

KB 建滔積層板控股有限公司

KINGBOARD LAMINATES HOLDINGS LIMITED

Stock Code: 1888

INTERIM REPORT

2017



INTERIM 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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	9,035,509	7,522,873
Cost of sales		<u>(6,171,087)</u>	<u>(6,088,656)</u>
Gross profit		2,864,422	1,434,217
Other income, gains and losses	5	53,329	33,132
Distribution costs		(170,040)	(144,774)
Administrative costs		(308,632)	(250,189)
Gain on disposal of available-for-sale investments		98,011	5,136
Finance costs	6	<u>(31,376)</u>	<u>(47,214)</u>
Profit before taxation		2,505,714	1,030,308
Income tax expense	8	<u>(493,294)</u>	<u>(186,574)</u>
Profit for the period		<u><u>2,012,420</u></u>	<u><u>843,734</u></u>
Profit for the period attributable to:			
Owners of the Company		2,008,981	840,198
Non-controlling interests		<u>3,439</u>	<u>3,536</u>
		<u><u>2,012,420</u></u>	<u><u>843,734</u></u>
Earnings per share	10		
Basic		<u><u>HK\$0.652</u></u>	<u><u>HK\$0.280</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>HK\$0.280</u></u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit for the period	<u>2,012,420</u>	<u>843,734</u>
Other comprehensive income (expenses) 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	422,381	(351,461)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	<u>61,229</u>	<u>12,990</u>
Other comprehensive income (expenses) for the period (net of tax)	<u>483,610</u>	<u>(338,471)</u>
Total comprehensive income for the period	<u><u>2,496,030</u></u>	<u><u>505,263</u></u>
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	2,486,958	522,766
Non-controlling interests	<u>9,072</u>	<u>(17,503)</u>
	<u><u>2,496,030</u></u>	<u><u>505,263</u></u>



Condensed Consolidated Statement of Financial Position

		30 June 2017	31 December 2016
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		1,241,782	1,235,755
Properties, plant and equipment	11	4,462,741	4,117,744
Prepaid lease payments		411,748	387,967
Available-for-sale investments		1,884,363	2,290,068
Deposits paid for acquisition of properties, plant and equipment		189,751	16,144
Deferred tax assets		2,439	2,480
Goodwill		238	238
		8,193,062	8,050,396
Current assets			
Inventories		1,118,421	740,719
Trade and other receivables and prepayments	12	4,183,323	3,994,993
Bills receivables	12	2,779,433	2,721,444
Properties held for development		3,656,759	4,503,194
Other current assets		665,720	645,931
Prepaid lease payments		8,842	8,129
Amounts due from fellow subsidiaries		551,421	471,984
Taxation recoverable		7,181	9,145
Bank balances and cash		5,370,858	4,518,270
		18,341,958	17,613,809
Current liabilities			
Trade and other payables	13	2,217,169	2,581,122
Bills payables	13	201,303	135,785
Deposits received from pre-sale of residential units		2,941,314	4,336,411
Amounts due to fellow subsidiaries		43,627	44,907
Taxation payable		417,760	359,182
Bank borrowings – amount due within one year		437,500	1,572,172
		6,258,673	9,029,579
Net current assets		12,083,285	8,584,230
Total assets less current liabilities		20,276,347	16,634,626

