

# KB

# 建滔化工集團有限公司

## KINGBOARD CHEMICAL HOLDINGS LIMITED

Stock Code: 148



# 2015

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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

### Condensed Consolidated Statement of Profit or Loss

		<b>Six months ended 30 June</b>	
		<b>2015</b>	2014
Notes		<b>HK\$'000</b> <b>(Unaudited)</b>	HK\$'000 <b>(Unaudited)</b>
	Revenue	<b>16,474,846</b>	17,558,011
	Cost of sales and services rendered	<b>(14,061,401)</b>	(15,208,948)
	Gross profit	<b>2,413,445</b>	2,349,063
	Other income	<b>211,988</b>	276,895
	Distribution costs	<b>(568,421)</b>	(485,765)
	Administrative expenses	<b>(848,868)</b>	(795,706)
	Gain on fair value changes of investment properties	<b>55,076</b>	628,894
	Gain on disposal of available-for-sale investments	<b>256,999</b>	27,679
	Share-based payments	<b>(39,546)</b>	(7,397)
	Finance costs	<b>(215,647)</b>	(224,298)
	Share of results of associates	<b>16,751</b>	108,385
	Profit before taxation	<b>1,281,777</b>	1,877,750
	Income tax expense	<b>(275,127)</b>	(314,157)
	Profit for the period	<b><u>1,006,650</u></b>	<b><u>1,563,593</u></b>
	Profit for the period attributable to:		
	Owners of the Company	<b>882,870</b>	1,409,293
	Non-controlling interests	<b>123,780</b>	154,300
		<b><u>1,006,650</u></b>	<b><u>1,563,593</u></b>
		<b>HK\$</b> <b>(Unaudited)</b>	<b>HK\$</b> <b>(Unaudited)</b>
	Earnings per share		
	Basic	<b><u>0.861</u></b>	<u>1.374</u>
	Diluted	<b><u>0.860</u></b>	<u>1.374</u>

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period	<b><u>1,006,650</u></b>	<u>1,563,593</u>
Other comprehensive income (expenses) for the period:		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	<b>59,153</b>	(381,898)
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	<b>286,554</b>	(67,325)
Reclassification adjustment relating to disposal of available-for-sale investments	<b>(256,999)</b>	(27,679)
Translation reserve:		
Exchange differences arising from translation of foreign operations	<b>(12,129)</b>	1,123
Other comprehensive income (expenses) for the period (net of tax)	<b><u>76,579</u></b>	<u>(475,779)</u>
Total comprehensive income for the period	<b><u><u>1,083,229</u></u></b>	<u><u>1,087,814</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<b>940,971</b>	974,205
Non-controlling interests	<b><u>142,258</u></b>	<u>113,609</u>
	<b><u><u>1,083,229</u></u></b>	<u><u>1,087,814</u></u>

## Condensed Consolidated Statement of Financial Position

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		<b>10,331,369</b>	10,192,857
Properties, plant and equipment	10	<b>16,668,296</b>	17,451,622
Prepaid lease payments		<b>975,928</b>	979,178
Other non-current assets		<b>732,671</b>	732,430
Goodwill		<b>2,288,149</b>	2,288,149
Interests in associates		<b>1,169,885</b>	1,370,686
Available-for-sale investments		<b>3,743,479</b>	3,258,454
Entrusted loans	11	<b>1,395,435</b>	1,442,509
Non-current deposits		<b>272,901</b>	415,171
Deferred tax assets		<b>4,412</b>	4,862
		<b>37,582,525</b>	38,135,918
<b>Current assets</b>			
Inventories		<b>2,510,099</b>	2,801,004
Properties held for development		<b>20,181,887</b>	19,148,646
Trade and other receivables and prepayments	11	<b>8,925,461</b>	8,819,189
Bills receivables	11	<b>2,223,103</b>	2,112,632
Prepaid lease payments		<b>26,375</b>	27,799
Taxation recoverable		<b>31,894</b>	28,155
Bank balances and cash		<b>4,017,764</b>	4,559,399
		<b>37,916,583</b>	37,496,824
<b>Current liabilities</b>			
Trade and other payables	12	<b>4,742,069</b>	4,847,246
Bills payables	12	<b>394,519</b>	771,361
Deposits received from pre-sale of residential units		<b>4,161,601</b>	4,610,399
Derivative financial instruments		<b>4,701</b>	6,779
Taxation payable		<b>530,870</b>	522,693
Bank borrowings		<b>10,290,093</b>	9,803,898
		<b>20,123,853</b>	20,562,376
Net current assets		<b>17,792,730</b>	16,934,448
Total assets less current liabilities		<b>55,375,255</b>	55,070,366



