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		
	2017	**2016**	**Change**
	HK$'million	*HK$'million*	
Revenue	18,665.6	18,320.8	+2%
EBITDA*	4,545.8	3,599.3	+26%
Net profit attributable to owners of the Company			
– Underlying net profit*	2,183.3	1,621.2	+35%
– Reported net profit	2,180.2	1,506.0	+45%
Basic earnings per share			
– Based on underlying net profit*	HK$2.103	HK$1.581	+33%
– Based on reported net profit	HK$2.100	HK$1.468	+43%
Interim dividend per share	HK$0.60	HK$0.30	+100%
Net asset value per share	HK$39.3	HK$35.0	+12%
Net gearing	20%	32%	

* *Excluding:*

(1) *Share-based payments of HK$3.1 million (1 January 2016 to 30 June 2016: HK$13.5 million).*

(2) *Impairment loss recognised on available-for-sale investments of HK$101.7 million from 1 January 2016 to 30 June 2016 (1 January 2017 to 30 June 2017: 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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

Condensed Consolidated Statement of Profit or Loss

	Notes	**Six months ended 30 June** **2017** *HK$'000* (Unaudited)	**2016** *HK$'000* (Unaudited)
Revenue	*3*	18,665,562	18,320,841
Cost of sales and services rendered		(14,187,713)	(14,726,243)
Gross profit		4,477,849	3,594,598
Other income, gains and losses	*5*	200,999	208,988
Distribution costs		(519,576)	(489,534)
Administrative expenses		(840,869)	(838,051)
Gain on disposal of available-for-sale investments		246,220	113,027
Share-based payments		(3,136)	(13,513)
Impairment loss recognised on available-for-sale investments		–	(101,681)
Finance costs	*6*	(157,693)	(212,032)
Share of results of associates		42,201	(7,205)
Profit before taxation		3,445,995	2,254,597
Income tax expense	*7*	(611,605)	(533,505)
Profit for the period		2,834,390	1,721,092
Profit for the period attributable to:			
Owners of the Company		2,180,202	1,505,974
Non-controlling interests		654,188	215,118
		2,834,390	1,721,092
		HK$ (Unaudited)	*HK$* (Unaudited)
Earnings per share	*9*		
Basic		2.100	1.468
Diluted		2.083	1.466

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June 2017	Six months ended 30 June 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	2,834,390	1,721,092
Other comprehensive income (expenses) for the period:		
Items that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	892,731	(812,780)
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	558,098	63,916
Translation reserve:		
Exchange differences arising from translation of foreign operations	(4,466)	(23,527)
Other comprehensive income (expenses) for the period (net of tax)	1,446,363	(772,391)
Total comprehensive income for the period	4,280,753	948,701
Total comprehensive income for the period attributable to:		
Owners of the Company	3,465,076	897,327
Non-controlling interests	815,677	51,374
	4,280,753	948,701

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Non-current assets			
Investment properties		15,698,288	15,368,824
Properties, plant and equipment	*10*	13,630,245	13,545,102
Prepaid lease payments		899,609	874,668
Goodwill		2,288,149	2,288,149
Interests in associates		2,063,883	1,959,874
Available-for-sale investments		7,150,548	6,537,266
Entrusted loans	*11*	815,042	882,944
Deposits paid for acquisition of properties, plant and equipment		358,838	90,940
Deferred tax assets		3,315	3,347
		42,907,917	41,551,114
Current assets			
Inventories		2,105,350	1,779,065
Properties held for development		16,052,128	15,810,227
Trade and other receivables and prepayments	*11*	7,817,405	6,946,775
Bills receivables	*11*	3,453,892	3,182,724
Other current assets		665,720	645,931
Prepaid lease payments		21,663	21,809
Taxation recoverable		10,383	10,294
Bank balances and cash		6,534,187	6,472,614
		36,660,728	34,869,439
Current liabilities			
Trade and other payables	*12*	6,791,170	6,809,624
Bills payables	*12*	301,908	170,224
Deposits received from pre-sale of residential units		6,585,210	7,334,955
Taxation payable		602,268	528,938
Bank borrowings – amount due within one year		4,767,181	7,849,588
		19,047,737	22,693,329
Net current assets		17,612,991	12,176,110
Total assets less current liabilities		60,520,908	53,727,224

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	846,466	759,988
Bank borrowings – amount due after one year	11,617,478	9,014,564
	12,463,944	9,774,552
	48,056,964	43,952,672
Capital and reserves		
Share capital	103,840	103,840
Reserves	40,732,231	37,483,164
Equity attributable to owners of the Company	40,836,071	37,587,004
Non-controlling interests	7,220,893	6,365,668
Total equity	48,056,964	43,952,672

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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, the following 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 HKFRS 12	Annual improvements to HKFRSs 2014–2016 cycle

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) sales and rental of properties ("Properties") and (v) others (including services income, manufacture and sale of magnetic products and hotel business). No other 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).

3. Segment information — continued

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 2017							
Segment revenue							
External sales	6,381,047	3,844,857	6,252,840	1,995,133	191,685	–	18,665,562
Inter-segment sales	1,101,100	–	280,086	–	2,654	(1,383,840)	–
Total	7,482,147	3,844,857	6,532,926	1,995,133	194,339	(1,383,840)	18,665,562
Result							
Segment result	2,104,522	277,345	304,334	672,251	12,583		3,371,035
Gain on disposal of available-for-sale investments							246,220
Share-based payments							(3,136)
Unallocated corporate income							101,558
Unallocated corporate expenses							(154,190)
Finance costs							(157,693)
Share of results of associates							42,201
Profit before taxation							3,445,995

	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 at a price mutually agreed by both parties.

