

KB 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code: 1888

INTERIM REPORT **2016**

The background features a series of horizontal bars in various shades of green and yellow, creating a layered, abstract effect. On the left side, there is a cluster of translucent, bottle-like shapes in white and light green, some with dark caps, arranged in a way that suggests depth and movement.

RESULTS

The board of directors (the “Board”) of Kingboard Laminates Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	7,522,873	6,559,700
Cost of sales		<u>(6,088,656)</u>	<u>(5,419,014)</u>
Gross profit		1,434,217	1,140,686
Other income, gains and losses	5	33,132	67,168
Distribution costs		(144,774)	(149,194)
Administrative costs		(250,189)	(250,282)
Gain on disposal of available-for-sale investments		5,136	22,857
Finance costs	6	<u>(47,214)</u>	<u>(53,393)</u>
Profit before taxation		1,030,308	777,842
Income tax expense	8	<u>(186,574)</u>	<u>(151,848)</u>
Profit for the period		<u><u>843,734</u></u>	<u><u>625,994</u></u>
Profit for the period attributable to:			
Owners of the Company		840,198	621,100
Non-controlling interests		<u>3,536</u>	<u>4,894</u>
		<u><u>843,734</u></u>	<u><u>625,994</u></u>
Earnings per share – Basic and diluted	10	<u><u>HK\$0.280</u></u>	<u><u>HK\$0.207</u></u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit for the period	<u>843,734</u>	<u>625,994</u>
Other comprehensive (expenses) income for the period:		
<i>Item that will not be reclassified to profit or loss:</i>		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(351,461)	20,760
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	<u>12,990</u>	<u>64,496</u>
Other comprehensive (expenses) income for the period (net of tax)	<u>(338,471)</u>	<u>85,256</u>
Total comprehensive income for the period	<u><u>505,263</u></u>	<u><u>711,250</u></u>
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	522,766	704,827
Non-controlling interests	<u>(17,503)</u>	<u>6,423</u>
	<u><u>505,263</u></u>	<u><u>711,250</u></u>

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current assets			
Investment properties		1,212,020	1,285,285
Properties, plant and equipment	11	4,549,500	4,902,992
Prepaid lease payments		405,013	417,719
Available-for-sale investments		716,016	779,236
Deposits paid for acquisition of properties, plant and equipment		17,135	5,330
Other non-current assets		676,040	689,670
Deferred tax assets		3,248	3,183
Goodwill		238	238
		7,579,210	8,083,653
Current assets			
Inventories		1,426,944	1,388,529
Trade and other receivables and prepayments	12	4,578,439	4,214,203
Bills receivables	12	1,772,169	1,228,962
Properties held for development		4,596,229	5,066,199
Prepaid lease payments		9,892	9,915
Amounts due from fellow subsidiaries		373,858	192,226
Taxation recoverable		7,063	7,063
Bank balances and cash		3,305,292	2,840,247
		16,069,886	14,947,344
Current liabilities			
Trade and other payables	13	1,449,858	1,599,077
Bills payables	13	257,557	301,492
Deposits received from pre-sale of residential units		3,001,234	1,668,729
Amounts due to fellow subsidiaries		40,165	40,452
Taxation payable		222,962	277,485
Bank borrowings – amount due within one year		1,338,194	1,181,187
		6,309,970	5,068,422
Net current assets		9,759,916	9,878,922
Total assets less current liabilities		17,339,126	17,962,575

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	88,025	94,952
Bank borrowings – amount due after one year	2,938,332	3,714,462
	3,026,357	3,809,414
	14,312,769	14,153,161
Capital and reserves		
Share capital	300,000	300,000
Reserves	13,051,174	12,867,408
Equity attributable to owners of the Company	13,351,174	13,167,408
Non-controlling interests	961,595	985,753
Total equity	14,312,769	14,153,161

