

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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 30 June	
	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	17,080,942	16,593,930
Cost of sales and services rendered		(14,663,968)	(14,087,993)
Gross profit		2,416,974	2,505,937
Other income	5	184,449	157,824
Distribution costs		(463,898)	(441,722)
Administrative expenses		(731,354)	(742,414)
Gain on disposal of available-for-sale investments		23,892	—
Share-based payments		(27,743)	(63,425)
Finance costs	6	(219,722)	(166,663)
Share of results of associates		80,506	105,247
Profit before taxation		1,263,104	1,354,784
Income tax expense	7	(179,291)	(205,605)
Profit for the period		1,083,813	1,149,179
Profit for the period attributable to:			
Owners of the Company		933,309	908,060
Non-controlling interests		150,504	241,119
		1,083,813	1,149,179
		HK\$ (Unaudited)	HK\$ (Unaudited) (Restated)
Earnings per share	9		
Basic		0.910	0.885
Diluted		0.910	0.885



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit for the period	1,083,813	1,149,179
Other comprehensive income for the period:		
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Condensed Consolidated Statement of Financial Position

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets			
Investment properties		6,043,707	5,743,663
Properties, plant and equipment	10	18,416,389	18,726,836
Prepaid lease payments		984,407	1,023,789
Goodwill		2,288,149	2,288,149
Interests in associates		518,452	649,317
Available-for-sale investments		5,031,005	3,166,084
Non-current deposits		442,258	404,510
Deferred tax assets		4,803	5,398
		33,729,170	32,007,746
Current assets			
Inventories		3,790,845	3,448,609
Properties held for development		13,085,277	10,063,615
Trade and other receivables and prepayments	11	9,258,452	8,487,915
Bills receivables	11	2,037,553	2,209,153
Other current assets		712,531	712,531
Prepaid lease payments		27,329	30,329
Taxation recoverable		58,120	59,643
Bank balances and cash		4,426,364	3,914,991
		33,396,471	28,926,786
Current liabilities			
Trade and other payables	12	4,694,320	4,959,412
Bills payables	12	801,993	874,954
Deposits received from pre-sale of residential units		982,830	379,156
Taxation payable		537,185	554,666
Bank borrowings		7,038,674	5,734,281
		14,055,002	12,502,469
Net current assets		19,341,469	16,424,317
Total assets less current liabilities		53,070,639	48,432,063



	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	259,086	258,118
Bank borrowings	15,758,578	12,024,799
	16,017,664	12,282,917
	37,052,975	36,149,146
Capital and reserves		
Share capital	102,560	85,467
Share premium and reserves	31,424,965	30,560,168
Equity attributable to owners of the Company	31,527,525	30,645,635
Non-controlling interests	5,525,450	5,503,511
Total equity	37,052,975	36,149,146

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	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2013	85,467	4,474,835	1,911	241,946	920,326	10,594	337,080	23,338	(13,421)	3,034,612	21,528,957	30,645,635	5,503,511	36,149,146
Profit for the period	-	-	-	-	-	-	-	-	-	-	933,309	933,309	150,504	1,083,813
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	(40,753)	-	-	(40,753)	(21,776)	(62,529)
Investment revaluation reserve released on disposal	-	-	-	-	-	-	-	-	(23,892)	-	-	(23,892)	-	(23,892)
Exchange differences arising on translation of foreign operations to presentation currency	-	-	-	-	-	-	-	-	-	348,804	-	348,804	54,479	403,283
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(64,645)	348,804	933,309	1,217,468	183,207	1,400,675
Issue of new shares from bonus issue	17,093	(17,093)	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	19,724	-	-	-	-	-	-	-	19,724	8,019	27,743
Final dividend for the year ended 31 December 2012	-	-	-	-	-	-	-	-	-	-	(358,960)	(358,960)	-	(358,960)
Acquisition of additional interests in subsidiaries	-	-	-	-	3,658	-	-	-	-	-	-	3,658	(20,287)	(16,629)
Reserves released upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(6,007)	6,007	-	-	-
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(149,000)	(149,000)
Transfers	-	-	-	-	-	-	10,320	-	-	-	(10,320)	-	-	-



Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(1,758,282)	725,310
Net cash used in investing activities	(2,008,226)	(2,294,084)
Net cash from financing activities	4,277,881	900,584
Net increase (decrease) in cash and cash equivalents	511,373	(668,190)
Cash and cash equivalents at the beginning of the period	3,914,991	4,437,442
Cash and cash equivalents at the end of the period, representing bank balances and cash	4,426,364	3,769,252

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvement to HKFRSs 2009 – 2011 cycle
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and disclosure of interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income; and
HK(IFRIC)* – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

* IFRIC represents the International Finance Reporting Interpretation Committee.

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

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



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

Segment revenues and results by reportable segments are presented below:

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

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



6. Finance costs

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	217,650	162,071
Interest on bank borrowings not wholly repayable within five years	7,495	–
Interest paid in relation to the interest rate swap contracts	–	10,058
	225,145	172,129
Less: Amount capitalised in the cost of qualifying assets	(5,423)	(5,466)
	219,722	166,663

Borrowing costs capitalised during the reporting period arose on the general borrowing pool and were calculated by applying a capitalisation rate of 1.1% per annum for the period (1 January 2012 to 30 June 2012: 1.1% per annum).

7. Income tax expense

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	1,489	3,485
Taxation arising in other jurisdictions	176,751	198,710
	178,240	202,195
Deferred taxation		
Charge for the period	1,051	3,410
	179,291	205,605

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 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 and a special dividend for the six months ended 30 June 2013 of HK10 cents (1 January 2012 to 30 June 2012: HK10 cents or HK8.3 cents after adjusting for the bonus share issue in 2013) and HK20 cents (1 January 2012 to 30 June 2012: Nil) per share respectively to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 19 September 2013. The dividend warrants will be dispatched on or around Friday, 27 September 2013.

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	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	933,309	908,060

	Number of shares	
	30 June 2013 (Unaudited)	30 June 2012 (Unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share (Note)	1,025,600,236	1,025,600,116

Note: The weighted average number of ordinary shares used in calculating the basic earnings per share and diluted earnings per share is adjusted for the bonus share issue incurred for the six months ended 30 June 2012 and 2013 as if the bonus share issue had occurred on 1 January 2012.

For the six months ended 30 June 2012 and 2013, diluted earnings per share were the same as the basic earnings per share as the inclusion of the dilutive potential ordinary shares in respect of the warrants and share options during that period would have an anti-dilutive effect.

10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$578 million (1 January 2012 to 30 June 2012: HK\$1,269 million) on acquisition of properties, plant and equipment.



11. Trade and other receivables and prepayments and bills receivables

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade receivables	5,482,015	5,214,158
Advance to suppliers	1,381,482	1,034,257
Prepayments and deposits	889,954	580,002
Deposits paid for acquisition for land use right of development of properties held for sale	–	558,858
Interest income receivables	47,736	–
Value added tax ("VAT") recoverable	916,896	879,225
Land appreciation tax on pre-sale properties	–	9,951
Other receivables	540,369	211,464
	9,258,452	8,487,915

The Group allows credit periods of up to 120 days, depending on the products sold, to its trade customers. The following is an aged analysis of the trade receivables at the end of the reporting period:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0 – 90 days	4,107,747	3,862,697
91 – 180 days	1,302,114	1,289,311
Over 180 days	72,154	62,150
	5,482,015	5,214,158

All bills receivables of the Group are aged within 90 days (31 December 2012: 90 days) at the end of the reporting period.

12. Trade and other payables and bills payables

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade payables	3,021,547	2,738,658
Accrued expenses	517,108	577,905
Payables for acquisition of properties, plant and equipment	498,564	791,046
Receipt in advance	274,675	343,389
Other tax payables	108,008	206,659
VAT payables	135,471	130,983
Other payables	138,947	170,772
	4,694,320	4,959,412

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0 – 90 days	2,407,993	2,077,403
91 – 180 days	415,031	503,700
Over 180 days	198,523	157,555
	3,021,547	2,738,658

All bills payables of the Group are aged within 90 days (31 December 2012: 90 days) at the end of the reporting period.