	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	<b>859,125</b>	846,072
Bank borrowings	<b>11,880,498</b>	12,251,104
	<b>12,739,623</b>	13,097,176
	<b>42,635,632</b>	41,973,190
Capital and reserves		
Share capital	<b>102,560</b>	102,560
Share premium and reserves	<b>36,277,231</b>	35,573,748
Equity attributable to owners of the Company	<b>36,379,791</b>	35,676,308
Non-controlling interests	<b>6,255,841</b>	6,296,882
Total equity	<b>42,635,632</b>	41,973,190

## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											Total equity HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Share options 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 earnings HK\$'000		Sub-total HK\$'000	Non-controlling interests HK\$'000
Balance at 1 January 2015	102,560	4,457,742	1,911	228,824	1,043,523	10,594	415,248	28,480	(89,818)	3,554,896	25,922,348	35,676,308	6,296,882	41,973,190
Profit for the period	-	-	-	-	-	-	-	-	-	-	882,870	882,870	123,780	1,006,650
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	-	-	-	-	264,358	-	-	-	264,358	22,196	286,554
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	(251,191)	-	-	(251,191)	(5,808)	(256,999)
Exchange differences arising from translation to presentation currency	-	-	-	-	-	-	-	-	(8,733)	(8,733)	-	(8,733)	(3,396)	(12,129)
Total comprehensive income for the period	-	-	-	-	-	-	-	13,167	44,934	44,934	882,870	940,971	142,258	1,083,229
Recognition of equity-settled share-based payments	-	-	-	39,546	-	-	-	-	-	-	-	39,546	-	39,546
Final dividend for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	-	(307,660)	(307,660)	-	(307,660)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	9,200	9,200
Acquisition of additional interests in subsidiaries	-	-	-	-	30,646	-	-	-	-	-	-	30,646	(101,776)	(71,130)
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(90,723)	(90,723)
Transfers to reserve	-	-	-	39,546	30,646	-	961	-	-	-	(961)	-	-	-
Balance at 30 June 2015	102,560	4,457,742	1,911	268,370	1,074,169	10,594	416,209	28,480	(76,651)	3,599,830	26,496,577	36,379,791	6,255,641	42,635,632

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Share options HK\$'000	Share reserve HK\$'000	Goodwill 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 earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2014	102,560	4,457,742	1,911	273,786	1,028,550	10,594	28,480	391,560	202,463	3,881,821	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)	(67,225)	
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(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)	(381,898)	
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	(84,829)	(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 to reserve	-	-	-	-	-	23,818	-	-	-	-	(23,818)	-	-	-	-
	-	-	-	5,268	18,956	-	-	23,818	-	-	(229,937)	-	(180,895)	(571,827)	(752,422)
Balance at 30 June 2014	102,560	4,457,742	1,911	279,054	1,047,536	10,594	28,480	415,378	107,334	3,551,362	24,948,602	34,961,553	6,243,798	41,195,351	

## Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash (used in) from operating activities	<b>(92,537)</b>	1,338,402
Net cash from (used in) investing activities	<b>111,292</b>	(978,042)
Net cash used in financing activities	<b>(560,390)</b>	(2,106,800)
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Net decrease in cash and cash equivalents	<b>(541,635)</b>	(1,746,440)
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Cash and cash equivalents at the beginning of the period	<b>4,559,399</b>	6,363,240
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Cash and cash equivalents at the end of the period, representing bank balances and cash	<b>4,017,764</b>	4,616,800
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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 certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.





In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the above new 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 and reportable segments under HKFRS 8 were organised into five main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of printed circuit boards (“PCBs”), (iii) manufacture and sale of chemicals, (iv) property development and investments (“Properties”) and (v) others (including service income, manufacture and sale of liquid crystal displays and magnetic products and hotel business). 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, finance costs and share of results of associates).

