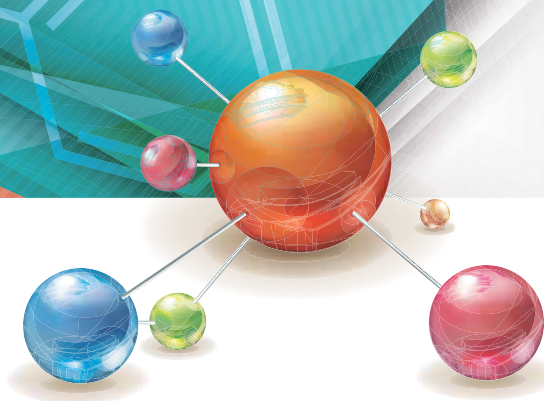
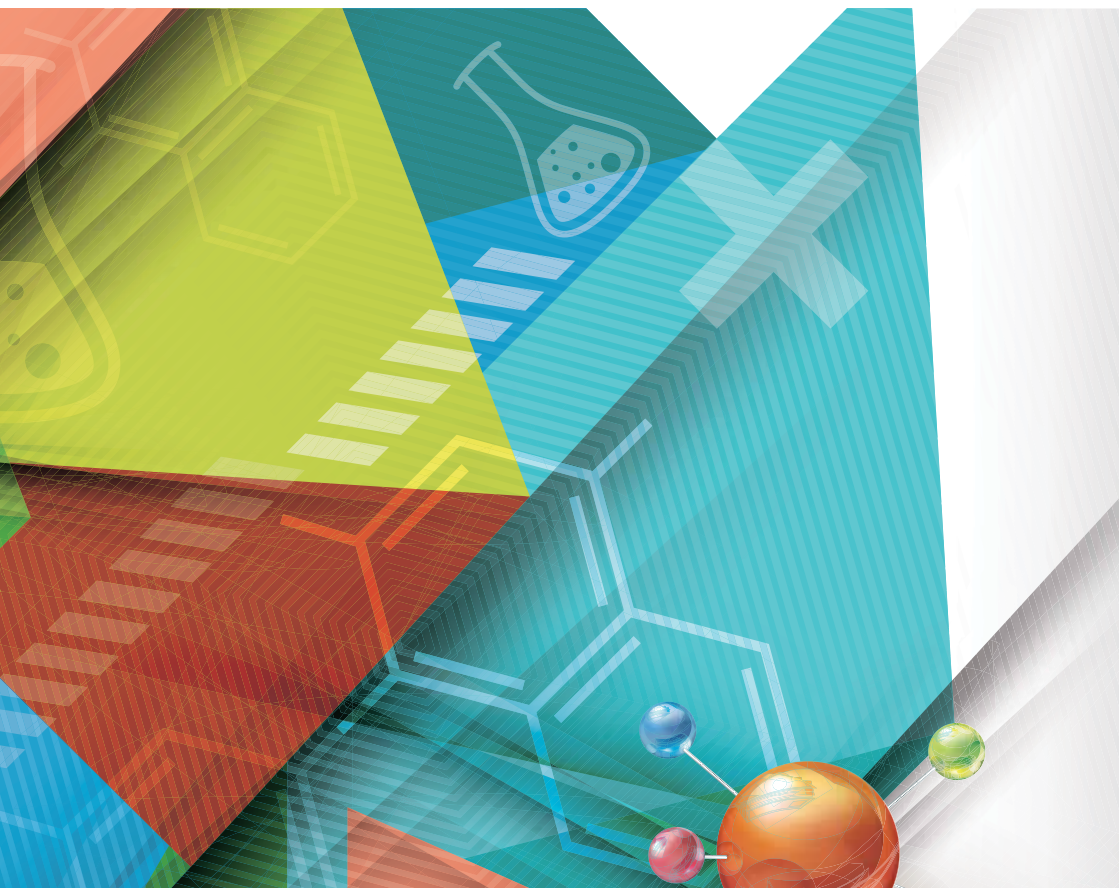


