laminates division delivered a set of satisfactory results. Shipment volume for 1H 2014 was up 7% against the previous year to an average monthly shipment of 9.4 million square metres. The new Lianzhou glass fabric plant at Guangdong province commenced production within the current period. Total laminates division revenue (including inter-segment sales) increased by 2% to HK\$6,543.3 million, with EBITDA increasing 3% to HK\$1,111.6 million.

Despite soft demand for conventional electronic products such as computers, consumer demand for portable and telecommunication-related electronic products such as smartphones showed robust growth. As the Group succeeded in obtaining qualifications from many world-renowned automotive manufacturers, automotive-related orders increased substantially. Turnover of the PCB division reached HK\$3,578.5 million. However, rising operating costs and the less than satisfactory performance of Elec & Eltek Group dragged down PCB division EBITDA to HK\$341.7 million. High density interconnect (“HDI”) PCB sales accounted for 24% of PCB division sales.

For the chemical division, Yangzhou chemical refinery plant has been leased out since the second half of 2013 in return for rental and processing charges, while Huizhou phenol/acetone plant suspended production in the second quarter for capacity enhancement. As a result, chemical division revenue (including inter-segment sales) was down 17% to HK\$6,730.4 million. EBITDA was HK\$701.0 million – down 17% against last year. Share of associates’ results (the bulk of which was contributed by our natural gas based methanol plant joint venture with China BlueChemical Limited) was HK\$108.4 million.

The property division started to bring in attractive returns. The occupancy rate of our key investment properties was over 90%. As a result of additional rental contribution from Guangzhou Kingboard Plaza in 1H 2014, rental income increased by 14% to HK\$288.7 million. Together with income recognition of HK\$1,512.4 million from Qiandeng Kingboard Yu Garden Phase 1, division revenue jumped to HK\$1,801.1 million. Contract sales reached approximately RMB1,692.1 million, with contract sales area of around 200,000 square metres in the first half of this year – up 137% against RMB715.2 million last year. As at 30 June 2014, the Group held a land bank of approximately 6 million square metres of gross floor area located at prime sites in major cities such as Guangzhou, Shanghai and Kunshan in China, laying a solid foundation for future property project developments.

LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be solid. As at 30 June 2014, net current assets and current ratio of the Group were approximately HK\$17,558.9 million (31 December 2013 – HK\$21,100.8 million) and 1.95 (31 December 2013 – 2.24) respectively.

The net working capital cycle remained level at 56 days as at 30 June 2014 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 35 days (31 December 2013 – 37 days).
- Trade receivables, in terms of debtors turnover days, increased to 60 days (31 December 2013 – 59 days).
- Trade and bills payable, in terms of creditors turnover days, decreased to 39 days (31 December 2013 – 40 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was 43% (31 December 2013 – 42%). The proportion of bank borrowings between short term and long term stood at 37%: 63% (31 December 2013 – 30%: 70%). During the period under review, the Group invested around HK\$916.9 million and HK\$1.5 billion in new production capacity and property development projects respectively. As at 30 June 2014, the Group had cash on hand and committed and undrawn banking facilities of HK\$4.6 billion and HK\$2.4 billion respectively. Hence, with a robust balance sheet coupled with strong liquidity, the Group is well equipped to ride through any challenges and capture new growth opportunities in the market place.

The Group continued to adopt a prudent financial management policy. The Group had not entered into any derivative financial instruments in 1H 2014. 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 ("RMB") and US dollars, was fairly matched with the currency requirements of operating expenses.

HUMAN RESOURCES

As at 30 June 2014, the Group had a global workforce of approximately 47,000 (31 December 2013 – 43,800). 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 towards the second half of 2014, domestic demand in China is expected to be boosted by infrastructure investments such as in high-speed railways and the cement industry, in order to achieve a sustained growth rate for the Chinese economy. While maintaining stringent control over capital expenditure and operating costs, management will continue to explore new market opportunities with a view to delivering higher returns to our shareholders.

As laminates capacity continues to expand in recent years, the Group will focus on investing in upstream materials capacities to further strengthen its competitive advantage built on vertical integration. The new glass yarn plant in Qingyuan, Guangdong province, will commence trial production in 2H 2014.