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	91,435	91,896
Bank borrowings – amount due after one year	3,570,000	1,195,598
	3,661,435	1,287,494
	<u>16,614,912</u>	<u>15,347,132</u>
Capital and reserves		
Share capital	308,100	300,000
Reserves	15,792,454	14,107,373
Equity attributable to owners of the Company	16,100,554	14,407,373
Non-controlling interests	514,358	939,759
Total equity	<u>16,614,912</u>	<u>15,347,132</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of Company											Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Share options reserve	Special reserve	Statutory reserve	Goodwill reserve	Retained profits	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
Balance at 1 January 2017	300,000	1,097,104	(13,089)	7,268	(14,878)	93,105	757,689	155,074	28,365	11,996,735	14,407,373	939,759	15,347,132
Profit for the period	-	-	-	-	-	-	-	-	-	2,008,981	2,008,981	3,439	2,012,420
Exchange differences arising from translation to presentation currency	-	-	416,748	-	-	-	-	-	-	-	416,748	5,633	422,381
Net changes arising from available-for-sale investments (note d)	-	-	-	-	61,229	-	-	-	-	-	61,229	-	61,229
Total comprehensive income for the period	-	-	416,748	-	61,229	-	-	-	-	2,008,981	2,486,958	9,072	2,496,030
Acquisition of additional interests in a subsidiary (note c)	-	-	-	-	-	-	-	-	170,768	-	170,768	(433,908)	(263,140)
Issue of new shares from exercise of share options	8,100	614,745	-	-	-	(93,105)	-	-	-	-	529,740	-	529,740
Final dividend paid for the year ended 31 December 2016	-	-	-	-	-	-	-	-	-	(569,985)	(569,985)	-	(569,985)
Special final dividend paid for the year ended 31 December 2016	-	-	-	-	-	-	-	-	-	(924,300)	(924,300)	-	(924,300)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(565)	(565)
Transfer to reserve	-	-	-	-	-	-	-	102,389	-	(102,389)	-	-	-
	8,100	614,745	-	-	-	(93,105)	-	102,389	170,768	(1,596,674)	(793,777)	(434,473)	(1,228,250)
Balance at 30 June 2017	308,100	1,711,849	403,659	7,268	46,351	-	757,689	257,463	199,133	12,409,042	16,100,554	514,358	16,614,912
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)	-	(339,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,655)	(6,655)
Transfer to reserve	-	-	-	-	-	-	-	54,460	-	(54,460)	-	-	-
	-	-	-	-	-	-	-	54,460	-	(983,460)	(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

Notes:

- (a) 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.
- (b) Goodwill reserve represents the effect of changes in ownership in certain subsidiaries when there is no change in control.
- (c) The Group acquired additional interests in a non-wholly owned subsidiary from non-controlling shareholders. As a result of the acquisition, the difference of HK\$170,768,000 (six months ended 30 June 2016: nil) between the consideration paid of HK\$263,140,000 (six months ended 30 June 2016: nil) and the value of non-controlling interests acquired of HK\$433,908,000 (six months ended 30 June 2016: nil) was directly recognised in equity.
- (d) Net changes arising from available-for-sale investments consist of adjustments for gain on fair value change amounting to HK\$159,240,000 (six months ended 30 June 2016: HK\$18,126,000) and gain on disposal of HK\$98,011,000 (six months ended 30 June 2016: HK\$5,136,000).



Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash from operating activities	982,163	1,447,821
Net cash (used in) from investing activities	(372,819)	29,216
Net cash from (used in) financing activities	243,244	(1,011,992)
Net increase in cash and cash equivalents	852,588	465,045
Cash and cash equivalents at the beginning of the period	4,518,270	2,840,247
Cash and cash equivalents at the end of the period, representing bank balances and cash	<u>5,370,858</u>	<u>3,305,292</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 2017 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements HKFRSs 2014-2016 cycle: HKFRS 12
	Disclosure of interests in other entities

The application of the above new amendments to HKFRSs in the current interim period has had no material impact 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales of glass epoxy laminates	4,859,647	3,819,223
Sales of paper laminates	926,600	919,635
Sales of upstream materials	921,987	682,449
Sales of properties	1,614,626	1,511,983
Income from properties investment	57,227	55,144
Others	655,422	534,439
	<u>9,035,509</u>	<u>7,522,873</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 involves 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 sales 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 results by operating segments:

Six months ended 30 June 2017	Laminates HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue	<u>7,363,656</u>	<u>1,671,853</u>	<u>9,035,509</u>
Segment results	<u>2,024,823</u>	<u>437,900</u>	2,462,723
Gain on disposal of available-for-sale investments			98,011
Unallocated corporate income			53,329
Unallocated corporate expenses			(76,973)
Finance costs			<u>(31,376)</u>
Profit before taxation			<u>2,505,714</u>
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 results	<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>

For the six months ended 30 June 2017, revenue from one of the Group's customers amounted to HK\$941,606,000, which individually accounted for over 10% of the Group's revenue for the period. The corresponding revenue from that customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2016.