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)
<b>Six months ended 30 June 2015</b>							
Segment revenue							
External sales	5,781,103	3,425,673	5,471,803	1,480,013	316,254	-	16,474,846
Inter-segment sales	840,372	-	328,123	-	2,008	(1,170,503)	-
Total	<u>6,621,475</u>	<u>3,425,673</u>	<u>5,799,926</u>	<u>1,480,013</u>	<u>318,262</u>	<u>(1,170,503)</u>	<u>16,474,846</u>
Result							
Segment result	<u>831,514</u>	<u>39,429</u>	<u>63,996</u>	<u>413,281</u>	<u>(12,064)</u>		1,336,156
Gain on disposal of available-for-sale investments							256,999
Share-based payments							(39,546)
Unallocated corporate income							68,455
Unallocated corporate expenses							(141,391)
Finance costs							(215,647)
Share of results of associates							<u>16,751</u>
Profit before taxation							<u>1,281,777</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)
<b>Six months ended 30 June 2014</b>							
Segment revenue							
External sales	5,506,363	3,578,532	6,371,492	1,772,930	328,694	-	17,558,011
Inter-segment sales	1,036,957	-	358,914	-	1,064	(1,396,935)	-
<b>Total</b>	<b>6,543,320</b>	<b>3,578,532</b>	<b>6,730,406</b>	<b>1,772,930</b>	<b>329,758</b>	<b>(1,396,935)</b>	<b>17,558,011</b>
Result							
Segment result	743,344	49,730	230,781	964,958	1,245		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							<b>1,877,750</b>

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

#### 4. Depreciation

During the reporting period, depreciation of approximately HK\$1,138,400,000 (1 January 2014 to 30 June 2014: HK\$1,153,700,000) was charged in respect of the Group's properties, plant and equipment.

#### 5. Other income

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Other income includes:		
Dividends from available-for-sale investments	<b>26,285</b>	49,430
Interest income from available-for-sale investments	<b>100,756</b>	143,902
Interest income from bank balances and cash	<b>66,273</b>	64,251

## 6. Finance costs

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on bank borrowings		
– wholly repayable within five years	227,666	222,856
– not wholly repayable within five years	6,647	6,978
	<u>234,313</u>	<u>229,834</u>
Less: Amount capitalised in the cost of qualifying assets	(18,666)	(5,536)
	<u><u>215,647</u></u>	<u><u>224,298</u></u>

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK\$14,896,000 (1 January 2014 to 30 June 2014: nil) arose from a bank borrowing specific for the property development project and bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.1% (1 January 2014 to 30 June 2014: 1.1%) per annum to expenditure on qualifying assets.

## 7. Income tax expense

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	5,467	4,738
Taxation arising in other jurisdictions	254,937	151,125
	<u>260,404</u>	<u>155,863</u>
Deferred taxation		
Charge for the period	14,723	158,294
	<u><u>275,127</u></u>	<u><u>314,157</u></u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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 2015 of HK\$0.20 per share (1 January 2014 to 30 June 2014: HK\$0.20 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 23 September 2015. The dividend warrants will be dispatched on or around Friday, 16 October 2015.

## 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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<b>882,870</b>	1,409,293
	Number of shares	
	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,025,600,236</b>	1,025,600,236
Add: Effect of potentially dilutive ordinary shares relating to: – outstanding share options granted on 19 March 2015	<b>501,414</b>	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,026,101,650</b>	1,025,600,236

The calculation of diluted earnings per share for the six months ended 30 June 2015 and 2014 did not take into account the effects of share options granted in 2011 by 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 granted in 2011 were higher than the average market prices of the Company’s and KLHL’s shares during the six months ended 30 June 2015 and 2014.

## 10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$437,000,000 (1 January 2014 to 30 June 2014: HK\$917,000,000) on acquisition of properties, plant and equipment.

