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KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

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

* *Excluding*:

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

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

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

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

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2016	**2015**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	18,320,841	16,474,846
Cost of sales and services rendered		(14,726,243)	(14,061,401)
Gross profit		3,594,598	2,413,445
Other income, gains and losses	*5*	208,988	211,988
Distribution costs		(489,534)	(568,421)
Administrative expenses		(838,051)	(848,868)
Gain on fair value changes of investment properties		–	55,076
Gain on disposal of available-for-sale investments		113,027	256,999
Share-based payments		(13,513)	(39,546)
Impairment loss recognised on available-for-sale investments		(101,681)	–
Finance costs	*6*	(212,032)	(215,647)
Share of results of associates		(7,205)	16,751
Profit before taxation		2,254,597	1,281,777
Income tax expense	*7*	(533,505)	(275,127)
Profit for the period		1,721,092	1,006,650
Profit for the period attributable to:			
Owners of the Company		1,505,974	882,870
Non-controlling interests		215,118	123,780
		1,721,092	1,006,650
		HK$	*HK$*
		(Unaudited)	(Unaudited)
Earnings per share	*9*		
Basic		1.468	0.861
Diluted		1.466	0.860

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	1,721,092	1,006,650
Other comprehensive (expenses) income for the period:		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	(812,780)	59,153
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	63,916	29,555
Translation reserve:		
Exchange differences arising from translation of foreign operations	(23,527)	(12,129)
Other comprehensive (expenses) income for the period (net of tax)	(772,391)	76,579
Total comprehensive income for the period	948,701	1,083,229
Total comprehensive income for the period attributable to:		
Owners of the Company	897,327	940,971
Non-controlling interests	51,374	142,258
	948,701	1,083,229

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current assets			
Investment properties		10,624,873	10,876,251
Properties, plant and equipment	*10*	14,628,282	15,660,817
Prepaid lease payments		890,812	912,439
Other non-current assets		676,040	689,670
Goodwill		2,288,149	2,288,149
Interests in associates		2,037,818	2,086,039
Available-for-sale investments		4,545,003	2,403,069
Entrusted loans	*11*	1,080,123	1,193,072
Deposits paid for acquisition of properties, plant and equipment		360,672	311,866
Deferred tax assets		4,264	3,420
		37,136,036	36,424,792
Current assets			
Inventories		2,067,845	2,287,118
Properties held for development		17,815,709	19,228,370
Trade and other receivables and prepayments	*11*	8,327,413	7,849,134
Bills receivables	*11*	2,498,675	2,017,736
Prepaid lease payments		25,438	25,086
Taxation recoverable		24,542	24,890
Fixed deposits held at banks with original maturity over three months		–	210,079
Bank balances and cash		4,574,454	4,853,792
		35,334,076	36,496,205
Current liabilities			
Trade and other payables	*12*	5,864,820	5,927,617
Bills payables	*12*	353,243	409,762
Deposits received from pre-sale of residential units		5,026,991	3,192,521
Taxation payable		582,122	534,181
Bank borrowings – amount due within one year		6,558,645	6,241,379
		18,385,821	16,305,460
Net current assets		16,948,255	20,190,745
Total assets less current liabilities		54,084,291	56,615,537

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

Notes:

1. Basis of preparation

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

2. Principal accounting policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 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, the following 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 operations
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 disclosures set out in these condensed consolidated financial statements.

3. Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. Specifically, the Group's operating and reportable segments under HKFRS 8 were organised into five main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of printed circuit boards ("PCBs"), (iii) manufacture and sale of chemicals, (iv) property development and investments ("Properties") and (v) others (including service income, manufacture and sale of liquid crystal displays and magnetic products and hotel business). No operating segment 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, impairment loss recognised on available-for-sale investments, share-based payments, unallocated corporate income and expenses, finance costs and share of results of associates).

Segment revenues and results by reportable segments are presented below:

	Laminates *HK$'000* (Unaudited)	PCBs *HK$'000* (Unaudited)	Chemicals *HK$'000* (Unaudited)	Properties *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Eliminations *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Six months ended 30 June 2016							
Segment revenue							
External sales	5,316,154	3,659,096	4,411,165	4,738,694	195,732	–	18,320,841
Inter-segment sales	764,976	–	239,601	–	2,075	(1,006,652)	–
Total	6,081,130	3,659,096	4,650,766	4,738,694	197,807	(1,006,652)	18,320,841
Result							
Segment result	899,731	143,024	94,425	1,376,050	983		2,514,213
Gain on disposal of available-for-sale investments							113,027
Impairment loss recognised on available-for-sale investments							(101,681)
Share-based payments							(13,513)
Unallocated corporate income							110,322
Unallocated corporate expenses							(148,534)
Finance costs							(212,032)
Share of results of associates							(7,205)
Profit before taxation							2,254,597

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

	Laminates *HK$'000* (Unaudited)	PCBs *HK$'000* (Unaudited)	Chemicals *HK$'000* (Unaudited)	Properties *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Eliminations *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Six months ended 30 June 2015							
Segment revenue							
External sales	5,781,103	3,425,673	5,471,803	1,480,013	316,254	–	16,474,846
Inter-segment sales	840,372	–	328,123	–	2,008	(1,170,503)	–
Total	6,621,475	3,425,673	5,799,926	1,480,013	318,262	(1,170,503)	16,474,846
Result							
Segment result	831,514	39,429	63,996	413,281	(12,064)		1,336,156
Gain on disposal of available-for-sale investments							256,999
Share-based payments							(39,546)
Unallocated corporate income							68,455
Unallocated corporate expenses							(141,391)
Finance costs							(215,647)
Share of results of associates							16,751
Profit before taxation							1,281,777

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

4. Depreciation

During the reporting period, depreciation of approximately HK$1,005,307,000 (1 January 2015 to 30 June 2015: HK$1,138,400,000) was charged in respect of the Group's properties, plant and equipment.