5. Other income, gains and losses

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Dividend income from available-for-sale investments	251	8,024
Interest income from available-for-sale investments	38,747	10,516
Other interest income	9,756	5,652
	<u>9,756</u>	<u>5,652</u>

6. Finance costs

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	36,140	49,410
Less: Amounts capitalised in the construction in progress	(4,764)	(2,196)
	<u>31,376</u>	<u>47,214</u>

The weighted average capitalisation rate on funds borrowed generally is 2.2% per annum (six months ended 30 June 2016: 2.2% per annum).

7. Depreciation

During the period, depreciation of approximately HK\$284.1 million (six months ended 30 June 2016: HK\$321.7 million) was charged in respect of the Group's properties, plant and equipment.

8. Income tax expense

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	1,850	750
Taxation arising in other jurisdictions	491,905	185,889
	<u>493,755</u>	<u>186,639</u>
Deferred taxation		
Credit for the period	(461)	(65)
	<u>493,294</u>	<u>186,574</u>

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

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 rate prevailing in the relevant jurisdictions.

9. Dividends

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2017 of HK32.6 cents (six month ended 30 June 2016: interim dividend of HK13.5 cents and special interim dividend of HK50 cents) per share respectively to the shareholders whose names appear on the register of members of the Company on Tuesday, 24 October 2017. The dividend warrants will be dispatched on or around Tuesday, 12 December 2017.



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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	<u>2,008,981</u>	<u>840,198</u>
	Number of shares	
	30 June 2017	30 June 2016
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,081,000,000</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 the six months ended 30 June 2016. No diluted earnings per share for the period ended 30 June 2017 was presented as there were no potential ordinary shares in issue as at 30 June 2017.

11. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$531.5 million (six months ended 30 June 2016: HK\$65.5 million) on acquisition of properties, plant and equipment.

12. Trade and other receivables and prepayments and bills receivables

	30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	3,440,368	3,281,141
Advance to suppliers	406,666	325,760
Interest income receivables	23,777	19,272
Prepaid expenses and deposits	169,702	247,625
Value-added tax ("VAT") recoverable	52,537	61,997
Land appreciation tax on pre-sale residential units	58,814	30,270
Other receivables	31,459	28,928
	<u>4,183,323</u>	<u>3,994,993</u>
Bills receivables	2,779,433	2,721,444
	<u><u>6,962,756</u></u>	<u><u>6,716,437</u></u>

The Group allows credit periods of up to 120 days (31 December 2016: 120 days), depending on the products sold to its trade customers. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period, which approximates to the respective revenue recognition date:

	30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
0–90 days	2,496,062	2,398,254
91–180 days	894,113	828,563
Over 180 days	50,193	54,324
	<u><u>3,440,368</u></u>	<u><u>3,281,141</u></u>

Bills receivables of the Group are aged within 90 days (31 December 2016: 90 days) at the end of the reporting period.



13. Trade and other payables and bills payables

	30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	726,985	803,311
Accrued expenses	300,859	343,146
Payables for acquisition of properties, plant and equipment	88,483	57,775
Receipts in advance	199,779	345,551
Other tax payables	673,833	681,210
VAT payables	150,193	283,080
Other payables	77,037	67,049
	<u>2,217,169</u>	<u>2,581,122</u>
Bills payables	201,303	135,785
	<u><u>2,418,472</u></u>	<u><u>2,716,907</u></u>

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

	30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
0–90 days	593,845	663,081
91–180 days	103,904	109,828
Over 180 days	29,236	30,402
	<u>726,985</u>	<u>803,311</u>

Bills payables of the Group are aged within 90 days (31 December 2016: 90 days) at the end of the reporting period.

14. Share options

The share option scheme of the Company (the “Scheme”) was approved by the shareholders of the Company and the shareholders of Kingboard Chemical Holdings Limited (“KCHL”) on 29 May 2017. 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 from the effective date of the Scheme. 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) of the Company, 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.