13. Share options

(a) Employees' share option scheme of the Company

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



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

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

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

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

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

As at 30 June 2013, the number of shares of the Company in respect of which options had been granted and remained outstanding was 33,600,000 (31 December 2012: 28,000,000), representing 3.28% (31 December 2012: 3.28%) of the shares of the Company in issue on that date.



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

	Number of share options outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Adjusted (by way of increment) during the period	Number of share options outstanding as at 30 June 2013	Option grant date	Exercise period (Note)	Exercise price HK\$
Executive Directors										
Cheung Kwok Wing	2,800,000	-	-	-	-	560,000	3,360,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Chang Wing Yiu	2,600,000	-	-	-	-	520,000	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Cheung Kwong Kwan	2,600,000	-	-	-	-	520,000	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Ho Yin Sang	2,600,000	-	-	-	-	520,000	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Mok Cham Hung, Chadwick	2,600,000	-	-	-	-	520,000	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Cheung Wai Lin, Stephanie	2,600,000	-	-	-	-	520,000	3,120,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Sub-total	15,800,000	-	-	-	-	3,160,000	18,960,000			
Employees										
	12,200,000	-	-	-	-	2,440,000	14,640,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019	33.92
Sub-total	12,200,000	-	-	-	-	2,440,000	14,640,000			
Total	28,000,000	-	-	-	-	5,600,000	33,600,000			

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

The Group recognised the total expense of approximately HK\$19,724,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$44,838,000) in relation to the share options granted by the Company.

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

The existing share option scheme of EEIC (the "EEIC Scheme") was approved by the shareholders of EEIC at the extraordinary general meeting held on 21 April 2008 and was adopted and took effect from 9 May 2008 upon approval by the shareholders of the Company.

The EEIC Scheme which shall be administered by the committee of directors of EEIC as authorised by EEIC's directors, is open to full-time employees and directors of any company within the EEIC Group, the parent group and of an associated company of EEIC, subject to certain conditions being satisfied.

The EEIC Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in EEIC at a price, which shall be determined by the committee of directors of EEIC and which shall either be an "Exercise Price", which equals to the average of the last dealt prices for an EEIC share for a period of 5 consecutive market days immediately preceding the relevant date of grant, or a price at a discount to the Exercise Price as defined earlier, whereby the discount shall not exceed 20% of the Exercise Price.

Options granted at the Exercise Price or at a discount to the Exercise Price may be exercisable after the first or second anniversary respectively of the date of grant and expiring on the fifth anniversary of the date of grant.

The duration of the EEIC Scheme is 10 years and the total number of shares in EEIC that may be issued shall not exceed 10% of the total number of EEIC shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of EEIC excluding treasury shares (if any) from time to time. The total number of EEIC shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of EEIC shares in issue from time to time.

Share options may be accepted within 30 days after the relevant date of grant accompanied by payment of S\$1.00 (or its equivalent) as consideration by the participants, but the grant of share options do not confer rights on the option holders to any dividend entitlement or to vote at any shareholders' meeting.

As at 30 June 2013, there was no share option granted under the EEIC Scheme since its adoption.



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

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

The KLHL Scheme is valid for a period of 10 years. The directors of KLHL may, at its discretion, grant options to subscribe for shares in KLHL to eligible participants who contribute to the long-term growth and profitability of KLHL and include (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to KLHL, any of its subsidiaries or any entity ("KLHL's Invested Entity") in which KLHL and its subsidiaries (collectively referred to as the "KLHL Group") hold an equity interest; (ii) any non-executive directors (including independent non-executive directors) of KLHL, any of its subsidiaries or any KLHL's Invested Entity; (iii) any supplier of goods or services to any member of the KLHL Group or any KLHL's Invested Entity; (iv) any customer of the KLHL Group or any KLHL's Invested Entity; (v) any person or entity that provides research, development or other technological support to the KLHL Group or any KLHL's Invested Entity; and (vi) any shareholder of any member of the KLHL Group or any KLHL's Invested Entity or any holder of any securities issued by any member of the KLHL Group or any KLHL's Invested Entity.