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											Non-controlling interests	Total equity	
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Share options	Special reserve	Statutory reserve	Goodwill reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016	300,000	1,097,104	831,231	7,268	1,829	93,105	757,689	101,549	28,365	9,949,268	13,167,408	985,753	14,153,161	
Profit for the period	-	-	-	-	-	-	-	-	-	840,198	840,198	3,536	843,734	
Exchange differences arising from translation to presentation currency	-	-	(330,422)	-	-	-	-	-	-	-	(330,422)	(21,039)	(351,461)	
Net changes arising from available-for-sale investments (note d)	-	-	-	-	12,990	-	-	-	-	-	12,990	-	12,990	
Total comprehensive (expenses) income for the period	-	-	(330,422)	-	12,990	-	-	-	-	840,198	522,766	(17,503)	505,263	
Final dividend paid for the year ended 31 December 2015	-	-	-	-	-	-	-	-	-	(339,000)	(339,000)	(6,655)	(345,655)	
Transfer to reserve	-	-	-	-	-	-	54,460	-	-	(54,460)	-	-	-	
	-	-	-	-	-	-	54,460	-	-	(393,460)	(339,000)	(6,655)	(345,655)	
Balance at 30 June 2016	300,000	1,097,104	500,809	7,268	14,819	93,105	757,689	156,009	28,365	10,396,006	13,351,174	961,595	14,312,769	
Balance at 1 January 2015	300,000	1,097,104	1,753,076	7,268	12,296	93,105	757,689	68,956	2,023	9,208,458	13,299,975	1,093,685	14,393,660	
Profit for the period	-	-	-	-	-	-	-	-	-	621,100	621,100	4,894	625,994	
Exchange differences arising from translation to presentation currency	-	-	19,231	-	-	-	-	-	-	-	19,231	1,529	20,760	
Net changes arising from available-for-sale investments (note d)	-	-	-	-	64,496	-	-	-	-	-	64,496	-	64,496	
Total comprehensive income for the period	-	-	19,231	-	64,496	-	-	-	-	621,100	704,827	6,423	711,250	
Acquisition of additional interests in subsidiaries (note c)	-	-	-	-	-	-	-	-	4,461	-	4,461	(38,646)	(34,185)	
Final dividend paid for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)	
	-	-	-	-	-	-	-	-	4,461	(300,000)	(295,539)	(38,646)	(334,185)	
Balance at 30 June 2015	300,000	1,097,104	1,772,307	7,268	76,792	93,105	757,689	68,956	6,484	9,529,558	13,709,263	1,061,462	14,770,725	

Notes:

- Statutory reserve comprises statutory fund, which is non-distributable, represents capitalisation of retained profits of certain subsidiaries established in the People's Republic of China (the "PRC") for capital re-investment in these subsidiaries and funds shall be used to (i) make up prior year losses or (ii) expand production operations.
- Goodwill reserve represents the effect of changes in ownership in certain subsidiaries when there is no change in control.
- During the six months ended 30 June 2015, the Group acquired additional interests in non-wholly owned subsidiaries from non-controlling shareholders. As a result of the acquisition, the difference of HK\$4,461,000 between the consideration paid of HK\$34,185,000 and the amount of non-controlling interests acquired of HK\$38,646,000 was directly recognised in equity.
- Net changes arising from available-for-sale investments consist of adjustment for gain on fair value change amounting to HK\$18,126,000 (six months ended 30 June 2015: HK\$87,353,000) and gain on disposal of HK\$5,136,000 (six months ended 30 June 2015: HK\$22,857,000).

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash from operating activities	1,447,821	76,877
Net cash from (used in) investing activities	29,216	(153,929)
Net cash (used in) from financing activities	<u>(1,011,992)</u>	<u>179,416</u>
Net increase in cash and cash equivalents	465,045	102,364
Cash and cash equivalents at the beginning of the period	<u>2,840,247</u>	<u>2,447,596</u>
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u><u>3,305,292</u></u>	<u><u>2,549,960</u></u>

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.

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operation
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12, and HKAS 28	Investment entities: Applying the consolidation exception

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

3. Revenue

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of glass epoxy laminates	3,819,223	4,274,862
Sales of paper laminates	919,635	1,003,763
Sales of upstream materials	682,449	741,321
Others	534,439	481,639
Sales of properties	1,511,983	–
Income from property investment	55,144	58,115
	<u>7,522,873</u>	<u>6,559,700</u>

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

4. Segment information

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

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

Segment revenue and results

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

Six months ended 30 June 2016	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>5,955,746</u>	<u>1,567,127</u>	<u>7,522,873</u>
Segment result	<u>885,886</u>	<u>212,835</u>	1,098,721
Gain on disposal of available-for-sale investments			5,136
Unallocated corporate income			18,721
Unallocated corporate expenses			(45,056)
Finance costs			<u>(47,214)</u>
Profit before taxation			<u>1,030,308</u>
Six months ended 30 June 2015	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>6,501,585</u>	<u>58,115</u>	<u>6,559,700</u>
Segment result	<u>801,800</u>	<u>8,075</u>	809,875
Gain on disposal of available-for-sale investments			22,857
Unallocated corporate income			59,648
Unallocated corporate expenses			(61,145)
Finance costs			<u>(53,393)</u>
Profit before taxation			<u>777,842</u>

For the six months ended 30 June 2015, revenue from one of the Group's customers amounted to HK\$809,533,000, which individually accounted for over 10% of the Group's revenue for the prior period. The corresponding revenue from that customer did not contribute over 10% of the total revenue of the Group in the current period.