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

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Trade receivables	<b>5,932,196</b>	5,824,256
Advance to suppliers	<b>1,069,262</b>	918,567
Entrusted loans ( <i>Note</i> )	<b>1,455,391</b>	1,523,916
Prepayments and deposits	<b>802,525</b>	794,622
Value added tax recoverables	<b>407,441</b>	614,930
Land appreciation tax on pre-sale properties	<b>101,112</b>	106,849
Other receivables	<b>552,969</b>	478,558
	<b>10,320,896</b>	10,261,698
Less: Non-current portion of entrusted loans	<b>(1,395,435)</b>	(1,442,509)
	<b>8,925,461</b>	8,819,189

### Note:

The entrusted loans of HK\$1,455,391,000 (31 December 2014: HK\$1,523,916,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2014: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans are interest bearing ranging from 4.92% to 6.48% (31 December 2014: 5.22% to 7.21%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2014: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan.

The Group allows credit period of up to 120 days, depending on the products sold, to its trade customers. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
0 – 90 days	<b>4,377,398</b>	4,306,769
91 – 180 days	<b>1,459,372</b>	1,425,593
Over 180 days	<b>95,426</b>	91,894
	<b>5,932,196</b>	5,824,256

All bills receivables of the Group are aged within 90 days (31 December 2014: 90 days) at the end of the reporting period.

## 12. Trade and other payables and bills payables

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Trade payables	<b>2,635,767</b>	2,771,886
Accrued expenses	<b>577,325</b>	539,131
Payables for acquisition of properties, plant and equipment	<b>803,921</b>	705,664
Receipt in advance	<b>297,280</b>	384,921
Other tax payables	<b>114,855</b>	163,059
VAT payables	<b>205,377</b>	184,065
Other payables	<b>107,544</b>	98,520
	<b><u>4,742,069</u></b>	<u>4,847,246</u>

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

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
0 – 90 days	<b>2,074,902</b>	2,195,122
91 – 180 days	<b>376,207</b>	403,578
Over 180 days	<b>184,658</b>	173,186
	<b><u>2,635,767</u></b>	<u>2,771,886</u>

All bills payables of the Group are aged within 90 days (31 December 2014: 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. The purpose of the Scheme is to provide incentive or reward to the Eligible Participants (as defined below) for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Scheme which is valid for a period of 10 years (as at the date of this report, the remaining life of the Scheme is approximately 43 months), 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 total number of shares available for issue under the Scheme is 84,473,904 shares, which represents approximately 8.2% of the total issued share capital of the Company as at the date of this report. 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.



As at 30 June 2015, the number of shares of the Company in respect of which options had been granted and remained outstanding was 57,552,000 (31 December 2014: 27,552,000), representing 5.61% (31 December 2014: 2.69%) 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:

	Share options grant date	Exercise price HK\$	Exercise period	Number of share options outstanding as at 1 January 2015	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 2015
<b>Executive Directors</b>									
Mr. Cheung Kwok Wing	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,360,000	-	-	-	3,360,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	6,000,000	-	-	6,000,000
Mr. Chang Wing Yiu	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	5,000,000	-	-	5,000,000
Mr. Cheung Kwong Kwan	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	4,000,000	-	-	4,000,000
Mr. Ho Yin Sang (Note 3)	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	4,000,000	-	-	4,000,000
Ms. Cheung Wai Lin, Stephanie	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	4,000,000	-	-	4,000,000
Mr. Cheung Ka Shing	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	2,928,000	-	-	-	2,928,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	4,000,000	-	-	4,000,000
<b>Sub-total</b>				<b>18,768,000</b>	<b>27,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,768,000</b>

	Share options grant date	Exercise price HK\$	Exercise period	Number of share options outstanding as at 1 January 2015	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 2015
<b>Employees</b>									
	(i) 21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	8,784,000	-	-	-	-	8,784,000
	(ii) 19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	-	3,000,000	-	-	-	3,000,000
<b>Sub-total</b>				<u>8,784,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,784,000</u>
<b>Total</b>				<u>27,552,000</u>	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,552,000</u>
Exercisable at:									
1 January 2015				<u>27,552,000</u>					
30 June 2015				<u>37,452,000</u>					