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

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

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

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

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

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

Details of the share options granted by KLHL pursuant to the KLHL Scheme and the share options outstanding as at 30 June 2013 were as follows:

	Number of share options outstanding as at 1 January 2013	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 2013	Option grant date	Exercise period	Exercise price HK\$
Directors and employees of KLHL	100,000,000	-	-	-	-	100,000,000	21 Mar 2011	21 Mar 2011 to 17 May 2017 (Note)	6.54
Total	100,000,000	-	-	-	-	100,000,000			

Note: These share options are exercisable only from the date of grant until 17 May 2017 with the maximum number of shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of shares subject to the share options from 21 March 2011 to 17 May 2017; (b) additional 25% of the total number of shares subject to the share options from 21 March 2012 to 17 May 2017; (c) additional 25% of the total number of shares subject to the share options from 21 March 2013 to 17 May 2017; and (d) up to 25% of the total number of shares subject to the share options from 21 March 2014 to 17 May 2017.



14. Capital and other commitments

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of properties, plant and equipment	332,241	345,546
– capital injection in an unlisted investment	6,308	6,308
	338,549	351,854
Other expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition and other expenditures relating to properties held for development	375,618	1,836,113

15. Related party transactions

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

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Sales of goods to a non-controlling shareholder of a subsidiary	36,877	32,783
Purchase of goods from an associate	135,397	140,988
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	485,702	483,776
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	378,482	274,539

Included in trade and other receivables and prepayments as at 30 June 2013 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$20,056,000 (31 December 2012: HK\$12,448,000).

Included in trade and other payables as at 30 June 2013 was an amount due to an associate of approximately HK\$4,825,000 (31 December 2012: HK\$10,377,000).

16. Contingent liabilities

During the year ended 31 December 2011, the Company and certain subsidiaries of the Company (the "Defendants") were named as respondents in certain proceedings before the Supreme Court of Bermuda in respect of allegations of the affairs of Kingboard Copper Foil Holdings Limited ("KBCF") had been and or were being conducted in a manner which was oppressive or unfairly prejudicial to the minority interests of KBCF. The petitioner is seeking an order to the Defendants to repurchase all of the shares in KBCF which are held by petitioner at the price to be fixed by a valuer or Supreme Court of Bermuda. As at 30 June 2013, the pleadings have been finalised and parties are engaged in the discovery of documents. No provision for liability has been made by the Group with this claim.

BUSINESS REVIEW

On behalf of the Board of Directors, I am pleased to report to our shareholders that Kingboard Chemical Holdings Limited (the “Group”) delivered another set of satisfactory results for the six months ended 30 June 2013 (“1H 2013”). During the reporting period, the US economy gained positive momentum towards recovery while the European economy also continued to improve. Against a backdrop of on-going economic restructuring in China, the Chinese economy continued on a path of sustained growth.

Leveraging on a solid foundation, the performance of our laminate and printed circuit board (“PCB”) divisions was relatively stable. As the new Yangzhou phenol/acetone plant in Jiangsu province ramped up to full production in 1H 2013, the substantial increase in output volume boosted revenue and earnings for the chemical division. With regards to the property division, the overall occupancy rate of our investment properties portfolio reached over 95%. Our rental income increased substantially in the first six months of this year, driven by additional rental contribution from investment properties located in Guangzhou, Hong Kong and London. The Group’s first residential development project, Shanghai Yu Garden, enjoyed unprecedented success. The comprehensive facilities with excellent property management service won the approval from the buyers of this project which greatly promoted brand image of Kingboard as a property developer in the market. As a result, the pre-sale results in 1H 2013 for both Qiandeng Kingboard Yu Garden and Huaqiao Kingboard Yu Garden far exceeded management’s expectations.

Despite a challenging operating environment in 1H 2013, our experienced management team reacted promptly to changes in the market to tap new business opportunities. With stringent controls over capital expenditure and operating costs, management continued to emphasize on improving operating efficiency. With the dedicated support from our employees, all core business divisions continued to deliver profitable results. Group revenue increased 3% to HK\$17,080.9 million. EBITDA was HK\$2,613.5 million and net profit increased 3% to HK\$933.3 million.