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 308,100,000 shares, which represents 10% of the total issued share capital of the Company as at the date of this report. As at the date of this report, no share option has been granted, exercised, cancelled or lapsed under the Scheme.

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

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

The share option scheme of the Company (the "2007 Scheme") previously approved by the shareholders of the Company and the shareholders of KCHL on 18 May 2007 and 25 June 2007, respectively, was expired on 17 May 2017.

A summary of the movements of the share options under the 2007 Scheme for the period is as follow:

Date of grant	Balance at 1 January 2017	Exercised during the period	Balance at 30 June 2017	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 (<i>Note</i>)
Mr. Cheung Kwok Keung	11,500,000	(11,500,000)	–	HK\$6.54	21 March 2011 to 17 May 2017 (<i>Note</i>)
Mr. Cheung Kwok Ping	10,000,000	(10,000,000)	–	HK\$6.54	21 March 2011 to 17 May 2017 (<i>Note</i>)
Mr. Lam Ka Po	10,000,000	(10,000,000)	–	HK\$6.54	21 March 2011 to 17 May 2017 (<i>Note</i>)
Mr. Cheung Ka Ho	10,000,000	(10,000,000)	–	HK\$6.54	21 March 2011 to 17 May 2017 (<i>Note</i>)
	<u>54,000,000</u>	<u>(54,000,000)</u>	<u>–</u>		
<i>Granted to employees</i>					
21 March 2011					
	<u>27,000,000</u>	<u>(27,000,000)</u>	<u>–</u>	HK\$6.54	21 March 2011 to 17 May 2017 (<i>Note</i>)
	<u><u>81,000,000</u></u>	<u><u>(81,000,000)</u></u>	<u><u>–</u></u>		
<i>Exercisable at</i>					
1 January 2017					
	<u><u>81,000,000</u></u>				
30 June 2017					
	<u><u>–</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 2017 and 31 December 2016, the share options reserve was amounted to nil and HK\$93,105,000 respectively.

15. Capital and other commitments

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition of properties, plant and equipment	34,130	30,266
– capital injection in an unlisted equity investment	3,346	3,346
	37,476	33,612
Other expenditure contracted for but not provided in the consolidated financial statements for:		
– acquisition and other expenditures relating to properties held for development	972,901	1,182,201
	1,010,377	1,215,813

16. Contingent liabilities

- (a) The Group provided guarantees amounting to approximately HK\$2,042,794,000 as at 30 June 2017 (31 December 2016: HK\$2,864,397,000) 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 2017 and 31 December 2016.

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 Company's ultimate holding company, certain subsidiaries of the Company and the Company (the "Respondents") were named as respondents in a petition (the "Petition") filed with the Supreme Court of Bermuda by Annuity & Life Reassurance Limited (the "Petitioner") based on its allegation that the affairs of Kingboard Copper Foil Holdings Limited ("KBCF"), a 82.32%-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 its minority shareholders. The Petitioner (being a minority shareholder of KBCF) sought an order requiring the Respondents to repurchase all of the KBCF's shares held by Petitioner at a price to be fixed.

The trial of the Petition took place in September 2015. The Supreme Court of Bermuda handed down its judgement on 10 November 2015. The Court found that the allegation that the terms of the previous interested person transaction sales constituted preferential transfer pricing which was prejudicial to minority shareholders was not proved; and the allegation that the terms of licence agreement were wholly uncommercial and the licence was a sham was also not proved. However, the Court ruled that KBCF's management should have promptly initiated bona fide open negotiations in which commercially reasonable proposals should be openly tabled with a view to persuading the minority shareholders to approve the interest person transactions mandate on even marginally more favourable terms.

The Respondents filed a notice of appeal on 23 December 2015 relating to the unfavourable ruling of the first instance judgement. The appeal hearing took place in the Court of Appeal of Bermuda on 6 to 7 March 2017. The Court of Appeal of Bermuda handed down a written judgement on 24 March 2017, allowing the appeal of the Respondents.

The Petitioner filed a notice of motion for leave to appeal to the Privy Council on 13 April 2017 and was granted leave to appeal on 16 June 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 pending the outcome of the aforementioned appeal by the Petitioner to the Privy Council. Accordingly, no provision for liability has been made in connection with this claim by the Group.