KB

建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code: 1888



2014
INTERIM REPORT

RESULTS

The board of directors (the “Board”) of Kingboard Laminates Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 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	
		2014	2013
Notes		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	6,432,286	6,311,226
Cost of sales		<u>(5,395,751)</u>	<u>(5,299,691)</u>
Gross profit		1,036,535	1,011,535
Other income, gains and losses	5	81,588	79,858
Distribution costs		(142,334)	(139,695)
Administrative costs		(233,811)	(222,366)
Share-based payments		(2,129)	(8,019)
Gain on disposal of available-for-sale investments		493	–
Finance costs	6	<u>(50,565)</u>	<u>(65,612)</u>
Profit before taxation		689,777	655,701
Income tax expense	8	<u>(95,211)</u>	<u>(84,528)</u>
Profit for the period		<u>594,566</u>	<u>571,173</u>
Profit for the period attributable to:			
Owners of the Company		591,066	569,683
Non-controlling interests		<u>3,500</u>	<u>1,490</u>
		<u>594,566</u>	<u>571,173</u>
Earnings per share – Basic and diluted	10	<u>HK\$0.197</u>	<u>HK\$0.190</u>

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>594,566</u>	<u>571,173</u>
Other comprehensive (expense) income for the period:		
<i>Item that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	<u>(122,312)</u>	<u>214,841</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	(196)	(81,465)
Reclassification adjustment relating to disposal of available-for-sale investments	<u>(493)</u>	<u>–</u>
	<u>(689)</u>	<u>(81,465)</u>
Other comprehensive (expense) income for the period	<u>(123,001)</u>	<u>133,376</u>
Total comprehensive income for the period	<u><u>471,565</u></u>	<u><u>704,549</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	475,330	691,590
Non-controlling interests	<u>(3,765)</u>	<u>12,959</u>
	<u><u>471,565</u></u>	<u><u>704,549</u></u>

Condensed Consolidated Statement of Financial Position

		30 June 2014	31 December 2013
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		1,282,300	1,283,553
Properties, plant and equipment	11	5,340,103	5,346,161
Prepaid lease payments		447,401	460,569
Available-for-sale investments		1,832,431	1,904,009
Non-current deposits		134,591	199,290
Other non-current assets		727,926	734,889
Deferred tax assets		3,590	4,083
Goodwill		238	238
		9,768,580	9,932,792
Current assets			
Inventories		1,571,945	1,289,434
Trade and other receivables and prepayments	12	4,434,400	4,295,860
Bills receivables	12	746,266	728,826
Properties held for development		3,089,270	2,991,581
Prepaid lease payments		11,515	11,291
Amounts due from fellow subsidiaries		337,850	274,782
Taxation recoverable		7,063	7,063
Bank balances and cash		2,069,317	2,427,697
		12,267,626	12,026,534
Current liabilities			
Trade and other payables	13	1,442,680	1,624,928
Bills payables	13	235,355	239,131
Deposits received from pre-sale of residential units		678,498	220,450
Amounts due to fellow subsidiaries		41,718	40,214
Taxation payable		299,506	324,585
Bank borrowings – amount due within one year		2,461,860	1,593,338
		5,159,617	4,042,646
Net current assets		7,108,009	7,983,888
Total assets less current liabilities		16,876,589	17,916,680