**Notes:**

- These share options under the Scheme were granted on 21 March 2011 at an exercise price of HK\$40.70 per share. The exercise price was adjusted for the dilutive effect on 29 May 2013 and the adjusted exercise price is HK\$33.92. 25% of the total number of share options were vested immediately on the date of grant. The remaining 75% were split evenly into three lots and vested on 21 March 2012, 2013 and 2014, respectively. The closing price of the Company's shares immediately before the date of grant was HK\$39.55.
- These share options under the Scheme were granted on 19 March 2015 at an exercise price of HK\$12.424 per share. 33% of the total number of share options were vested immediately on the date of grant. 33% of the total number of share options were vested on 19 March 2016 and remaining 34% were vested on 19 March 2017. The closing price of the Company's shares immediately before the date of grant was HK\$12.34.
- In addition to 7,120,000 share options held by Mr. Ho Yin Sang, the spouse of Mr. Ho Yin Sang held 5,928,000 share options.



The estimated fair values of the share options granted during the six months ended 30 June 2015 under the Scheme as at the date of grant was HK\$83,930,733, which was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

**30 June 2015**

Stock price (HK\$)	12.42
Exercise Price (HK\$)	12.424
Risk free interest rate (%)	1.058
Expected life (years)	4.011
Expected volatility (%)	35.7
Expected dividend yield (%)	3.147

Expected volatility was determined based on the historical volatility of the Company's share price over the expected life of the share options. Expected dividend yield was determined based on the Company's dividend declared in previous one year. The expected life used in the model was the contractual life of the share options.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimation. The value of an option may vary with different variables of subjective assumptions.

The Group recognised the total expense of approximately HK\$39,546,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$5,268,000) in relation to the share options granted by the Company.

**(b) Employees' share option scheme of Elec & Etek 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 purpose of the EEIC Scheme is to provide incentive or reward to the eligible participants of the EEIC Scheme for their contribution to, and continuing efforts to promote the interests of the EEIC Group.

The EEIC Scheme 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 either at an "Exercise Price", which equals to the average of the last dealt prices for an EEIC share for a period of 5 consecutive market days immediately preceding the relevant date of grant, or 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 (the remaining life of the EEIC Scheme is approximately 32 months as at the date of this report) 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 shares available for issue under the EEIC Scheme is 17,963,506 shares, which represents approximately 9.6% of the total issued share capital of EEIC as at the date of this report. 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 2015, 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 purpose of the KLHL Scheme is to provide incentive or reward to the eligible participants of the KLHL Scheme for their contribution to, and continuing efforts to promote the interests of the KLHL Group (as defined below).

The KLHL Scheme is valid for a period of 10 years. As at the date of this report, the remaining life of the KLHL Scheme is approximately 21 months. 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 total number of shares available for issue under the KLHL Scheme is 300,000,000 shares, which represents approximately 10.0% of the total issued share capital of KLHL as at the date of this report.

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 2015, the total number of shares of KLHL in respect of which options had been granted and remained outstanding was 81,000,000 (31 December 2014: 81,000,000), representing approximately 2.70% (31 December 2014: 2.70%) 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 2015 were as follows:

	Number of share options outstanding as at 1 January 2015	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 2015	Share options grant date	Exercisable period	Exercise price HK\$
<b>Executive Directors</b>									
Mr. Ho Yin Sang (Note)	9,000,000	-	-	-	-	9,000,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
Mr. Cheung Ka Shing	9,000,000	-	-	-	-	9,000,000	21 March 2011	21 March 2011 to 17 May 2017	6.54
<b>Sub-total</b>	<b>18,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,000,000</b>			
<b>Employees</b>	<b>63,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,000,000</b>	<b>21 March 2011</b>	<b>21 March 2011 to 17 May 2017</b>	<b>6.54</b>
<b>Sub-total</b>	<b>63,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,000,000</b>			
<b>total</b>	<b>81,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,000,000</b>			
Exercisable at:									
1 January 2015	81,000,000								
30 June 2015	81,000,000								

Note: The spouse of Mr. Ho Yin Sang held 9,000,000 share options.

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 2015: Nil) in relation to the share options granted by KLHL.