17. Related party transactions

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

	Six months ended 30 June	
	2017 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i> <i>(Unaudited)</i>
(i) Sales of goods and drilling services provided to fellow subsidiaries	<u>941,606</u>	<u>723,216</u>
(ii) Purchases of goods from fellow subsidiaries	<u>283,093</u>	<u>261,115</u>
(iii) Sales of laminates and copper to a shareholder with significant influence over the ultimate holding company	<u>302,235</u>	<u>266,940</u>
(iv) Purchases of drill bits and machineries from a shareholder with significant influence over the ultimate holding company	<u>103,115</u>	<u>115,092</u>

BUSINESS REVIEW

On behalf of the Board of Directors, I am delighted to report to our shareholders that Kingboard Laminates Holdings Limited (the “Company”) and its subsidiaries (the “Group”) delivered robust results for the six months ended 30 June 2017 (the “Period”). According to the latest report by Prismark Partners LLC, an independent third party consulting firm, the Group has been ranked as the world’s top laminates producer for the twelfth consecutive year, with the Group’s market share in the global laminates market of 14%. Telecommunications equipment, automobile and consumer electronics exhibited growth during the Period. As a result of the subsequent laminates demand growth, there was a shortage of laminates and their upstream materials, including copper foil, glass yarn and glass fabric. This has led to significant price increases across products in the laminates division and thus an expanding profit margin.

The Group’s revenue surged by 20% year on year to HK\$9,035.5 million. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) also grew significantly by 101% from the same period last year to HK\$2,826.6 million. Net profit attributable to owners of the Company went up significantly by 139% year on year to HK\$2,009 million. The Board has declared an interim dividend of HK\$32.6 cents per share, up 141% compared with that declared for the same period last year.

Financial Highlights

	Six months ended 30 June		
	2017 <i>HK\$'million</i>	2016 <i>HK\$'million</i>	Change
Revenue	9,035.5	7,522.9	+20%
EBITDA	2,826.6	1,403.8	+101%
Profit before tax	2,505.7	1,030.3	+143%
Net profit attributable to owners of the Company	2,009.0	840.2	+139%
Basic earnings per share	HK65.2 cents	HK28.0 cents	+133%
Interim dividend per share	HK32.6 cents	HK13.5 cents	+141%
Interim dividend payout ratio	50%	48%	
Special interim dividend per share	–	HK50.0 cents	N/A
Net asset value per share	HK\$5.23	HK\$4.45	+18%
	Net cash 1,363.4	Net gearing 7%	

PERFORMANCE

During the Period, a shortage in the supply of glass yarn and glass fabric led to a decline in the Group's laminates output and thus shipment volume. Laminates shipment volume dropped by 8% during the first half of the year to average monthly shipments of 9.09 million square metres. Of these, composite epoxy material ("CEM") laminates and glass epoxy laminates ("FR4") in aggregate contributed 54% of the Group's revenue, whereas paper laminates sales accounted for 10%. However, as the shortages of materials have pushed up laminates prices, segment turnover of the laminates division increased by 24% to HK\$7,363.6 million despite the volume drop. The division's EBITDA was up 98% to HK\$2,379.1 million.

The partial booking of sales of Kunshan Development Zone Kingboard Yu Garden Phase 2 and 3, Jiangyin Kingboard Yu Garden Phase 1 and Huaqiao Kingboard Yu Garden Phase 4 contributed a segment turnover of HK\$1,671.9 million for the property division with EBITDA of HK\$447.5 million.

AVAILABLE-FOR-SALE INVESTMENTS

As at 30 June 2017, the Group held in aggregate approximately HK\$1,884 million available-for-sale investments, representing approximately 7% of the total assets of the Group as at 30 June 2017, which consist of mostly securities listed on Main Board of the Stock Exchange and bonds issued mainly by companies listed on the Main Board of the Stock Exchange. The Group acquired its available-for-sale investments through on market purchase. The Group will from time to time monitor the price movement of prices in securities and bonds and may adjust its investment portfolio as and when appropriate.