In line with the electronic market trend, the Group continues to enhance its product mix by raising HDI capacity and expanding market share in automotive, mobile phone and telecommunication-related PCBs. Elec & Eltek Group commenced business restructuring in August with the key focus on product mix enhancement and efficiency improvement. Management is confident that performance of the PCB division will show substantial improvement once the restructuring plan is in place.

The chemical division will benefit from the significant surge in the average selling price of acetic acid since May 2014, and is expected to record increased profitability on sales of related products. Capacity enhancement works of Huizhou phenol/acetone plant are currently in the trial production stage, with full production expected to resume by the end of the third quarter. Together with the output from the Yangzhou phenol/acetone plant, the chemical division will deliver attractive returns for the Group.

Despite ongoing control policies implemented by the PRC government on real estate sales, the domestic property market in China has started to show signs of a positive rebound. The Group plans to launch additional residential projects for pre-sale in Huaqiao and Kunshan in 2H 2014, which will further fuel the Group's contract sales. Meanwhile, the rising occupancy rate of Guangzhou Kingboard Plaza will continue to drive up the Group's rental income.

APPRECIATION

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 September 2014 to Thursday, 11 September 2014 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 8 September 2014.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2014, the interests of the Directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position

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

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Kwok Wing	Beneficial owner	2,243,470	0.219
Mr. Chan Wing Kwan	Interest of spouse	72,000	0.007
Mr. Cheung Kwong Kwan	Beneficial owner	3,000,000	0.293
Mr. Chang Wing Yiu (<i>Note 1</i>)	Beneficial owner/ Interest of spouse	4,938,328	0.482
Mr. Ho Yin Sang (<i>Note 2</i>)	Beneficial owner/ Interest of spouse	3,120,674	0.304
Mr. Mok Cham Hung, Chadwick (<i>Note 3</i>)	Beneficial owner/ Interest of spouse	3,648,000	0.356
Ms. Cheung Wai Lin, Stephanie (<i>Note 4</i>)	Beneficial owner/ Interest of spouse	822,000	0.080

Notes:

- (1) Out of the 4,938,328 Shares, 4,076,488 Shares were held by Mr. Chang Wing Yiu and 861,840 Shares were held by his spouse.
- (2) Out of the 3,120,674 Shares, 1,679,674 Shares were held by Mr. Ho Yin Sang and 1,441,000 Shares were held by his spouse.
- (3) Out of the 3,648,000 Shares, 3,396,000 Shares were held by Mr. Mok Cham Hung, Chadwick and 252,000 Shares were held by his spouse.
- (4) Out of the 822,000 Shares, 682,000 Shares were held by Ms. Cheung Wai Lin, Stephanie and 140,000 Shares were held by her spouse.

(b) Share options of the Company ("Share Options")

Name of Director	Capacity	Interest in underlying Shares pursuant to Share Options
Mr. Cheung Kwok Wing	Beneficial owner	3,360,000
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	3,120,000
Mr. Mok Cham Hung, Chadwick	Beneficial owner	3,120,000
Mr. Chang Wing Yiu	Beneficial owner	3,120,000
Mr. Ho Yin Sang (<i>Note</i>)	Beneficial owner/ Interest of spouse	6,048,000
Mr. Cheung Kwong Kwan	Beneficial owner	3,120,000

Note: Out of the 6,048,000 Share Options, 3,120,000 Share Options were held by Mr. Ho Yin Sang and 2,928,000 Share Options were held by his spouse.

(c) Ordinary shares of HK\$0.10 each ("KLHL Shares") in KLHL, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL (%)
Mr. Cheung Kwok Wing	Beneficial owner	675,500	0.023
Mr. Chan Wing Kwan	Interest of spouse	100,000	0.003
Mr. Chang Wing Yiu	Interest of spouse	100,000	0.003
Mr. Ho Yin Sang	Interest of spouse	540,000	0.018
Mr. Mok Cham Hung, Chadwick	Interest of spouse	60,000	0.002

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

Name of Director	Capacity	Interest in underlying KLHL Shares pursuant to KLHL Share Options
Mr. Ho Yin Sang	Interest of spouse	9,000,000
Mr. Mok Cham Hung, Chadwick	Interest of spouse	10,000,000

(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	1,507,200	0.806
Mr. Chan Wing Kwan (Note)	Beneficial owner/ Interest of spouse	1,269,500	0.679
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,120,200	0.600
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260

Note: Out of the 1,269,500 EEIC Shares, 1,229,500 EEIC Shares were held by Mr. Chan Wing Kwan and 40,000 EEIC Shares were held by his spouse.