5. Other income, gains and losses

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Dividend income from available-for-sale investments	8,024	9,614
Interest income from available-for-sale investments	10,516	49,907
Other interest income	5,652	5,249
	<u>19,192</u>	<u>64,770</u>

6. Finance costs

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	49,410	55,364
Less: Amounts capitalised in the construction in progress	(2,196)	(1,971)
	<u>47,214</u>	<u>53,393</u>

The weighted average capitalisation rate on funds borrowed generally is 2.2% per annum (six months ended 30 June 2015: 1.9% per annum).

7. Depreciation

During the period, depreciation of approximately HK\$321.7 million (six months ended 30 June 2015: HK\$382.5 million) was charged in respect of the Group's properties, plant and equipment.

8. Income tax expense

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	750	5,389
Taxation arising in other jurisdictions	185,889	146,307
	<u>186,639</u>	<u>151,696</u>
Deferred taxation (Credit) charge for the period	(65)	152
	<u>186,574</u>	<u>151,848</u>

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.

9. Dividends

The directors of the Company (the "Directors") have resolved to declare an interim dividend and a special dividend for the six months ended 30 June 2016 of HK13.5 cents (six months ended 30 June 2015: HK6.4 cents) and HK50 cents (six months ended 30 June 2015: Nil) per share respectively to the shareholders 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 Monday, 3 October 2016.

10. Earnings per share

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	<u>840,198</u>	<u>621,100</u>
	Number of shares	
	30 June 2016	30 June 2015
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,000,000,000</u>	<u>3,000,000,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of these share options was higher than the average market price of shares for both the six months ended 30 June 2016 and 2015.

11. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$65.5 million (six months ended 30 June 2015: HK\$111.6 million) on acquisition of properties, plant and equipment.

12. Trade and other receivables and prepayments and bills receivables

	30 June 2016 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2015 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	3,437,427	3,503,978
Advance to suppliers	204,739	246,321
Interest income receivables	7,984	9,747
Prepaid expenses and deposits	762,442	264,411
Value-added tax ("VAT") recoverable	91,025	106,377
Land appreciation tax on pre-sale properties	23,056	27,028
Other receivables	51,766	56,341
	<u>4,578,439</u>	<u>4,214,203</u>
Bills receivables	1,772,169	1,228,962
	<u><u>6,350,608</u></u>	<u><u>5,443,165</u></u>

The Group allows credit periods of up to 120 days (31 December 2015: 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 to the respective revenue recognition dates:

	30 June 2016 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2015 <i>HK\$'000</i> <i>(Audited)</i>
0–90 days	2,388,124	2,393,595
91–180 days	998,388	1,060,014
Over 180 days	50,915	50,369
	<u>3,437,427</u>	<u>3,503,978</u>

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

13. Trade and other payables and bills payables

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	605,223	776,173
Accrued expenses	298,274	301,518
Payables for acquisition of properties, plant and equipment	38,159	59,699
Receipts in advance	216,754	183,273
Other tax payables	30,318	38,469
VAT payables	207,313	188,832
Other payables	53,817	51,113
	<u>1,449,858</u>	<u>1,599,077</u>
Bills payables	257,557	301,492
	<u><u>1,707,415</u></u>	<u><u>1,900,569</u></u>

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0–90 days	510,133	642,744
91–180 days	63,007	105,083
Over 180 days	32,083	28,346
	<u>605,223</u>	<u>776,173</u>

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

14. Events after the reporting period

On 13 May 2016, one of the Group'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 the Group would realise a gain on the disposal before taxation of approximately RMB1,979.18 million (equivalent to approximately HK\$2,315.72 million).

15. Share options

The share option scheme of the Company (the "Scheme") was approved by the shareholders of the Company and the shareholders of Kingboard Chemical Holdings Limited ("KCHL") on 18 May 2007 and 25 June 2007 respectively. The Scheme has taken effect after obtaining the approval from the Listing Committee of the Stock Exchange on 6 July 2007. The purpose of the Scheme is to provide incentive or reward to the eligible participants of the Scheme (as listed below) for their contribution to, and continuing efforts to promote the interests of the Group.