The following table sets out the Group's major available-for-sale investments as at 30 June 2017:

Name of available-for-sale investments	Fair value as at 30 June 2017 HK\$'000	Dividend income for the Period HK\$'000	Bond interest for the Period HK\$'000
Ordinary shares of Cathay Pacific Airways Limited (listed on the Stock Exchange with stock code 293) ("Cathay Pacific")	316,393	-	-
Bonds listed on Singapore Exchange Securities Trading Limited by Country Garden Holdings Limited (listed on the Stock Exchange with stock code 2007) ("CGH") with fixed coupon interest 4.75% per annum and maturity date on 28 September 2023	917,846	-	22,415
	1,234,239	-	22,415

Save as the available-for-sale investments as set out in the table above, the aggregate fair value of other available-for-sale investments held by the Group as at 30 June 2017 do not exceed 5% of the consolidated total assets of the Group as at 30 June 2017.

Based on the unaudited financial statements for the six months ended 30 June 2017 in its 2017 interim results announcement dated 16 August 2017, Cathay Pacific reported an attributable loss of HK\$2,051 million for the first six months of 2017 and it was stated that the fundamental structural changes within the airline industry continued to affect the operating environment for its airlines and created difficult operating conditions in the first half of 2017, with the intense competition with other airlines being the most significant factor affecting its performance. The operating environment in the second half of 2017 is expected to remain challenging.

Based on the announcement of CGH dated 21 September 2016, the senior notes ("Senior Notes") were issued by CGH in September 2016, and due in 2023. The Senior Notes are listed on Singapore Exchange Securities Trading Limited and carries an interest of 4.75% per annum and interests are payable semi-annually. The proceeds from the Senior Notes was intended to be used for refinancing certain of CGH's existing indebtedness and for its general working capital purposes. According to the 2017 interim results announcement of CGH, as at 30 June 2017, its group's net gearing ratio decreased by 10.9 percentage points from that as at 31 December 2016 to 37.8%. The CGH group was recognised by credit rating agencies and major financial institutions for its sound financial position which was backed by sufficient working capital.

For further information of the business and financial performance of the above companies, please refer to the reports and announcements referred in the above paragraphs for details. Please also refer to the respective publications of the above companies from time to time for updates on prospects and performances of the respective companies. The reports and announcements referred above do not form part of this interim report and do not constitute any publication issued by, or any opinion, advice or view of, the Company or any of its directors.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position remained robust. As at 30 June 2017, net current assets and current ratio of the Group were approximately HK\$12,083.3 million (31 December 2016: HK\$8,584.2 million) and 2.93 (31 December 2016: 1.95) respectively.

The net working capital cycle increased to 84 days as at 30 June 2017 from 80 days as at 31 December 2016, on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 33 days (31 December 2016: 22 days).

- Trade receivables, including amounts due from fellow subsidiaries, in terms of debtor turnover days, were shortened to 80 days (31 December 2016: 88 days).
- Trade and bills payable, including amounts due to fellow subsidiaries, in terms of creditor turnover days, were shortened to 29 days (31 December 2016: 30 days).

As at 30 June 2017, the Group's net cash was HK\$1,363.4 million (31 December 2016: HK\$1,750.5 million). The ratio of bank borrowings between short term and long term stood at 11%:89% (31 December 2016: 57%:43%).

The Group's variable-rate bank borrowings as at 30 June 2017 carry interest ranging from HIBOR + 1.02% to HIBOR + 1.65% (31 December 2016: HIBOR + 1.75 to HIBOR + 2%) per annum.

The effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings as at 30 June 2017 ranged from 2.43% to 3.2% (31 December 2016: 2.4% to 2.75%) per annum.

Included in bank borrowings are the following amounts denominated in currencies as indicated below:

	30 June 2017	31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
US\$	–	708,045
HK\$	<u>4,007,500</u>	<u>2,059,725</u>

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



CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately HK\$2,043 million in aggregate as at 30 June 2017 (31 December 2016: HK\$2,864 million) in respect of bank mortgage loans granted to purchasers of the Group's properties. Please refer to note 16 to the Group's unaudited consolidated financial statements for the Period in this report for further details of such guarantees.

