KB 建滔化工集團有限公司

KINGBOARD CHEMICAL HOLDINGS LIMITED

Stock Code: 148

INTERIM REPORT 2016



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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	1,721,092	1,006,650
Other comprehensive (expenses) income for the period:		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(812,780)	59,153
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	63,916	29,555
Translation reserve:		
Exchange differences arising from translation of foreign operations	(23,527)	(12,129)
Other comprehensive (expenses) income for the period (net of tax)	(772,391)	76,579
Total comprehensive income for the period	948,701	1,083,229
Total comprehensive income for the period attributable to:		
Owners of the Company	897,327	940,971
Non-controlling interests	51,371n27	

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	801,155	805,518
Bank borrowings – amount due after one year	11,404,415	14,469,292
	12,205,570	15,274,810
	41,878,721	41,340,727
Capital and reserves		
Share capital	102,560	102,560
Reserves	35,752,394	35,143,608
Equity attributable to owners of the Company	35,854,954	35,246,168
Non-controlling interests	6,023,767	6,094,559
Total equity	41,878,721	41,340,727

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital 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 profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2016	102,560	4,457,742	1,911	291,588	1,109,920	10,594	448,801	256,370	(13,131)	1,544,779	27,035,034	35,246,168	6,094,559	41,340,727
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,505,974	1,505,974	215,118	1,721,092
Net changes arising from available-for-sale investments	–	–	–	–	–	–	–	–	60,606	–	–	60,606	3,310	63,916
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	–	(17,328)	–	(17,328)	(6,199)	(23,527)
Exchange differences arising from translation to presentation currency	–	–	–	–	–	–	–	–	–	(651,925)	–	(651,925)	(160,855)	(812,780)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	60,606	(669,253)	1,505,974	897,327	51,374	948,701
Recognition of equity-settled share-based payments	–	–	–	13,513	–	–	–	–	–	–	–	13,513	–	13,513
Final dividend for the year ended 31 December 2015	–	–	–	–	–	–	–	–	–	–	(307,680)	(307,680)	–	(307,680)
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	26,400	26,400
Acquisition of additional interests in subsidiaries	–	–	–	–	5,626	–	–	–	–	–	–	5,626	(44,066)	(38,440)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(104,500)	(104,500)
Transfers to reserve	–	–	–	–	–	–	55,685	–	–	–	(55,685)	–	–	–
	–	–	–	13,513	5,626	–	55,685	–	–	–	(363,365)	(288,541)	(122,166)	(410,707)
Balance at 30 June 2016	102,560	4,457,742	1,911	305,101	1,115,546	10,594	504,486	256,370	47,475	875,526	28,177,643	35,854,954	6,023,767	41,878,721

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital 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 profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'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
Net changes arising from available-for-sale investments	–	–	–	–	–	–	–	–	13,167	–	–	13,167	16,388	29,555
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	–	(8,733)	–	(8,733)	(3,396)	(12,129)
Exchange differences arising from translation to presentation currency	–	–	–	–	–	–	–	–	–	53,667	–	53,667	5,486	59,153
Total comprehensive income for the period	–	–	–	–	–	–	–	–	13,167	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	–	–	–	–	–	–	–	–	–	–	(307,680)	(307,680)	–	(307,680)
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	–	–	–	–	–	–	961	–	–	–	(961)	–	–	–
	–	–	–	39,546	30,646	–	961	–	–	–	(308,641)	(237,488)	(183,299)	(420,787)
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	6,255,841	42,635,632

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash from (used in) operating activities	5,291,577	(92,537)
Net cash (used in) from investing activities	(2,160,275)	111,292
Net cash used in financing activities	(3,410,640)	(560,390)
Net decrease in cash and cash equivalents	(279,338)	(541,635)
Cash and cash equivalents at the beginning of the period	4,853,792	4,559,399
Cash and cash equivalents at the end of the period, representing bank balances and cash	4,574,454	4,017,764

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

Segment revenues and results by reportable segments are presented below:

6. Finance costs

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**230,963**	234,313
Less: Amount capitalised in the cost of qualifying assets	**(18,931)**	(18,666)
	212,032	215,647

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK$15,097,000 (1 January 2015 to 30 June 2015: HK$14,896,000) 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 1.0% (1 January 2015 to 30 June 2015: 1.1%) per annum to expenditure on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
The amount comprises:		
Hong Kong Profits Tax	**750**	5,467
Taxation arising in other jurisdictions	**530,979**	254,937
	531,729	260,404
Deferred taxation		
Charge for the period	**1,776**	14,723
	533,505	275,127

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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2016 of HK$0.30 per share (1 January 2015 to 30 June 2015: HK$0.20 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 15 September 2016. The dividend warrants will be dispatched on or around Tuesday, 4 October 2016.