- (g) Ordinary shares (“KBCF Shares”) of US\$0.10 each in the share capital of KBCF, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued KBCF Shares held	Approximate percentage of the issued share capital of KBCF (%)
Mr. Cheung Kwok Wing	Beneficial owner	465,000	0.064
Mr. Ho Yin Sang	Interest of spouse	2,000	0.0002
Mr. Lai Chung Wing, Robert	Beneficial owner	72,000	0.0100

Other than as disclosed above, as at 30 June 2014, the Company has not been notified of any other notifiable interests or short positions of the Directors of the Company 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).

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

So far as is known to the Directors, as at 30 June 2014, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Hallgain Management Limited ("Hallgain") (Note 1)	Beneficial owner	371,924,700 (L)	36.26 (L)
FMR LLC	Investment manager	102,560,000 (L)	9.99 (L)
JPMorgan Chase & Co. (Note 2)	Investment manager	61,630,372 (L) 59,881,101 (P)	6.01 (L) 5.84 (P)

(L) The letter “L” denotes a long position.

(P) The letter “P” denotes interests in a lending pool.

Notes:

- (1) As at 30 June 2014: (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors were not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wing and Chan Wing Kwan, being Directors, were also directors of Hallgain.
- (2) JPMorgan Chase & Co wholly controlled JPMorgan Chase Bank, N.A. and JPMorgan Asset Management Holdings Inc.. JPMorgan Chase Bank, N.A. was interested in 59,881,101 Shares as beneficial owner.

JPMorgan Chase & Co., which wholly controlled JPMorgan Broker-Dealer Holdings Inc., a company which wholly controlled JPMorgan Securities LLC, a company which in turn wholly controlled JPMorgan Clearing Corp, was interested in 9,941 Shares as beneficial owner.

JPMorgan Chase Bank, N.A., which wholly controlled JPMorgan International Inc., a company which wholly controlled Bank One International Holdings Corporation, a company which in turn wholly controlled JPMorgan International Finance Limited. JPMorgan International Finance Limited wholly controlled: (a) JPMorgan Overseas Capital Corporation, a company which wholly controlled JPMorgan Whitefriars Inc., was interested in a long position of 780,101 Shares as beneficial owner; and (b) JPMorgan Capital Holdings Limited.

JPMorgan Capital Holdings Limited wholly controlled JPMorgan Chase (UK) Holdings Limited, which in turn wholly controlled JPMorgan Chase International Holdings. JPMorgan Securities plc, which was interested in 47,629 Shares as beneficial owner, was 98.95% controlled by JPMorgan Chase International Holdings.

JPMorgan Asset Management Holdings Inc., which wholly controlled JPMorgan Asset Management (Asia) Inc., which in turn wholly controlled JF Asset Management Limited, was interested in 911,600 Shares as beneficial owner.

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 2014 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 2014, 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 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2014, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company’s annual general 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 CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Following a specific enquiry, each Director has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding Director’s securities transactions adopted by the Company throughout the six months ended 30 June 2014.

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

Hong Kong, 22 August 2014

Board of Directors:

Executive Directors

Mr. Cheung Kwok Wing (*Chairman*)

Mr. Chang Wing Yiu (*Managing Director*)

Mr. Cheung Kwong Kwan

Mr. Ho Yin Sang

Ms. Cheung Wai Lin, Stephanie

Mr. Cheung Ka Shing (*appointed on 1 August 2014*)

Mr. Mok Cham Hung, Chadwick (*resigned on 1 August 2014*)

Mr. Chen Maosheng

Non-executive Director

Mr. Chan Wing Kwan (*retired on 1 August 2014*)

Independent non-executive Directors

Mr. Cheng Wai Chee, Christopher

Mr. Lai Chung Wing, Robert

Mr. Tang King Shing

Mr. Tse Kam Hung