The Scheme would be valid for a period of ten years with the remaining life of approximately 9 months as at the date of this report. The Board may, at its discretion, grant options to subscribe for shares in the Company to eligible participants who contribute to the long-term growth and profitability of the Company and include (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors), any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

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

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

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme (excluding, for this purpose, options lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. The total number of shares of the Company available for issue under the Scheme is 300,000,000 shares, which represents 10% of the total issued share capital of the Company as at the date of this report.

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

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

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

Date of grant	Balance at 1 January 2016	Granted, exercised, cancelled or lapsed during the period	Balance at 30 June 2016	Exercise price per share	Exercisable period
<i>Granted to the Directors</i>					
21 March 2011					
Mr. Cheung Kwok Wa	12,500,000	–	12,500,000	HK\$6.54	21 March 2011 to 17 May 2017 (Note)
Mr. Cheung Kwok Keung	11,500,000	–	11,500,000	HK\$6.54	21 March 2011 to 17 May 2017 (Note)
Mr. Cheung Kwok Ping	10,000,000	–	10,000,000	HK\$6.54	21 March 2011 to 17 May 2017 (Note)
Mr. Lam Ka Po	10,000,000	–	10,000,000	HK\$6.54	21 March 2011 to 17 May 2017 (Note)
Mr. Cheung Ka Ho	10,000,000	–	10,000,000	HK\$6.54	21 March 2011 to 17 May 2017 (Note)
	<u>54,000,000</u>	<u>–</u>	<u>54,000,000</u>		
<i>Granted to employees</i>					
21 March 2011					
	<u>27,000,000</u>	<u>–</u>	<u>27,000,000</u>	HK\$6.54	21 March 2011 to 17 May 2017 (Note)
	<u><u>81,000,000</u></u>	<u><u>–</u></u>	<u><u>81,000,000</u></u>		
<i>Exercisable at</i>					
1 January 2016	<u><u>81,000,000</u></u>				
30 June 2016	<u><u>81,000,000</u></u>				

Note: 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 Company's shares immediately before the date of grant was HK\$6.3.

As at 30 June 2016 and 31 December 2015, the share options reserve was amounted to HK\$93,105,000.

16. 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 for:		
– acquisition of properties, plant and equipment	18,616	34,796
– capital injection in an unlisted equity investment	3,346	3,346
	21,962	38,142
Other expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition and other expenditures relating to properties held for development	1,240,762	1,308,598
	1,262,724	1,346,740

17. Contingent liabilities

- (a) The Group provided guarantees amounting to approximately HK\$2,409,824,000 as at 30 June 2016 (31 December 2015: HK\$799,184,000) in respect of bank mortgage loans granted to purchasers of the Group's properties. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 2016 and 31 December 2015.

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

- (b) During the year ended 31 December 2011, the ultimate holding company, certain subsidiaries of the Company and the Company (the "Respondents") were named as a defendant in the Supreme Court of Bermuda in respect of an allegation of the affairs of Kingboard Copper Foil Holdings Limited ("KBCF"), a 65.95%-owned subsidiary of the Company as at the end of reporting period and 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 licensee was a sham, were also not proved. However, the Supreme Court of Bermuda also ruled that 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 be 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.

18. Related party transactions

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(i) Sales of goods and drilling services provided to fellow subsidiaries	<u>723,216</u>	<u>809,532</u>
(ii) Purchases of goods from fellow subsidiaries	<u>261,115</u>	<u>377,933</u>
(iii) Sales of laminates and copper to a shareholder with significant influence over the ultimate holding company and the subsidiaries of the shareholder	<u>266,940</u>	<u>339,880</u>
(iv) Purchases of drill bits and machineries from a shareholder with significant influence over the ultimate holding company and the subsidiaries of the shareholder	<u>115,092</u>	<u>111,334</u>

BUSINESS REVIEW

On behalf of the Board, I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (the “Company”) and its subsidiaries (the “Group”) delivered satisfactory results for the six months ended 30 June 2016 (the “Period”). As quoted in a recent report by Prismark Partners LLC, the Group has been ranked the world’s top laminates producer for eleven consecutive years, with the Group’s market share in the global laminates market increasing from 13.5% to 14% in 2015. During the Period, the electronics market exhibited steady growth. Leveraging vertically integrated production platform, the Group was able to comprehensively capture the market rebound to gear up laminates sales and to increase its production of high-performance laminates. The Group also succeeded in increasing the profit margin for its laminates business. Besides, the partial booking of sales from Kunshan Development Zone Kingboard Yu Garden Phase 3, gave a strong boost to the Group’s profit.