It has been 20 years since Kingboard Group was listed on the main board of The Stock Exchange of Hong Kong Limited. Kingboard has grown from one single laminate plant into a diversified enterprise operating more than 60 manufacturing plants with total assets value over HK\$60 billion. Our exceptional achievement earned the acclaim from investors, bankers, customers and vendors alike. To celebrate this accomplishment and to reward our shareholders, the Board resolved to declare an interim dividend of HK10 cents per share, and a special dividend of HK20 cents per share, constitutes a total dividend of HK30 cents per share.



Financial Highlights

	Six months ended 30 June		
	2013 <i>HK\$'million</i>	2012 <i>HK\$'million</i>	Change
Revenue	17,080.9	16,593.9	+3%
EBITDA	2,613.5	2,614.2	—
Profit before tax	1,263.1	1,354.8	-7%
EBITDA			

As there was no income recognition for property sales in property division in 1H 2013, property division income declined 71% to HK\$253 million, bulk of which related to rental income from the investment properties. In 1H 2012, property division income comprised property sales income of HK\$720 million and rental income of HK\$164 million. Rental income increased by 54% against the previous year – mainly due to additional rental contribution from the commercial properties in Hong Kong and London acquired in 2012. Current occupancy rate of all our investment properties is maintained at over 95%. Pre-sale of the residential projects in Kunshan delivered outstanding results. Contract sales reached approximately RMB715 million with contract sales area of around 94,400 square meters. As at 30 June 2013, the Group held a land bank of approximately 5 million square metres of gross floor area located at prime sites in major cities such as Guangzhou, Shanghai and Kunshan in China laying a solid foundation for future property project developments.

LIQUIDITY AND CAPITAL RESOURCES

Our financial and liquidity position continued to be solid. As at 30 June 2013, net current assets and current ratio of the Group were approximately HK\$19,341.5 million (31 December 2012 – HK\$16,424.3 million) and 2.38 (31 December 2012 – 2.31) respectively.

The net working capital cycle increased from 49 days as at 31 December 2012 to 58 days as at 30 June 2013 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 47 days (31 December 2012 – 39 days).
- Trade receivables, in terms of debtors turnover days, increased to 58 days (31 December 2012 – 51 days).
- Trade and bills payable, in terms of creditors turnover days, increased to 47 days (31 December 2012 – 41 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was 50% (31 December 2012 – 38%). The proportion of bank borrowings between short term and long term stood at 31%: 69% (31 December 2012 – 32%: 68%). During the period under review, the Group invested around HK\$580 million and HK\$2.84 billion in new production capacity and property development projects respectively. As at 30 June 2013, the Group had cash on hand and committed and undrawn banking facilities of HK\$4.4 billion and HK\$2 billion respectively. Hence, with a robust balance sheet coupled with strong liquidity, the Group is well equipped to ride through any challenges and capture new growth opportunities in the market place.



HUMAN RESOURCES

As at 30 June 2013, the Group had a global workforce of approximately 46,700 (31 December 2012 – 43,400). The increase in headcount was in line with the expanded business activities. In addition to offering a competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and individual performance.

PROSPECTS

Looking ahead, the macro business operating environment looks positive. Leveraging on the competitive advantages of our vertical-integration business model and economies of scale, the Group is confident of nurturing change in all divisions in response to market changes.

With regard to the laminate division, laminate plants in Jiangmen, Guangdong province and Jiangyin, Jiangsu province will continue to expand capacity in the second half of 2013 in order to provide a good product range to tap into the LED and automotive market.

As the number of mobile internet users continues to rise, global telecommunication service providers are gearing up the 4G LTE infra-structure to meet user demand. In turn, this will drive the PCB demand from this sector. Furthermore, demand for smart-phones and tablets remain robust. The Group will continue to expand its PCB capacity to expand our market share in HDI and other advance products.

With regard to the chemical division, we plan to ramp up PVC capacity in Hengyang plant, Hunan province in 2H 2013. Furthermore, management will continue to exert strict costs control and push operational efficiency to sharpen our competitiveness.