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	100,716	101,298
Bank borrowings – amount due after one year	2,646,916	3,790,846
	<u>2,747,632</u>	<u>3,892,144</u>
	<u>14,128,957</u>	<u>14,024,536</u>
Capital and reserves		
Share capital	300,000	300,000
Reserves	12,735,752	12,618,293
	<u>13,035,752</u>	<u>12,918,293</u>
Equity attributable to owners of the Company	13,035,752	12,918,293
Non-controlling interests	1,093,205	1,106,243
	<u>14,128,957</u>	<u>14,024,536</u>
Total equity	<u>14,128,957</u>	<u>14,024,536</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Share options reserve	Special reserve	Statutory reserve	Goodwill reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014	300,000	1,097,104	1,894,091	7,268	72,948	112,815	757,689	65,636	2,646	8,608,096	12,918,293	1,106,243	14,024,536
Profit for the period	-	-	-	-	-	-	-	-	-	591,066	591,066	3,500	594,566
Exchange differences arising from translation to presentation currency	-	-	(115,047)	-	-	-	-	-	-	-	(115,047)	(7,265)	(122,312)
Fair value changes of available-for-sale investments	-	-	-	-	(196)	-	-	-	-	-	(196)	-	(196)
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	-	(493)	-	-	-	-	-	(493)	-	(493)
Total comprehensive income for the period	-	-	(115,047)	-	(689)	-	-	-	-	591,066	475,330	(3,765)	471,565
Recognition of equity-settled share-based payments	-	-	-	-	-	2,129	-	-	-	-	2,129	-	2,129
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,273)	(9,273)
Final dividend paid for the year ended 31 December 2013	-	-	-	-	-	-	-	-	-	(360,000)	(360,000)	-	(360,000)
Transfer to reserve	-	-	-	-	-	-	-	3,323	-	-	(3,323)	-	-
	-	-	-	-	-	2,129	-	3,323	-	(363,323)	(357,671)	(9,273)	(367,144)
Balance at 30 June 2014	300,000	1,097,104	1,779,044	7,268	72,259	114,944	757,689	68,959	2,646	8,835,839	13,035,752	1,093,205	14,128,957
Balance at 1 January 2013	300,000	1,097,104	1,520,815	7,268	47,207	99,899	757,689	46,983	1,633	7,929,567	11,808,165	1,082,521	12,890,686
Profit for the period	-	-	-	-	-	-	-	-	-	569,683	569,683	1,490	571,173
Exchange differences arising from translation to presentation currency	-	-	203,372	-	-	-	-	-	-	-	203,372	11,469	214,841
Fair value changes of available-for-sale investments	-	-	-	-	(81,465)	-	-	-	-	-	(81,465)	-	(81,465)
Total comprehensive income for the period	-	-	203,372	-	(81,465)	-	-	-	-	569,683	691,590	12,959	704,549
Recognition of equity-settled share-based payments	-	-	-	-	-	8,019	-	-	-	-	8,019	-	8,019
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3,985)	(3,985)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
Final dividend paid for the year ended 31 December 2012	-	-	-	-	-	-	-	-	-	(360,000)	(360,000)	-	(360,000)
Transfer to reserve	-	-	-	-	-	-	-	3,326	-	(3,326)	-	-	-
	-	-	-	-	-	8,019	-	3,326	-	(363,326)	(351,981)	(6,485)	(358,486)
Balance at 30 June 2013	300,000	1,097,104	1,724,187	7,268	(34,258)	107,918	757,689	50,309	1,633	8,135,924	12,147,774	1,088,995	13,236,769

Notes:

- Statutory reserve comprises statutory fund, which is non-distributable, represents capitalisation of retained profits of certain subsidiaries established in the People's Republic of China (the "PRC") for capital re-investment in these subsidiaries and funds shall be used to (i) make up prior year losses or (ii) expand production operations.
- Goodwill reserve represents the effect of changes in ownership in certain subsidiaries when there is no change in control.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash from (used in) operating activities	546,050	(277,803)
Net cash used in investing activities	(209,185)	(1,263,493)
Net cash (used in) from financing activities	<u>(695,245)</u>	<u>1,038,830</u>
Net decrease in cash and cash equivalents	(358,380)	(502,466)
Cash and cash equivalents at the beginning of the period	<u>2,427,697</u>	<u>2,328,204</u>
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u><u>2,069,317</u></u>	<u><u>1,825,738</u></u>

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 (the “Listing Rules”) 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. Revenue

Revenue represents the amounts received and receivable by the Group from the sales of goods, provision of drilling services, income from property investment and licence fee income provided to outside customers, net of discounts, returns and sales related taxes. Analysis of revenue for the period is as follows:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of glass epoxy laminates	3,946,095	3,597,229
Sales of paper laminates	1,212,774	1,271,198
Sales of upstream materials	782,331	914,004
Others	423,448	468,231
Income from property investment	67,638	60,564
	<u>6,432,286</u>	<u>6,311,226</u>

Sales of laminates include sales of glass epoxy laminates and paper laminates manufactured according to specifications required by customers. Sales of upstream materials include sales of copper foil, epoxy resin, glass fabric and bleached kraft paper. Others comprise drilling services, which involve the drilling of holes into the laminates required by customers, sales of specialty resin and other materials and licence fee income. Income from property investment includes rental income from leasing of investment properties, income from hotel accommodation and income from food and beverage and other ancillary services of the hotel operation.

4. Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. Specifically, the Group's operating and reportable segments under HKFRS 8 were organized into two main operating divisions – (i) manufacturing and sale of laminates and (ii) properties. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Under HKFRS 8, segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS 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 (gain on disposal of available-for-sale investments, share-based payments, unallocated corporate income and expenses and finance costs).