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	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings for the purpose of calculating basic and diluted earnings per share	1,505,974	882,870

	Number of shares	
	30 June	30 June
	2016	2015
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,025,600,236	1,025,600,236
Add: Effect of potentially dilutive ordinary shares relating to: – outstanding share options granted on 19 March 2015	1,543,069	501,414
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,027,143,305	1,026,101,650

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

	30 June 2016 *HK$'000* *(Unaudited)*	31 December 2015 *HK$'000* *(Audited)*
Trade receivables	5,748,639	5,705,197
Advance to suppliers	782,055	810,399
Entrusted loans *(Note i)*	1,150,290	1,268,714
Prepayment and deposits	1,284,942	803,334
Value added tax ("VAT") recoverables	210,486	265,093
Land appreciation tax on pre-sale properties *(Note ii)*	97,555	72,847
Other receivables	133,569	116,622
	9,407,536	9,042,206
Less: Non-current portion of entrusted loans *(Note i)*	(1,080,123)	(1,193,072)
	8,327,413	7,849,134

Notes:

(i) The entrusted loans of HK$1,150,290,000 (31 December 2015: HK$1,268,714,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2015: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans carry interest at variable rates ranging from 4.92% to 6.90% (31 December 2015: 4.92% to 6.90%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2015: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan, PRC.

As at 30 June 2016, entrusted loans amounting to HK$1,080,123,000 (31 December 2015: HK$1,193,072,000) are in respect of repayments due after 12 months from the end of the reporting period and are classified as non-current assets.

(ii) The amount represents the provisional land appreciation tax prepaid to PRC tax authority based on the latest completion status of properties development projects. The final assessment will be carried out upon sales of properties at the completion of properties development projects.

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 invoice date at the end of the reporting period which approximates the respective revenue recognition dates:

	30 June 2016 *HK$'000* *(Unaudited)*	31 December 2015 *HK$'000* *(Audited)*
0–90 days	4,276,908	4,219,523
91–180 days	1,383,160	1,392,451
Over 180 days	88,571	93,223
	5,748,639	5,705,197

All bills receivables of the Group are aged within 90 days (31 December 2015: 90 days) at the end of the reporting period.

12. Trade and other payables and bills payables

	30 June 2016 *HK$'000* *(Unaudited)*	31 December 2015 *HK$'000* *(Audited)*
Trade payables	2,517,661	2,406,369
Accrued expenses	600,748	621,703
Payables for acquisition of properties, plant and equipment	591,366	794,413
Receipt in advance	515,005	428,063
Other tax payables	164,542	200,231
VAT payables	269,091	221,546
Other payables *(Note)*	1,206,407	1,255,292
	5,864,820	5,927,617

Note: Included in other payables was the advance from an associate of approximately HK$1,112,094,000 (31 December 2015: HK$1,172,532,000) which is interest-free, unsecured and repayable on demand.

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

	30 June 2016 *HK$'000 (Unaudited)*	31 December 2015 *HK$'000 (Audited)*
0–90 days	2,027,037	1,888,329
91–180 days	319,320	358,478
Over 180 days	171,304	159,562
	2,517,661	2,406,369

All bills payables of the Group are aged within 90 days (31 December 2015: 90 days) at the end of the reporting period.

13. Events after the reporting period

On 13 May 2016, one of KLHL's subsidiaries entered into a sale and purchase agreement to sell equity interest of a PRC subsidiary, which holds a parcel of land in Shenzhen, at a consideration of approximately RMB2,004.43 million (equivalent to approximately HK$2,345.27 million) and the transaction was completed on 5 July 2016. Upon completion of the disposal, it is estimated that KLHL would realise a gain on the disposal before taxation of approximately RMB1,979.18 million (equivalent to approximately HK$2,315.72 million).

14. 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 31 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

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In respect of the share options outstanding at the end of the reporting period, the weighted average exercise price per share is HK$22.71 (31 December 2015: HK$22.71).