#### 14. Capital and other commitments

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of properties, plant and equipment	<b>85,783</b>	418,351
– capital injection in an unlisted investment	<b>3,347</b>	6,308
	<b>89,130</b>	424,659
Other expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition and other expenditures relating to properties held for development	<b>2,614,463</b>	1,686,944

#### 15. Related party transactions

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

	<b>Six months ended 30 June</b>	
	<b>2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
Sales of goods to a non-controlling shareholder of a subsidiary	<b>27,110</b>	30,551
Purchase of goods from an associate	<b>173,009</b>	140,710
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	<b>339,880</b>	362,246
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	<b>319,407</b>	400,761

Included in trade and other receivables and prepayments as at 30 June 2015 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$16,820,000 (31 December 2014: HK\$18,149,000).

Included in trade and other receivables and prepayments as at 30 June 2015 was an advance payment to an associate of approximately HK\$8,066,000 (31 December 2014: HK\$7,737,000).



## 16. Contingent liabilities

- (a) The Group provided guarantees amounting to approximately HK\$2,270,671,000 as at 30 June 2015 (31 December 2014: HK\$2,362,539,000) in respect of mortgage bank loans granted to purchasers of the properties that were developed by the Group. 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 2015 and 31 December 2014.

Guarantees are given to banks with respect to loans procured by the purchasers of properties that were developed by the Group. 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 its certain subsidiaries were named as respondents in a petition filed with the Supreme Court of Bermuda on the basis of an allegation that the affairs of Kingboard Copper Foil Holdings Limited (“KBCF”), a 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 petitioner as a shareholder of KBCF. The petitioner is seeking an order requiring the respondents to buy out all of the KBCF’s shares held by petitioner at a price to be fixed by a court appointed valuer or the Supreme Court of Bermuda. The trial for the petition is fixed for 9 to 18 September 2015. After taken the advice from the Company’s Bermuda lawyer, the Directors are of the opinion that there is no evidential basis for the claim and it is speculative in nature. Accordingly, no provision for liability has been made in connection with this claim by the Group.

## BUSINESS REVIEW

On behalf of the Board, I am delighted to announce that Kingboard Chemical Holdings Limited (the “Group”) achieved stable and healthy performance during the six months ended 30 June 2015 (“1H 2015”). The period under review was plagued by a global economic slowdown, in the midst of the Greek debt crisis, plunging commodity prices and slowed growth in emerging markets. As the Chinese economy sets a course for a ‘new normal’ and an Internet-driven development pattern, automotive and electrical appliance sectors are increasingly adopting intelligent designs and functions. Benefiting from this ‘smart evolution’, the Group’s Laminates division recorded a satisfactory performance. However, Printed Circuit Board (“PCB”) division was impacted by the on-going restructuring of Elec & Eltek Group, thus recording a slight decline in segment results. The prevailing low crude oil prices resulted in year-on-year drops in the prices of chemical products. The property division benefited from the full booking of sales of Huaqiao Kingboard Yu Garden Phase I. Rental income from investment properties also grew steadily to contribute a stable revenue stream to the Group.

The Group's overall business remained stable during the first half of 2015. Group revenue declined 6% year on year to HK\$16,474.8 million with earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK\$2,633.4 million. Underlying net profit (excluding non-recurring items) was HK\$881.1 million. Despite a generally weak global economy, the Group was able to deliver profitability across all core divisions as we remained steadfast to developing main businesses with the concerted efforts of all our employees. The Board resolved to declare an interim dividend of HK\$0.20 per share.

## Financial Highlights

	Six months ended 30 June		Change
	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	
Revenue	<b>16,474.8</b>	17,558.0	-6%
EBITDA*	<b>2,633.4</b>	2,644.9	-
Net profit attributable to owners of the Company			
– Underlying net profit*	<b>881.1</b>	944.5	-7%
– Reported net profit	<b>882.9</b>	1,409.3	-37%
Basic earnings per share			
– Based on underlying net profit*	<b>HK\$0.859</b>	HK\$0.921	-7%
– Based on reported net profit	<b>HK\$0.861</b>	HK\$1.374	-37%
Interim dividend per share	<b>HK\$0.20</b>	HK\$0.20	-
Net asset value per share	<b>HK\$35.5</b>	HK\$34.1	+4%
Net gearing	<b>43%</b>	43%	

\* Excluding:

- (1) Gain on fair value changes of investment properties of HK\$41.3 million (1 January 2014 to 30 June 2014: HK\$471.7 million), net of deferred tax.
- (2) Share-based payments of HK\$39.5 million (1 January 2014 to 30 June 2014: HK\$6.9 million), net of portion shared by non-controlling shareholders.