The Group’s revenue surged by 15% year on year to HK\$7,522.9 million. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) also grew 15% from the same period last year to HK\$1,403.8 million with a significant growth of 35% in net profit attributable to owners of the Company to HK\$840.2 million was posted. The Board has resolved to declare an interim dividend of HK13.5 cents per share, up 111% compared with the same period last year; and declare a special dividend of HK50 cents per share.

Financial Highlights

	Six months ended 30 June		
	2016 HK\$ million	2015 HK\$ million	Change
Revenue	7,522.9	6,559.7	+15%
EBITDA	1,403.8	1,218.0	+15%
Profit before tax	1,030.3	777.8	+32%
Net profit attributable to owners of the Company	840.2	621.1	+35%
Earnings per share	HK28.0 cents	HK20.7 cents	+35%
Interim dividend per share	HK13.5 cents	HK6.4 cents	+111%
Interim dividend payout ratio	48%	31%	
Special dividend per share	HK50.0 cents	–	N/A
Net asset value per share	HK\$4.45	HK\$4.57	-3%
Net gearing	7%	20%	

PERFORMANCE

Demand for automobile and telecommunications network equipment showed strong growth momentum. The laminates market has thus entered a healthy upward trend against a notable slowdown in supply. The Group’s total shipment volume of laminates during the first half of the year went up by 3% to average monthly shipments of 9.85 million square metres. Composite epoxy material (“CEM”) laminates and glass epoxy laminates (“FR4”) in aggregate contributed 51% of the Group’s revenue during the first half of 2016, whereas paper laminates sales accounted for 12%.



Due to the notable decrease in raw material prices, the Group has lowered the selling price of laminates. Along with depreciation of Renminbi exchange rate, the laminates segment therefore recorded a segment turnover of HK\$5,955.8 million, down by 8%. But benefiting on market rebound, profit margin of laminates segment broadened. EBITDA increased 2% year on year to HK\$1,202.9 million.

Satisfactory pre-sale progress was witnessed in property segment. Partial recognition of pre-sale, segment turnover of the property division increased to HK\$1,567.1 million with EBITDA of HK\$222.1 million.

Distribution costs was slightly down by 3%, while administrative costs remained nearly the same. Finance costs decreased by 12% during the Period, mainly as a result of lower average bank borrowings.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2016, net current assets and current ratio of the Group were approximately HK\$9,759.9 million (31 December 2015: HK\$9,878.9 million) and 2.55 (31 December 2015: 2.95) respectively.

The net working capital cycle decreased to 106 days as at 30 June 2016 from 115 days as at 31 December 2015, on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 42 days (31 December 2015: 48 days).
- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtors turnover days, decreased to 91 days (31 December 2015: 106 days).
- Trade and bills payables, including amounts due to fellow subsidiaries, in terms of creditors turnover days, were shortened to 27 days (31 December 2015: 39 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings, net of cash and cash equivalents, to total equity) decreased to 7% (31 December 2015: 15%). The ratio of bank borrowings between short term and long term stood at 31%:69% (31 December 2015: 24%:76%).

The Group continued to adopt a prudent financial management policy. The Group did not enter into any material derivative financial instruments, nor did the Group have any material foreign exchange exposure during the Period. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses.



HUMAN RESOURCES

As at 30 June 2016, the Group had a workforce of approximately 10,400 (31 December 2015: 10,400). 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

The demand-supply dynamics of the laminates market have evidently improved after years of intense competition. At the onset of the second half of 2016, the prices of laminate-related upstream materials, such as copper foil, glass yarn and glass fabric, increased due to the shortage of supply. Thus, the Group will raise the price of laminates correspondingly. The Group has captured this market opening to increase capacities for thin and halogen-free laminates, as well as LED-related laminates. The Group has also made efforts to enhance its operational efficiency and to expand market share.

The PVB business team has successfully developed a third-generation PVB film with sound insulation function. This product commands industry-leading technology and functions and will help the Group tap into the segments, including high-end automobile glass and curtain wall for construction use. Responding to keen demand for battery-use copper foils from electric-car manufacturers, the Group has expanded research efforts in related technologies. The Group aims to develop thinner battery-use copper foils that boast better functionalities than current mainstream products and increase correspond capacity.