Segment revenue and results

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

Six months ended 30 June 2014	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>6,364,648</u>	<u>67,638</u>	<u>6,432,286</u>
Segment results	<u>704,135</u>	<u>16,582</u>	720,717
Gain on disposal of available-for-sale investments			493
Share-based payments			(2,129)
Unallocated corporate income			75,274
Unallocated corporate expenses			(54,013)
Finance costs			<u>(50,565)</u>
Profit before taxation			<u><u>689,777</u></u>
Six months ended 30 June 2013	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>6,250,662</u>	<u>60,564</u>	<u>6,311,226</u>
Segment results	<u>679,396</u>	<u>13,510</u>	692,906
Share-based payments			(8,019)
Unallocated corporate income			76,213
Unallocated corporate expenses			(39,787)
Finance costs			<u>(65,612)</u>
Profit before taxation			<u><u>655,701</u></u>

Revenue from one of the Group's customers amounted to HK\$818,149,000 (six months ended 30 June 2013: HK\$897,494,000), which individually accounted for over 10% of the Group's total revenue for the period.

5. Other income, gains and losses

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Other income, gains and losses include:		
Dividend income from available-for-sale investments	10,870	7,160
Interest income from available-for-sale investments	62,394	59,859
Other interest income	3,597	3,433
	<u>76,861</u>	<u>70,452</u>

6. Finance costs

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank borrowings:		
– wholly repayable within five years	53,249	67,936
– not wholly repayable within five years	998	552
	<u>54,247</u>	<u>68,488</u>
Less: Amounts capitalised in the construction in progress	(3,682)	(2,876)
	<u>50,565</u>	<u>65,612</u>

The weighted average capitalisation rate on funds borrowed generally is 2.0% per annum (six months ended 30 June 2013: 2.1% per annum).

7. Depreciation

During the period, depreciation of approximately HK\$366.7 million (six months ended 30 June 2013: HK\$356.7 million) was charged in respect of the Group's properties, plant and equipment.

8. Income tax expense

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	4,676	1,403
PRC Enterprise Income Tax	90,042	82,723
	<hr/>	<hr/>
	94,718	84,126
Deferred taxation		
Charge for the period	493	402
	<hr/>	<hr/>
	95,211	84,528
	<hr/> <hr/>	<hr/> <hr/>

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

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

9. Interim dividend

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2014 of HK6 cents (six months ended 30 June 2013: HK5 cents) per share to the shareholders 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 Thursday, 18 September 2014.

10. Earnings per share

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

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to owners of the Company	<u>591,066</u>	<u>569,683</u>
	Number of shares	
	30 June	30 June
	2014	2013
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,000,000,000</u>	<u>3,000,000,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 June 2014 and 2013.

11. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$422.1 million (six months ended 30 June 2013: HK\$191.8 million) on acquisition of properties, plant and equipment.

12. Trade and other receivables and prepayments and bills receivables

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	3,457,509	3,491,467
Advance to suppliers	318,597	237,306
Interest income receivables	31,512	30,673
Prepaid expenses and deposits	235,850	190,318
Value-added tax ("VAT") recoverable	264,905	235,710
Land appreciation tax on pre-sale properties	5,795	1,883
Other receivables	120,232	108,503
	4,434,400	4,295,860
Bills receivables	746,266	728,826
	5,180,666	5,024,686

The Group allows credit periods of up to 120 days (31 December 2013: 120 days), depending on the products sold to its trade customers.

The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 90 days	2,459,280	2,411,556
91 – 180 days	939,744	1,021,241
Over 180 days	58,485	58,670
	3,457,509	3,491,467

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

13. Trade and other payables and bills payables

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade payables	822,790	891,922
Accrued expenses	169,075	173,892
Payables for acquisition of properties, plant and equipment	67,532	49,300
Receipts in advance	130,887	220,272
Other tax payables	78,993	109,951
VAT payables	101,043	103,881
Other payables	72,360	75,710
	<u>1,442,680</u>	<u>1,624,928</u>
Bills payables	235,355	239,131
	<u><u>1,678,035</u></u>	<u><u>1,864,059</u></u>

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 90 days	679,177	766,410
91 – 180 days	94,809	78,010
Over 180 days	48,804	47,502
	<u>822,790</u>	<u>891,922</u>

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

14. Share options

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

The Scheme would be 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 who contribute to the long-term growth and profitability of the Company 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 the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors), any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