## PERFORMANCE

The laminates division delivered satisfactory performance during the period. Both the capacity and shipments increased year on year, placing the Group firmly at the No.1 position in the global laminates market for ten consecutive years. Monthly laminates shipments for 1H 2015 increased further by 6% against the previous year to an average of 9.98 million square metres per month. Segment turnover (including inter-segment sales) rose 1% to HK\$6,621.5 million. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) increased 9% to HK\$1,215.3 million.

Commenced in August 2014, the restructuring of the Elec & Eltek Group was expected to take two years. Adjustments to the workforce and facilities were substantially completed during the period. Continuous efforts towards developing PCB applications in the automotive sector have yielded promising results. Our PCB plants recorded sales growth as they received certifications from various renowned automobile companies. The PCB division turnover mildly decreased by 4% to HK\$3,425.7 million, of which high density interconnect (“HDI”) PCB sales contributed 22% of the total. EBITDA decreased 12% to HK\$300.5 million.

The sharp fall of global oil prices year on year has posed pressure on the selling prices of the Group’s chemical products. The chemical division’s segment turnover (including inter-segment sales) therefore decreased 14% year on year to HK\$5,799.9 million with EBITDA of HK\$540.0 million. During the period under review, share of associates’ results (the bulk of which was contributed by the natural gas-based methanol joint venture with China BlueChemical Limited) amounted to HK\$19.4 million.

The property division delivered continued growth in rental income by 4% to HK\$271.5 million, on the back of average occupancies of over 90% for key investment properties. Sales of Huaqiao Kingboard Yu Garden Phase I during the period, amounting to HK\$1,208.5 million, were fully booked. The property division recorded a segment turnover of HK\$1,480.0 million, and achieved contracted sales of HK\$725.3 million on total contracted sales floor area of approximately 75,000 square metres.

## LIQUIDITY AND CAPITAL RESOURCES

The Group’s financial and liquidity position continued to be solid. As at 30 June 2015, net current assets and current ratio of the Group were approximately HK\$17,792.7 million (31 December 2014: HK\$16,934.4 million) and 1.88 (31 December 2014: 1.82) respectively.

The net working capital cycle increased from 51 days as at 31 December 2014 to 58 days as at 30 June 2015 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 32 days (31 December 2014 – 33 days).
- Trade receivables, in terms of debtors turnover days, increased to 65 days (31 December 2014 – 59 days).
- Trade and bills payables, in terms of creditors turnover days, decreased to 39 days (31 December 2014 – 41 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was approximately 43% (31 December 2014: 42%). The proportion of bank borrowings between short term and long term stood at 46%:54% (31 December 2014: 44%:56%). During the period under review, the Group invested HK\$437.0 million and HK\$2.1 billion respectively in new production capacity and property development projects. As at 30 June 2015, the Group held cash and available unutilised bank facilities of HK\$4.0 billion and HK\$2.8 billion respectively. With a sound statement of financial position and abundant contingency funds, the Group is able to respond flexibly to the challenges and opportunities in the market.

The Group continued to adopt a prudent financial management policy. It has entered into forward currency contracts in order to minimise the Group's foreign exchange exposure. As at 30 June 2015, such contracts had a fair value of HK\$4.7 million (31 December 2014: HK\$6.8 million). Other than the aforesaid instrument which was related to the Group's normal course of business, the Group did not enter into any other types of derivative financial instruments, nor did the Group have any material foreign exchange exposure during the period. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses.

## HUMAN RESOURCES

As at 30 June 2015, the Group had a global workforce of approximately 45,000 (31 December 2014: 45,300). In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievement and employees' individual performance.



## PROSPECTS

It is expected that structural reforms in China will continue towards the second half of 2015, which will help relieve the problem of over-capacity. The Group will continue to expand market presence while staying steadfast to all core operations. Furthermore, the Group will strictly control capital expenditure and operating costs, while standing prepared to capture opportunities arising from market recovery.