As at 30 June 2016, if all the exercisable share options under the Scheme were converted, 47,352,000 (31 December 2015: 37,452,000) shares will be issued, representing approximately 4.62% (31 December 2015: 3.65%) of the issued share capital of the Company.

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 2016	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 2016
Executive Directors										
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
Sub-total					45,768,000	–	–	–	–	45,768,000

		Share options grant date	Exercise price *HK$*	Exercise period	Number of share options outstanding as at 1 January 2016	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 2016
Employees										
	(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
Sub-total					11,784,000	–	–	–	–	11,784,000
Total					57,552,000	–	–	–	–	57,552,000
Exercisable at:										
1 January 2016					37,452,000					
30 June 2016					47,352,000					

Notes:

1. 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.

2. 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.

3. 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 Group recognised the total expense of approximately HK$13,513,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$39,546,000) in relation to the share options granted by the Company.

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

The existing share option scheme of EEIC (the "EEIC Scheme") was approved by the shareholders of EEIC at the extraordinary general meeting held on 21 April 2008 and was adopted and took effect from 9 May 2008 upon approval by the shareholders of the Company. The 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 20 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 2016, 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 9 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 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 2016, the total number of shares of KLHL in respect of which options had been granted and remained outstanding was 81,000,000 (31 December 2015: 81,000,000), representing approximately 2.70% (31 December 2015: 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 2016 were as follows:

	Number of share options outstanding as at 1 January 2016	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 2016	Share options grant date	Exercisable period	Exercise price HK$
Executive Directors									
Mr. Ho Yin Sang *(Note 2)*	9,000,000	–	–	–	–	9,000,000	21 March 2011	21 March 2011 to 17 May 2017 *(Note 1)*	6.54
Mr. Cheung Ka Shing	9,000,000	–	–	–	–	9,000,000	21 March 2011	21 March 2011 to 17 May 2017 *(Note 1)*	6.54
Sub-total	18,000,000	–	–	–	–	18,000,000			
Employees	63,000,000	–	–	–	–	63,000,000	21 March 2011	21 March 2011 to 17 May 2017 *(Note 1)*	6.54
Sub-total	63,000,000	–	–	–	–	63,000,000			
Total	81,000,000	–	–	–	–	81,000,000			
Exercisable at:									
1 January 2016	81,000,000								
30 June 2016	81,000,000								

Notes:

1. 25% of the total share options were vested immediately on the date of grant. The remaining 75% were split evenly into three lots and were vested on 21 March 2012, 2013 and 2014. The closing price of the KLHL's shares immediately before the date of grant was HK$6.3.

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

15. Capital and other commitments

	30 June 2016 *HK$'000* *(Unaudited)*	31 December 2015 *HK$'000* *(Audited)*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of properties, plant and equipment	101,083	94,275
– capital injection in an unlisted investment	3,346	3,346
	104,429	97,621
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	2,287,122	2,987,531

17. Contingent liabilities

(a) The Group provided guarantees amounting to approximately HK$5,606,490,000 as at 30 June 2016 (31 December 2015: HK$3,376,048,000) to facilitate mortgage bank loans applications of 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 2016 and 31 December 2015.