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

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

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

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

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

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

Date of grant	Balance at 1 January 2014	Movement during the period	Balance at 30 June 2014	Exercise price per share	Exercisable period
<i>Granted to the Directors</i>					
21 March 2011	54,000,000	–	54,000,000	HK\$6.54	21 March 2011 to 17 May 2017 (note)
<i>Granted to employees</i>					
21 March 2011	46,000,000	–	46,000,000	HK\$6.54	21 March 2011 to 17 May 2017 (note)
	<u>100,000,000</u>	<u>–</u>	<u>100,000,000</u>		
Exercisable at:					
1 January 2014	<u>75,000,000</u>				
30 June 2014			<u>100,000,000</u>		

Note: 25% of the total share options were vested immediately at the date of grant. The remaining 75% were split evenly into three lots and vested on 21 March 2012, 2013 and 2014. The closing price of the Company's shares immediately before the date of grant was HK\$6.3.

On 21 March 2011, the share options were granted and the estimated fair values were approximately HK\$114,945,000.

As at 30 June 2014, the total number of shares available for issue under the Scheme was 100,000,000 (31 December 2013: 100,000,000) shares representing approximately 3.33% (31 December 2013: 3.33%) of the issued share capital.

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

15. 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 for:		
– acquisition of properties, plant and equipment	133,790	34,078
– capital injection in an unlisted equity investment	6,308	6,308
Other expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition and other expenditure relating to properties held for development	<u>290,778</u>	<u>288,957</u>

16. Contingent liabilities

- (a) The Group provided guarantees amounting to approximately HK\$377,562,000 as at 30 June 2014 (31 December 2013: HK\$74,064,000) in respect of bank mortgage loans granted to purchasers of the Group's properties. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 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 mortgage properties.

- (b) During the year ended 31 December 2011, the ultimate holding company and certain subsidiaries of the Company and the Company (the "Respondents") 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"), a 64.57%-owned subsidiary of the Company as at the end of reporting period and whose shares are 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 by the Group.

17. Related party transactions

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

		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(i)	Sales of goods and drilling services provided to fellow subsidiaries	818,149	897,494
(ii)	Purchase of goods from fellow subsidiaries	404,815	481,497
(iii)	Sales of laminates and copper to subsidiaries of a shareholder with significant influence over the ultimate holding company	362,246	485,702
(iv)	Purchase of drill bits and machineries from subsidiaries of a shareholder with significant influence over the ultimate holding company	156,219	107,823

BUSINESS REVIEW

On behalf of the Board of Directors, I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (“the Company”) and its subsidiaries (“the Group”) delivered satisfactory results for the six months ended 30 June 2014 (“1H 2014”). According to the latest report from Prismark Partners LLC, the Group continued to maintain the No. 1 position in the global laminate market for the ninth consecutive year with a global market share of 14.2% in 2013. During the reporting period, the global economy continued to show progressive recovery, while China also delivered a steady growth rate in its domestic economy. Global consumer demand for electronic products has been fuelled by expectations of a positive economic rebound. Against a backdrop of thriving electronic products sales, our management team strengthened the Group’s production capability and expanded sales efforts to capture business opportunities in the market. As a result, the Group achieved higher output and shipment volume year on year. Group revenue increased by 2% to HK\$6,432.3 million, with net profit attributable to owners of the Company up by 4% to HK\$591.1 million. Renminbi (“RMB”) sales accounted for around 63% of total revenue. The Board resolved to declare an interim dividend of HK6 cents per share.

Financial Highlights

	Six months ended 30 June		Change
	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>	
Revenue	6,432.3	6,311.2	+2%
EBITDA	1,111.3	1,084.4	+2%
Profit before tax	689.8	655.7	+5%
Net profit attributable to owners of the Company	591.1	569.7	+4%
Earnings per share	HK19.7 cents	HK19.0 cents	+4%
Interim dividend per share	HK6.0 cents	HK5.0 cents	+20%
Dividend payout ratio	30%	26%	
Net asset value per share	HK\$4.35	HK\$4.05	+7%
Net gearing	22%	30%	

PERFORMANCE

As the global telecommunications industry continued to thrive and 4G technology gained more market share in China, demand for portable and telecommunication-related electronic products such as smartphones showed robust growth. In addition, strong consumer demand for intelligent motor vehicles has also driven up demand for laminates products. Hence, the Group expanded the output of high-performance laminates in order to capture greater share amidst this market change.