Property division is expected to continue to post a strong performance in 2H 2013. Decoration work of Guangzhou Kingboard Plaza at Zhujiang Xincheng has been completed. Demand from prospective tenants for this project has been very positive. This project is expected to generate rental income in 2H 2013, which will further fuel the Group's rental income growth. In addition, property pre-sales continued to show strong momentum in July. The Group plans to launch additional residential projects for sale in future to meet market demand.

We are confident that the prospects for the Chinese economy will remain positive. The Chinese Central government continues to implement prudent financial policies to encourage domestic consumption and achieve sustained economic growth. With a diversified business portfolio, the Group will continue to invest in enhancing the competencies of our core businesses so as to prepare the Group for future business opportunities.

APPRECIATION

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend and the special dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 16 September 2013.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, the interests of the Directors and chief executive 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	4,274,870	0.417
Mr. Chan Wing Kwan (<i>Note 1</i>)	Beneficial owner/ Interest of spouse	2,256,300	0.220
Mr. Cheung Kwong Kwan	Beneficial owner	2,961,840	0.289
Mr. Chang Wing Yiu (<i>Note 2</i>)	Beneficial owner/ Interest of spouse	4,938,328	0.482
Mr. Ho Yin Sang (<i>Note 3</i>)	Beneficial owner/ Interest of spouse	4,180,674	0.408
Mr. Mok Cham Hung, Chadwick (<i>Note 4</i>)	Beneficial owner/ Interest of spouse	3,648,000	0.356
Ms. Cheung Wai Lin, Stephanie (<i>Note 5</i>)	Beneficial owner/ Interest of spouse	649,500	0.063



Notes:

- (1) Out of the 2,256,300 Shares, 2,184,300 Shares were held by Mr. Chan Wing Kwan and 72,000 Shares were held by his spouse.
- (2) 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.
- (3) Out of the 4,180,674 Shares, 2,039,674 Shares were held by Mr. Ho Yin Sang and 2,141,000 Shares were held by his spouse.
- (4) Out of the 3,648,000 Shares, 3,396,000 Shares were held by Mr. Mok Cham Hung, Chadwick and 252,000 Shares were held by his spouse.
- (5) Out of the 649,500 Shares, 579,500 Shares were held by Ms. Cheung Wai Lin, Stephanie and 70,000 Shares were held by her spouse.

(b) Share options of the Company (“Share Options”)

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

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

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

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL
			(%)
Mr. Cheung Kwok Wing	Beneficial owner	675,500	0.023
Mr. Chan Wing Kwan (<i>Note</i>)	Beneficial owner/ Interest of spouse	400,000	0.013
Mr. Chang Wing Yiu	Interest of spouse	100,000	0.003
Mr. Ho Yin Sang	Interest of spouse	540,000	0.018
Mr. Mok Cham Hung, Chadwick	Interest of spouse	60,000	0.002

Note: Out of the 400,000 KLHL Shares, 300,000 KLHL Shares were held by Mr. Chan Wing Kwan and 100,000 KLHL Shares were held by his spouse.

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

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



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

Name of Director	Capacity	Number of non-voting deferred shares held <i>(Note)</i>
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chan Wing Kwan	Beneficial owner	1,481,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000
Mr. Chang Wing Yiu	Beneficial owner	423,200

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

(f) Ordinary shares ("EEIC Shares") in the share capital of EEIC, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC <i>(%)</i>
Mr. Cheung Kwok Wing	Beneficial owner	1,507,200	0.806
Mr. Chan Wing Kwan <i>(Note)</i>	Beneficial owner/ Interest of spouse	1,400,000	0.749
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,120,200	0.600
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260

Note: Out of the 1,400,000 EEIC Shares, 1,360,000 EEIC Shares were held by Mr. Chan Wing Kwan and 40,000 EEIC Shares were held by his spouse.