Property pre-sales proceeded smoothly during the first six months, generating substantial cash flow for the Group. Project launches will continue as planned in the second half of the year. With the consecutive completions of residential properties for sale, including the project in Kunshan, Jiangsu Province, the Group looks forward to sustain sales contributions from the division in future. The redevelopment project in Shenzhen, Guangdong Province was disposed of in May 2016, with the gain from the disposal to be booked in the second half of the year.

APPRECIATION

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 September 2016 to Thursday, 15 September 2016 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving an interim dividend and a special dividend, the Company's shareholders are reminded to ensure all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 13 September 2016.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, the interests of the Directors (including the Managing Director of the Company) and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Position

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

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

Note:

¹ 75,000 Shares were held by his spouse.

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

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

(c) Non-voting deferred shares of HK\$1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company

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

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

(d) Ordinary shares of HK\$0.10 each of KCHL, the ultimate holding company of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of KCHL
Mr. Cheung Kwok Wa ¹	Beneficial owner/ Interest of spouse	10,916,600	1.064
Mr. Cheung Kwok Keung	Beneficial owner	732,422	0.071
Mr. Cheung Kwok Ping ²	Beneficial owner/ Interest of spouse	3,656,383	0.357
Mr. Lam Ka Po	Beneficial owner	2,889,860	0.282
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.037
Mr. Liu Min ³	Beneficial owner/ Interest of spouse	554,300	0.054

Notes:

- ¹ 74,400 KCHL's shares were held by his spouse.
- ² 36,000 KCHL's shares were held by his spouse.
- ³ 321,800 KCHL's shares were held by his spouse.

(e) Share options of KCHL

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

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

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC
Mr. Cheung Kwok Wa	Beneficial owner	706,200	0.378
Mr. Cheung Kwok Ping	Beneficial owner	520,000	0.278
Mr. Lam Ka Po	Beneficial owner	486,600	0.260

Other than as disclosed above, none of the Directors (including the Managing Director of the Company) nor their respective associate, had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors (including the Managing Director of the Company), the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Shares

Name of shareholder	Notes	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("Hallgain")	(a) & (b)	Interest of controlled corporations	2,235,692,500(L)	74.52
KCHL	(c)	Beneficial owner	120,525,000(L)	4.02
		Interest of controlled corporations	2,115,167,500(L)	70.50
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner	1,790,000,000(L)	59.67
		Interest of controlled corporation	325,167,500(L)	10.83
Capital Research and Management Company		Investment manager	177,205,851(L)	5.91
Citigroup Inc.	(e)	Investment manager	174,619,675(L)	5.82
			415,366(S)	0.01
			19,952,342(P)	0.67

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


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

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

Notes:

(a) At 30 June 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 are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.

(b) The interests are held by KCHL directly and indirectly. KCHL is owned as to approximately 37.00% of the entire issued capital of KCHL by Hallgain as at 30 June 2016.

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- (c) The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KCHL. Mr. Lam Ka Po, being a Director, is also a director of Jamplan.
 - (d) The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.
 - (e) Citigroup Inc. wholly controlled (a) Citigroup Holdings Inc., a company wholly controlled Citibank N.A., was interested in a long position of 19,952,342 Shares as a beneficial owner; (b) Citigroup Global Market Holdings Inc., a company wholly controlled Citigroup Financial Products Inc..

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

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

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

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

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions which fall to be disclosed to the Company under Section 336 of the SFO in the issued share capital of the Company as at 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 been in compliance with the relevant provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") throughout the six months ended 30 June 2016, save for the deviation that the non-executive Director and independent non-executive Directors are not appointed for specific terms pursuant to code A.4.1 of the Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Director and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meetings in compliance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Following a specific enquiry, each of the Directors has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding director's securities transactions adopted by the Company throughout the six months ended 30 June 2016.

By Order of the Board
Kingboard Laminates Holdings Limited
Cheung Kwok Wa
Chairman

Hong Kong, 15 August 2016



Board of Directors

Executive Directors

Mr. Cheung Kwok Wa (*Chairman*)

Mr. Cheung Kwok Keung (*Managing Director*)

Mr. Cheung Kwok Ping

Mr. Lam Ka Po

Mr. Cheung Ka Ho

Mr. Liu Min

Mr. Zhou Pei Feng

Non-executive Director

Mr. Lo Ka Leong

Independent non-executive Directors

Mr. Leung Tai Chiu

Mr. Ip Shu Kwan, Stephen

Mr. Zhang Lu Fu

Mr. Lau Ping Cheung, Kaizer