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:		
Dividends from available-for-sale investments	68,974	26,285
Interest income from available-for-sale investments	40,404	100,756
Interest income from bank balances and cash	22,665	25,334
Interest income from entrusted loans	40,639	40,939

6. Finance costs

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

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK$15,097,000 (1 January 2015 to 30 June 2015: HK$14,896,000) arose from a bank borrowing specific for the property development project and bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 1.0% (1 January 2015 to 30 June 2015: 1.1%) per annum to expenditure on qualifying assets.

7. Income tax expense

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

8. Interim dividend

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

9. Earnings per share

The calculations of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	1,505,974	882,870

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

The calculation of diluted earnings per share for the six months ended 30 June 2016 and 2015 did not take into account the effects of share options granted in 2011 by the Company and Kingboard Laminates Holdings Limited ("KLHL"), a listed subsidiary of the Group in Hong Kong, as the exercise prices of the outstanding share options granted in 2011 were higher than the average market prices of the Company's and KLHL's shares during the six months ended 30 June 2016 and 2015.

10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK$402,292,000 (1 January 2015 to 30 June 2015: HK$437,000,000) on acquisition of properties, plant and equipment.

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

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

Notes:

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

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

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

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

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

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

12. Trade and other payables and bills payables

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

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

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

13. Events after the reporting period

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

BUSINESS REVIEW

On behalf of the Board, I am delighted to announce that Kingboard Chemical Holdings Limited (the "Group") delivered a strong performance during the six months ended 30 June 2016 (the "Period"). With a market advantage built firmly on a vertically integrated production platform and diversified business portfolio, the Group was able to achieve a breakthrough in performance in the face of an adverse environment of intense competition in the global manufacturing sector and generally subdued commodity prices. During the Period, the laminates market steadily rebounded and resumed a healthy upward trend. The Group therefore succeeded in increasing the profit margin for its laminates business. As the restructuring of the Elec & Eltek Group began to deliver results, the printed circuit board ("PCB") division demonstrated a strong rebound in segment performance. The chemicals division continued to be affected by low petroleum prices, thus recording lower selling prices year on year; nevertheless the segment saw a rebound in its profit margin. Lastly, the property division posted a brilliant set of results on significant increases in both booked sales and profit. Pre-sales activities also recorded a high rate of growth, contributing a substantial increase in cash flow for the Group.

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

FINANCIAL HIGHLIGHTS

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

* *Excluding*:

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

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

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

PERFORMANCE

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

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

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

Sales from Huaqiao Kingboard Yu Garden Phase 2, Zhangpu Kingboard Yu Garden, and Kunshan Development Zone Kingboard Yu Garden Phase 3 were partially booked during the Period. The booking of sales, aggregating to HK$4,425.3 million, together with rental income of HK$313.4 million, caused segment turnover to surge by 2.2 times to HK$4,738.7 million. Driven by brisk property sales in Kunshan and other districts during the first half, the division achieved contracted sales of HK$6,336.0 million, increased by nearly 8 times, on a total contracted sales floor area of 510,000 square metres.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position continued to be robust. As at 30 June 2016, Group net current assets and current ratio were approximately HK$16,948.3 million (31 December 2015: HK$20,190.7 million) and 1.92 (31 December 2015: 2.24) respectively.

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

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

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

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

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

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

HUMAN RESOURCES

As at 30 June 2016, the Group employed a global workforce of approximately 44,000 (31 December 2015: 43,200). The increase in the workforce was mainly to cope with business developments. In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance.

PROSPECTS

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

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

With gradually stabilised petroleum prices, the selling prices of chemical products, and subsequently the division's profit margin, have rebounded from a deep trough. And as China's supply-side macroeconomic control has been expedited, chemical enterprises with lower operating efficiencies and outdated environmental facilities have gradually been driven out of the market. The prospects for an industry revival are excellent.

With project completions in the pipeline, the property division looks forward to sustained sales contributions from residential developments in future. The projects are currently recording significant increases in unit selling prices and profit margins can correspondingly expand. The Group's major commercial property project, Shanghai Kingboard Plaza Phase I, located in Changning District, is scheduled for completion during the second half. The project is budgeted to contribute a considerable increase to the Group's rental income.

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

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

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

Hong Kong, 15 August 2016

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Cheung Ka Shing, and Chen Maosheng, being the executive Directors and Messrs. Cheng Wai Chee, Christopher, Tang King Shing, Cheung Ming Man and Chong Kin Ki, being the independent non-executive Directors.