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

Name of Director	Capacity	Number of issued KBCF Shares held	Approximate percentage of the issued share capital of KBCF (%)
Mr. Cheung Kwok Wing	Beneficial owner	1,000,000	0.1380
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 2013, the Company has not been notified of any other notifiable interests or short positions of the Director and chief executive 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 2013, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Hallgain Management Limited ("Hallgain") (Note 1)	Beneficial owner	351,607,714 (L)	34.28 (L)
FMR LLC	Investment manager	62,649,800 (L)	6.11 (L)
JPMorgan Chase & Co. (Note 2)	Investment manager	51,829,767 (L) 50,088,996 (P)	5.05 (L) 4.88 (P)

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

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



Notes:

- (1) As at 30 June 2013: (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors were not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wing and Chan Wing Kwan, being Directors, were also directors of Hallgain.
- (2) JPMorgan Chase & Co., which wholly controlled JPMorgan Chase Bank, N.A. and JPMorgan Asset Management Holdings Inc.. JPMorgan Chase Bank, N.A., was interested in 50,088,996 Shares as beneficial owner.

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

JPMorgan Chase Bank, N.A., which wholly controlled J.P. Morgan International Inc., a company which wholly controlled Bank One International Holdings Corporation, a company which in turn wholly controlled J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited wholly controlled: (a) J.P. Morgan Overseas Capital Corporation, a company which wholly controlled J.P. Morgan Whitefriars Inc., was interested in a long position of 756,101 Shares as beneficial owner; and (b) J.P. Morgan Capital Holdings Limited.

J.P. Morgan Capital Holdings Limited wholly controlled J.P. Morgan Chase (UK) Holdings Limited, which in turn wholly controlled J.P. Morgan Chase International Holdings. J.P. Morgan Securities plc, which was interested in 56,129 Shares as beneficial owner, was 98.95% controlled by J.P. Morgan Chase International Holdings.

JPMorgan Asset Management Holdings Inc., which wholly controlled JPMorgan Asset Management (Asia) Inc., which in turn wholly controlled JF Asset Management Limited, was interested in 918,600 Shares as beneficial owner.

Other than as disclosed above, the Company had not been notified of any other relevant interests in the issued share capital of the Company as at 30 June 2013 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 2013, 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.

SHARES ISSUED

With the approval of the shareholders at the annual general meeting of the Company held on 6 May 2013, the Company issued bonus shares on the basis of two bonus shares for every ten existing shares in issue on 14 May 2013, being the bonus issue record date. As at 14 May 2013, there were 854,666,864 shares in issue and accordingly the number of bonus shares issued was 170,933,372. The bonus shares, which rank *pari passu* in all respects with the shares then existing (except that, for the avoidance of doubt, they are not entitled to the final dividend for the year ended 31 December 2012), were credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares standing to the credit of the reserve account of the Company. For the six months ended 30 June 2013, an amount of approximately HK\$17,093,000 was transferred from the reserve account to share capital accordingly. For details of the bonus shares issue, please refer to the circular dated 2 April 2013 and the announcements dated 6 May 2013 and 24 May 2013 published by the Company.

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 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, save for the deviation that the non-executive Director and independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company’s annual general meeting in compliance with the Company’s Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code. In addition, Mr. Henry Tan, a former independent non-executive Director and member of the Audit Committee, retired from the aforesaid roles immediately after the Company’s annual general meeting held on 6 May 2013. According to Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Also, Rule 3.21 of the Listing Rules requires that an audit committee must comprise a minimum of three members. Upon Mr. Tan’s retirement, the number of members of the Audit Committee fell below three as required under Rule 3.21 of the Listing Rules and the number of independent non-executive Directors represented less than one-third of the board. The Company has endeavoured to identify a suitable candidate to take up the role as an independent non-executive Director and a member of the Audit Committee. Mr. Tang King Shing has become a new independent non-executive Director and member of the Audit Committee with effect from 1 August 2013 and both Rules 3.10A and 3.21 of the Listing Rules have been complied with by the Company.



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 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 standard 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 2013.

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

Hong Kong, 16 August 2013

Board of Directors:

Executive Directors

Mr. Cheung Kwok Wing (*Chairman*)
Mr. Cheung Kwong Kwan
Mr. Chang Wing Yiu
Mr. Ho Yin Sang
Ms. Cheung Wai Lin, Stephanie
Mr. Mok Cham Hung, Chadwick
Mr. Chen Maosheng

Non-executive Director

Mr. Chan Wing Kwan

Independent non-executive Directors

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