The intense competition in the laminates market has eased off against a slowdown in new capacity growth. The growth of demand of laminates gradually surpassed that of supply. With continuous efforts in strengthening our vertically-integrated production capability, the Group is able to affirm the leading position in the laminates market, thus helping steadily revive the performance of its laminates business.

The PCB business is benefiting from the initial results of the restructuring exercise of Elec & Eltek Group. The Group is actively developing the capacity for high-performance PCBs in order to meet the demands from the telecommunications and automotive sectors.

Global oil price is wandering at the bottom. However, rest on less risk of further sharp decrease in oil price, prices of chemical products set to rebound, which will drive up the ongoing sales of the chemical division.

The Group's core commercial property project, Kingboard Square, located in Hongqiao District, Shanghai, is scheduled for completion during the year. Leasing activities are currently underway. With the anticipated completions and deliveries of more residential projects, pre-sales of these projects can be recognised gradually, fueling the property division's further growth.

## APPRECIATION

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

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 September 2015 to Wednesday, 23 September 2015 (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, 21 September 2015.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2015, 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	2,667,970	0.260
Mr. Chang Wing Yiu ( <i>Note 1</i> )	Beneficial owner/ Interest of spouse	4,938,328	0.482
Mr. Cheung Kwong Kwan	Beneficial owner	3,000,000	0.293
Mr. Ho Yin Sang ( <i>Note 2</i> )	Beneficial owner/ Interest of spouse	3,120,674	0.304
Ms. Cheung Wai Lin, Stephanie ( <i>Note 3</i> )	Beneficial owner/ Interest of spouse	822,000	0.080
Mr. Cheung Ka Shing	Beneficial owner	20,000	0.002

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 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”)**

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in underlying Shares pursuant to Share Options</b>
Mr. Cheung Kwok Wing	Beneficial owner	9,360,000
Mr. Chang Wing Yiu	Beneficial owner	8,120,000
Mr. Cheung Kwong Kwan	Beneficial owner	7,120,000
Mr. Ho Yin Sang ( <i>Note</i> )	Beneficial owner/ Interest of spouse	13,048,000
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	7,120,000
Mr. Cheung Ka Shing	Beneficial owner	6,928,000

*Note:* Out of the 13,048,000 Share Options, 7,120,000 Share Options were held by Mr. Ho Yin Sang and 5,928,000 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**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued KLHL Shares held</b>	<b>Approximate percentage of the issued share capital of KLHL (%)</b>
Mr. Cheung Kwok Wing	Beneficial owner	875,500	0.029
Mr. Chang Wing Yiu	Interest of spouse	100,000	0.003
Mr. Ho Yin Sang	Interest of spouse	540,000	0.018

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in underlying KLHL Shares pursuant to KLHL Share Options</b>
Mr. Ho Yin Sang	Interest of spouse	9,000,000
Mr. Cheung Ka Shing	Beneficial owner	9,000,000

**(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**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of non-voting deferred shares held</b> <i>(Note)</i>
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chang Wing Yiu	Beneficial owner	423,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000

*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**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued EEIC Shares held</b>	<b>Approximate percentage of the issued share capital of EEIC</b> <i>(%)</i>
Mr. Cheung Kwok Wing	Beneficial owner	1,507,200	0.806
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260
Mr. Cheung Kwong Kwan	Beneficial owner	40,500	0.022
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260

- (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	421,000	0.0583
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 2015, 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 2015, 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)	Beneficial owner	379,520,200 (L)	37.00 (L)
FMR LLC	Investment manager	102,560,000 (L)	9.99 (L)

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

*Note:*

As at 30 June 2015: (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) Mr. Cheung Kwok Wing, being Director, was also a director of Hallgain.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2015 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 2015, 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 2015.

## **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 (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 2015, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to Code 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 meetings, 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 2015.

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

Hong Kong, 24 August 2015

### **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  
Mr. Chen Maosheng

#### *Independent Non-Executive Directors*

Dr. Cheng Wai Chee, Christopher  
Mr. Tse Kam Hung  
Mr. Lai Chung Wing, Robert  
Mr. Tang King Shing