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 certain subsidiaries of the Company (the "Respondents") were named as a defendant in the Supreme Court of Bermuda in respect of an allegation of the affairs of Kingboard Copper Foil Holdings Limited ("KBCF"), a 65.95% owned subsidiary of KLHL at the end of the reporting period, whose shares are listed on Singapore Exchange Securities Trading Limited, had been and or were being conducted in a manner which was oppressive or unfairly prejudicial to the minority shareholders of KBCF. The petitioner was seeking an order to the Respondents to repurchase all of the KBCF's shares held by petitioner at the price to be fixed by a valuer or Supreme Court of Bermuda. The trial of the petition took place in September 2015. The Supreme Court of Bermuda handed down its judgement on 10 November 2015. The Supreme Court of Bermuda found that the allegation, that the terms of the previous interested person transactions purchases constituted preferential transfer pricing which was prejudicial to minority shareholders, were not proved and the allegation, that the terms of the license agreement were wholly uncommercial and the licencee was a sham, were also not proved. However, the Supreme Court of Bermuda also ruled that the KBCF's management should have promptly initiate bona fide open negotiations in which commercially reasonable proposals were openly tabled with a view to persuading the minority shareholders of KBCF to approve the interested person transactions mandate on even marginally more favourable terms. Subsequently, the Company filed a notice of appeal on 23 December 2015 relating to the unfavourable ruling of the judgement. The appeal hearing is scheduled to take place in March 2017. At the date of the report, in the opinion of the Directors and the Company's lawyer, the liability of this legal case cannot be quantified at this stage because the outcome of the buy-out order cannot measured reliably pending the aforementioned appeal and/or the second part of the trial for the purpose of determining the quantum of the buy-out order. 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") delivered a strong performance during the six months ended 30 June 2016 (the "Period"). With a market advantage built firmly on a vertically integrated production platform and diversified business portfolio, the Group was able to achieve a breakthrough in performance in the face of an adverse environment of intense competition in the global manufacturing sector and generally subdued commodity prices. During the Period, the laminates market steadily rebounded and resumed a healthy upward trend. The Group therefore succeeded in increasing the profit margin for its laminates business. As the restructuring of the Elec & Eltek Group began to deliver results, the printed circuit board ("PCB") division demonstrated a strong rebound in segment performance. The chemicals division continued to be affected by low petroleum prices, thus recording lower selling prices year on year; nevertheless the segment saw a rebound in its profit margin. Lastly, the property division posted a brilliant set of results on significant increases in both booked sales and profit. Pre-sales activities also recorded a high rate of growth, contributing a substantial increase in cash flow for the Group.

Group revenue rose 11% year on year to HK$18,320.8 million, generating earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK$3,599.3 million, a strong growth of 37% year on year. The underlying net profit also jumped 84% to HK$1,621.2 million. The Board has declared an interim dividend of HK$0.30 per share, an increase of 50% year on year.

Financial Highlights

	Six months ended 30 June		
	2016	2015	**Change**
	HK$'million	*HK$'million*	
Revenue	**18,320.8**	16,474.8	+11%
EBITDA*	**3,599.3**	2,633.4	+37%
Net profit attributable to owners of the Company			
– Underlying net profit*	**1,621.2**	881.1	+84%
– Reported net profit	**1,506.0**	882.9	+71%
Basic earnings per share			
– Based on underlying net profit*	**HK$1.581**	HK$0.859	+84%
– Based on reported net profit	**HK$1.468**	HK$0.861	+71%
Interim dividend per share	**HK$0.30**	HK$0.20	+50%
Net asset value per share	**HK$35.0**	HK$35.5	–1%
Net gearing	**32%**	43%	

* Excluding:

(1) Gain on fair value changes of investment properties of HK$41.3 million, net of deferred tax from 1 January 2015 to 30 June 2015 (1 January 2016 to 30 June 2016: Nil).

(2) Share-based payments of HK$13.5 million (1 January 2015 to 30 June 2015: HK$39.5 million).

(3) Impairment loss recognised on available-for-sale investments of HK$101.7 million (1 January 2015 to 30 June 2015: Nil).

PERFORMANCE

The Group has been ranked the world's top laminates producer for eleven consecutive years. During the Period, the demand-supply dynamics of the laminates market have improved consistently to drive steady increases in the division's profit margin. Monthly laminates shipments increased by 3% to an average of 10 million square metres. Segment turnover (including inter-segment sales) amounted to HK$6,081.0 million, while EBITDA increased 1% to HK$1,224.2 million.

The restructuring of the Elec & Eltek Group is close to completion, resulting in a turnaround for the segment. Orders for brand-name products by Techwise Circuits Company Limited and Express Electronics Limited have also increased steadily. The PCB division reported a segment turnover of HK$3,659.1 million, up 7%. EBITDA also grew significantly by 33% to HK$398.8 million.

Impacted by prevailing low petroleum prices and a slowdown in China's domestic demand, selling prices of the Group's chemical products remained soft. However, as the industry gradually consolidated and drove out weaker contenders, some of the excess capacity in the industry has been eliminated. This has therefore resulted in a reversal of the declining trend in the division's profit margin. Segment turnover (including inter-segment sales) decreased by 20% year on year to HK$4,650.8 million, delivering an EBITDA of HK$504.0 million, down by 7%.

Sales from Huaqiao Kingboard Yu Garden Phase 2, Zhangpu Kingboard Yu Garden, and Kunshan Development Zone Kingboard Yu Garden Phase 3 were partially booked during the

The net working capital cycle decreased from 57 days as at 31 December 2015 to 48 days as at 30 June 2016 on the following key metrics:

– Inventories, in terms of stock turnover days, decreased to 26 days (31 December 2015: 30 days).