Driven by additional capacity from Jiangmen laminates plant in Guangdong Province and Jiangyin laminates plant in Jiangsu Province, overall laminates shipment volume was up 8% to an average monthly shipment of 9.1 million square metres in 1H 2014. Revenue from composite epoxy material laminates (“CEM”) and glass epoxy laminates (“FR4”) accounted for 61% of Group turnover, while paper laminates sales accounted for 19%. The balance mainly comprised sales of upstream materials and others. Enjoying a high occupancy rate, the Group’s investment properties received a steady rental income, reaching HK\$67.6 million.

As the average selling price (“ASP”) of laminates, especially FR4, suffered a mild downward trend due to lower copper prices against the same period last year, consolidated revenue of the Group was HK\$6,432.3 million, up 2%. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were HK\$1,111.3 million, with a net profit of HK\$591.1 million. As shipment volume increased, distribution costs and administrative costs slightly increased by 2% and 5% respectively. Financing costs were down 23% as a result of lower average bank borrowings and a more favourable bank borrowing rate during the reporting period than last year’s.

LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial and liquidity position remained robust. As at 30 June 2014, net current assets and current ratio of the Group were approximately HK\$7,108.0 million (31 December 2013 – HK\$7,983.9 million) and 2.38 (31 December 2013 – 2.97) respectively.

The net working capital cycle increased to 123 days as at 30 June 2014 from 111 days as at 31 December 2013 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 53 days (31 December 2013 – 44 days).
- Trade receivables including amounts due from fellow subsidiaries, in terms of debtors turnover days, maintained at 107 days (31 December 2013 – 107 days).
- Trade and bills payables including amounts due to fellow subsidiaries, in terms of creditors turnover days, decreased to 37 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) marginally increased to 22% (31 December 2013 – 21%). The ratio of bank borrowings between short term and long term stood at 48% : 52% (31 December 2013 – 30% : 70%).

The Group continued to adopt a prudent financial management policy. The Group did not enter into any type of derivative financial instruments throughout 1H 2014. There was no material foreign exchange exposure for 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 requirements of operating expenses.

HUMAN RESOURCES

As at 30 June 2014, the Group had a workforce of approximately 10,300 (31 December 2013 – 9,700). In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on its overall financial achievement and their individual performance.

PROSPECTS

As demand in the electronics market tends to improve in the second half-year owing to normal seasonality, management expects laminates sales to ramp up over the next six months. Leveraging on its current production facilities, the Group will continue to enhance product mix and expand capacity to meet strong market demand for high performance laminates.

In line with the challenging operating environment in the laminates market, fewer manufacturers were willing to invest in the upstream materials. Against this background, our additional capacity of the Lianzhou glass fabric plant commenced production in 1H 2014. Meanwhile, trial production of the new glass yarn plant in Qingyuan, Guangdong Province, is also expected to commence in the second half of 2014. We have made good preparation for the future development of the laminates business of the Group.

Construction work of the first phase of Jiangyin Kingboard Yu Garden is close to completion, which will help to speed up sale progress of this project.

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 transfer of shares will be registered. In order to qualify for receiving an interim dividend, the Company's shareholders are reminded to ensure all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 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 (including the Managing Director of the Company) and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Position

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

Name of Director	Capacity	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	9,675,000	0.323
Mr. Cheung Ka Ho	Beneficial owner	89,000	0.003
Mr. Mok Yiu Keung, Peter	Interest of spouse	200,000	0.007

Note:

¹ 75,000 Shares were held by his spouse.

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

Name of Director	Capacity	Interest in underlying shares pursuant to Share Options
Mr. Cheung Kwok Wa	Beneficial owner	12,500,000
Mr. Cheung Kwok Keung	Beneficial owner	11,500,000
Mr. Cheung Kwok Ping	Beneficial owner	10,000,000
Mr. Lam Ka Po	Beneficial owner	10,000,000
Mr. Cheung Ka Ho	Beneficial owner	10,000,000

(c) Non-voting deferred shares in the share capital of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company

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

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

(d) Ordinary shares in the share capital of KCHL, the ultimate holding company of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of KCHL
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	9,104,100	0.888
Mr. Cheung Kwok Ping ²	Beneficial owner/ Interest of spouse	3,382,383	0.330
Mr. Lam Ka Po	Beneficial owner	2,917,360	0.284
Mr. Cheung Kwok Keung	Beneficial owner	532,422	0.052
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.037
Mr. Liu Min ³	Beneficial owner/ Interest of spouse	231,800	0.023

Notes:

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

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

³ 111,800 KCHL's shares were held by his spouse.