During the year ended 31 December 2011, the Company's ultimate holding company, certain subsidiaries of the Company and the Company were named as respondents in a petition ("Petition") filed with the Supreme Court of Bermuda by Annuity & Life Reassurance Limited based on its allegation that the affairs of Kingboard Copper Foil Holdings Limited, a 82.32%-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 its minority shareholders. Please refer to note 16 to the Group's unaudited consolidated financial statements for the Period in this report for further details of the status of the Petition.

HUMAN RESOURCES

As at 30 June 2017, the Group had approximately 9,900 (31 December 2016: 9,900) employees. In addition to offering competitive salary packages, the Group from time to time grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance.

PROSPECTS

Entering the second half of the year, the market did not witness any evident capacity expansion starting to ramp up for copper foil, glass yarn and glass fabric. Shortage of supply thus continues. Demand for laminates grows steadily as the market enters its peak season. The Group has once again raised product prices, and expects further room for price increases in the future. Increasing investments in research and development have yielded satisfactory results for the Group. Sales of thin, halogen-free laminates, high temperature resistance and other high value-added laminates continue to be on the upward trend. As the Group enhances product portfolio, it will be able to expand its market share while raising returns from sales.

Capacity expansion for laminates, glass yarn and glass fabric proceeds as scheduled, and new capacity will start to ramp up before the end of this year. Additional capacities for glass yarn and glass fabric will help alleviate the Group's material shortage problem. At the same time, it will help boost external sales and add momentum to the Group's broad-based turnover growth. Besides, through collaboration with a number of globally renowned battery producers, the Group is contributing to joint research efforts into more economically efficient battery-use copper foil. The Group will expand capacity of this product line as and when appropriate.

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 Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 October 2017 to Tuesday, 24 October 2017 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for receiving an interim dividend, the Company's shareholders are reminded to ensure all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 20 October 2017. Payment of such dividend is expected to be made to the Company's shareholders on or around Tuesday, 12 December 2017.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, 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	10,122,000	0.329
Mr. Cheung Kwok Keung	Beneficial owner	2,303,500	0.075
Mr. Cheung Kwok Ping	Beneficial owner	1,640,000	0.053
Mr. Lam Ka Po	Beneficial owner	3,000,000	0.097
Mr. Cheung Ka Ho	Beneficial owner	2,000	0.00006
Mr. Liu Min	Interest of spouse	300,000	0.0097
Mr. Leung Tai Chiu	Beneficial owner	78,000	0.0025

Note:

¹ 75,000 Shares were held by his spouse.

(b) 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

Notes: 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.

(c) **Ordinary shares of HK\$0.10 each of Kingboard Chemical Holdings Limited (“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	8,984,100	0.865
Mr. Cheung Kwok Keung	Beneficial owner	259,922	0.025
Mr. Cheung Kwok Ping ²	Beneficial owner/ Interest of spouse	4,656,383	0.448
Mr. Lam Ka Po	Beneficial owner	3,889,860	0.375
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.037
Mr. Liu Min ³	Beneficial owner/ Interest of spouse	540,300	0.052

Notes:

- ¹ 74,400 KCHL's shares were held by his spouse.
² 36,000 KCHL's shares were held by his spouse.
³ 207,800 KCHL's shares were held by his spouse.



(d) 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

(e) 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 2017.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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	2,115,715,000(L)	68.67
KCHL	(c)	Beneficial owner Interest of controlled corporations	65,173,500(L) 2,050,541,500(L)	2.12 66.55
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner Interest of controlled corporation	1,790,000,000(L) 260,541,500(L)	58.10 8.45
Capital Research and Management Company		Investment manager	177,205,851(L)	5.75

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

Notes:

- (a) At 30 June 2017, (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 39.00% of the entire issued capital of KCHL by Hallgain as at 30 June 2017.



- (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.

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 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2017, 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 2017.

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 2017, 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 meeting, in accordance 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 2017.

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

Hong Kong, 18 August 2017

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