– Trade receivables, in terms of debtor turnover days, decreased to 57 days (31 December 2015: 64 days).

– Trade and bills payable, in terms of creditor turnover days, was reduced to 35 days (31 December 2015: 37 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was 32% (31 December 2015: 38%). The proportion of short-term to long-term bank borrowings stood at 37%:63% (31 December 2015: 30%:70%). During the Period, the Group invested HK$402.3 million and HK$1,968.0 million respectively in new production capacity and property development projects. With a sound balance sheet and abundant contingency funds, the Group is in an excellent position to flexibly respond to the challenges and opportunities in the market.

The Group continued to adopt a prudent financial management policy. The Group did not enter into any types of derivative financial instrument, 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 2016, the Group employed a global workforce of approximately 44,000 (31 December 2015: 43,200). The increase in the workforce was mainly to cope with business developments. 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 achievements and employees' individual performance.

PROSPECTS

Entering the second half of 2016, demand for electronics products remains solid. With the continued removal of less competitive capacities from the laminates market, the momentum of the rebound remains robust. The Group will increase the production of its thin laminates and halogen-free laminates, as well as LED-related laminates, in order to expand its market share and strengthen its leading position in the industry.

The PCB division is back on track for growth. Upon completion of its restructuring, growth momentum remains strong, primarily driven by growing orders from the consumer electronics and automobile sectors. To cope with market demand, the Group will continue to optimise existing production lines and raise the level of precision and automation, so as to tap further into the high-end PCB market.

With gradually stabilised petroleum prices, the selling prices of chemical products, and

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, 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 *(Note 1)*	Beneficial owner/ Interest of spouse	3,604,470	0.351
Mr. Chang Wing Yiu *(Note 2)*	Beneficial owner/ Interest of spouse	5,262,928	0.513
Mr. Cheung Kwong Kwan	Beneficial owner	2,208,000	0.215
Mr. Ho Yin Sang *(Note 3)*	Beneficial owner/ Interest of spouse	2,470,674	0.241
Ms. Cheung Wai Lin, Stephanie *(Note 4)*	Beneficial owner/ Interest of spouse	822,000	0.080
Mr. Cheung Ka Shing	Beneficial owner	70,000	0.007
Mr. Cheung Ming Man	Beneficial owner	10,000	0.001

Notes:

(1) Out of the 3,604,470 Shares, 1,702,405 Shares were held by Mr. Cheung Kwok Wing and 1,902,065 Shares were held by his spouse.

(2) Out of the 5,262,928 Shares, 4,076,488 Shares were held by Mr. Chang Wing Yiu and 1,186,440 Shares were held by his spouse.

(3) Out of the 2,470,674 Shares, 1,679,674 Shares were held by Mr. Ho Yin Sang and 791,000 Shares were held by his spouse.

(4) Out of the 822,000 Shares, 682,000 Shares were held by Ms. Cheung Wai Lin, Stephanie and 140,000 Shares were held by her spouse.

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

Name of Director	Capacity	Interest in underlying Shares pursuant to Share Options
Mr. Cheung Kwok Wing	Beneficial owner	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 *(Note)*	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

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL *(%)*
Mr. Cheung Kwok Wing	Beneficial owner	1,483,500	0.049
Mr. Chang Wing Yiu	Interest of spouse	1,600,000	0.053
Mr. Ho Yin Sang	Interest of spouse	540,000	0.018Mr.(d Shar
Mr. Cheung Ka Shing	Beneficial owner		6,9600000

(e) Non-voting deferred shares of HK$1 each in the share capital of Kingboard Laminates Limited, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of non-voting deferred shares held *(Note)*
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. 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

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC *(%)*
Mr. Cheung Kwok Wing	Beneficial owner	1,507,200	0.806
Mr. 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. Ho Yin Sang	Interest of spouse	2,000	0.0002

Other than as disclosed above, as at 30 June 2016, the Company has not been notified of any other notifiable interests or short positions of the f

Note:

As at 30 June 2016: (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 a 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 2016 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 2016, 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 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions

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 2016.

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

Hong Kong, 15 August 2016

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. Tang King Shing
Mr. Cheung Ming Man
Mr. Chong Kin Ki