(e) **Share options of KCHL**

Name of Director	Capacity	Interest in underlying shares of KCHL pursuant to share options
Mr. Cheung Kwok Keung	Beneficial owner	2,928,000

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

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC
Mr. Cheung Kwok Wa	Beneficial owner	706,200	0.378
Mr. Cheung Kwok Ping	Beneficial owner	500,000	0.267
Mr. Lam Ka Po	Beneficial owner	486,600	0.260

Other than as disclosed above, none of the Directors (including the Managing Director of the Company) nor their respective associate, had any interests or short 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 2014.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors (including the Managing Director of the Company), the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Shares

Name of shareholder	Notes	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("Hallgain")	(a), (b)	Interest of controlled corporations	2,237,995,500(L)	74.59
KCHL	(c)	Beneficial owner Interest of controlled corporations	144,717,500(L) 2,093,278,000(L)	4.82 69.77
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner Interest of controlled corporation	1,790,000,000(L) 303,278,000(L)	59.67 10.10
Capital Research and Management Company		Investment Manager	177,205,851(L)	5.91
Citigroup Inc.	(e)	Investment Manager	174,619,675(L) 415,366(S) 19,952,342(P)	5.82 0.02 0.67

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

(S) The letter "S" denotes a short position.

(P) The letter "P" denotes interest in a lending pool.

Notes:

- (a) 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 are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.
- (b) The interests are held by KCHL directly and indirectly. KCHL is owned as to approximately 36.26% of the entire issued capital of KCHL by Hallgain as at 30 June 2014.
- (c) The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KCHL. Mr. Lam Ka Po, being a Director, is also a director of Jamplan.
- (d) The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.

- (e) Citigroup Inc. wholly controlled (a) Citigroup Holdings Inc., a company wholly controlled Citibank N.A., was interested in a long position of 19,952,342 Shares as a beneficial owner; (b) Citigroup Global Market Holdings Inc., a company wholly controlled Citigroup Financial Products Inc..

Umbrella Asset Services Hong Kong Limited, which was interested in a long position of 25,678,500 Shares and a short position of 6,333 Shares as a beneficial owner, was wholly controlled by Citigroup Financial Products Inc..

Citigroup Global Markets Inc., which was interested in a long position of 51,386,000 Shares as a beneficial owner, was wholly controlled by Citigroup Financial Products Inc..

Citigroup Financial Products Inc. wholly controlled Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG. Citigroup Global Markets Limited, which was interested in a long position of 77,596,833 Shares and a short position of 409,033 Shares as a beneficial owner, was wholly controlled by Citigroup Global Markets Europe Limited, which was 64.67% controlled by Citigroup Financial Products Inc., 35.22% controlled by Citigroup Global Markets International LLC and 0.11% controlled by Citigroup Global Markets (International) Finance AG.

Citigroup Financial Products Inc. wholly controlled Citigroup Global Markets Switzerland Holding GmbH. Citigroup Global Markets Overseas Finance Limited, which was 51.86% controlled by Citigroup Global Markets (International) Finance AG and 48.14% controlled by Citigroup Global Markets Switzerland Holding GmbH, wholly controlled Citigroup Global Markets Hong Kong Holdings Limited. Citigroup Global Markets Asia Limited, which was interested in a long position of 6,000 Shares as a beneficial owner, was wholly controlled by Citigroup Global Markets Hong Kong Holdings Limited.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions which fall to be disclosed to the Company under Section 336 of the SFO in the issued share capital of the Company as at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 been in compliance with relevant provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) throughout the six months ended 30 June 2014, 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 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 Directors 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 Laminates Holdings Limited
Cheung Kwok Wa
Chairman

Hong Kong, 22 August 2014

Board of Directors

Executive Directors

Mr. Cheung Kwok Wa (*Chairman*)
Mr. Cheung Kwok Keung (*Managing Director*)
Mr. Cheung Kwok Ping
Mr. Lam Ka Po
Mr. Cheung Ka Ho
Mr. Liu Min
Mr. Zhou Pei Feng

Non-executive Director

Mr. Lo Ka Leong

Independent non-executive Directors

Mr. Chan Yue Kwong, Michael
Mr. Leung Tai Chiu
Mr. Mok Yiu Keung, Peter
Mr. Ip Shu Kwan, Stephen