4. Depreciation

During the reporting period, depreciation of approximately HK$926,814,000 (1 January 2016 to 30 June 2016: HK$1,005,307,000) was charged in respect of the Group's properties, plant and equipment.

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:		
Dividends from available-for-sale investments	6,622	68,974
Interest income from available-for-sale investments	88,676	40,404
Interest income from bank balances and cash	8,491	22,665
Interest income from entrusted loans	38,659	40,639

6. Finance costs

	Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	176,531	230,963
Less: Amount capitalised in the cost of qualifying assets	(18,838)	(18,931)
	157,693	212,032

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK$14,074,000 (1 January 2016 to 30 June 2016: HK$15,097,000) 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 2.3% (1 January 2016 to 30 June 2016: 1.0%) per annum to expenditure on qualifying assets.

7. Income tax expense

	Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	2,665	750
Taxation arising in other jurisdictions	606,561	530,979
	609,226	531,729
Deferred taxation		
Charge for the period	2,379	1,776
	611,605	533,505

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

7. Income tax expense — continued

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 2017 of HK$0.60 per share (1 January 2016 to 30 June 2016: HK$0.30 per share) to the shareholders of the Company 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 Wednesday, 13 December 2017.

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	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	2,180,202	1,505,974

	Number of shares	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,038,400,136	1,025,600,236
Add: Effect of potentially dilutive ordinary shares relating to: – outstanding share options granted on 19 March 2015	8,333,064	1,543,069
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,046,733,200	1,027,143,305

The calculation of diluted earnings per share for the six months ended 30 June 2016 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.

10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK$849,115,000 (1 January 2016 to 30 June 2016: HK$402,292,000) on acquisition of properties, plant and equipment.

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

	30 June 2017 *HK$'000* (Unaudited)	31 December 2016 *HK$'000* (Audited)
Trade receivables	5,629,436	5,237,066
Advance to suppliers	608,416	447,831
Entrusted loans *(Note)*	870,051	942,536
Prepayment and deposits	908,808	662,346
Value added tax recoverables	200,388	184,569
Land appreciation tax on pre-sale properties	127,159	145,260
Other receivables	288,189	210,111
	8,632,447	7,829,719
Less: Non-current portion of entrusted loans	(815,042)	(882,944)
	7,817,405	6,946,775

Note:

The entrusted loans of HK$870,051,000 (31 December 2016: HK$942,536,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2016: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans are interest bearing ranging from 3.92% to 5.39% (31 December 2016: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2016: 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.

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 approximated the respective revenue recognition dates:

	30 June 2017 *HK$'000* (Unaudited)	31 December 2016 *HK$'000* (Audited)
0–90 days	4,269,451	4,069,593
91–120 days	816,422	733,053
121–150 days	335,432	260,167
151–180 days	112,762	81,751
Over 180 days	95,369	92,502
	5,629,436	5,237,066

All bills receivables of the Group are aged within 90 days (31 December 2016: 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 2017	**31 December 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–90 days	1,589,556	1,995,590
91–180 days	396,878	375,710
Over 180 days	217,075	211,159
	2,203,509	2,582,459

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

BUSINESS REVIEW

On behalf of the Board, I am delighted to announce that Kingboard Chemical Holdings Limited (the "Company") and its subsidiaries (the "Group") delivered satisfactory results during the six months ended 30 June 2017 (the "Period"). During the Period, all core divisions recorded outstanding performances. Benefitting from market demand growth, there was a shortage of laminates and their upstream materials, leading to significant price increases across products in laminates division and thus an expanding profit margin. The printed circuit board ("PCB") division continued to increase the output of high value-added products, and to expand sales to the automobile electronics, high-end telecommunications equipment and smart appliances. These efforts have yielded a breaking-through earnings contribution for the segment. As China's policy to reduce excessive capacity began to yield results, the Group's major chemical products, including coke, caustic soda and methanol, showed substantial price increases. As a result, the chemical segment recorded a strong rebound in its profit. With the additional rental contribution from the new commercial projects in London and Shanghai, the property division reported steady growth in rental income.

Group revenue rose 2% year on year to HK$18,665.6 million, with earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK$4,545.8 million, a strong growth of 26%. The underlying net profit also surged 35% to HK$2,183.3 million. The Board has declared an interim dividend of HK60.0 cents per share, an increase of 100% year on year.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	**2016**	**Change**
	HK$'million	*HK$'million*	
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Basic earnings per share			
– Based on underlying net profit*	HK$2.103	HK$1.581	+33%
– Based on reported net profit	HK$2.100	HK$1.468	+43%
Interim dividend per share	HK$0.60	HK$0.30	+100%
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Net gearing	20%	32%	

* *Excluding:*

(1) *Share-based payments of HK$3.1million (1 January 2016 to 30 June 2016: HK$13.5 million).*

(2) *Impairment loss recognised on available-for-sale investments of HK$101.7 million from 1 January 2016 to 30 June 2016 (1 January 2017 to 30 June 2017: Nil).*

PERFORMANCE

The Group has been ranked the world's top laminates producer for twelve consecutive years. During the Period, shortages in the supply of copper foil, glass yarn and glass fabric have driven laminates prices up. Laminate segment turnover (including inter-segment sales) jumped 23% to HK$7,482.1 million. With a vertically integrated production model, the Group was able to effectively translate the product price increase into profit growth. EBITDA hence increased by 95% to HK$2,392.1 million.

The PCB division continued to upgrade its order mix, recording proportionately increased sales of high-end products. There were significant increases in orders from the automobile, high-end telecommunications and smart consumer electronic products. On the back of a higher average product price, segment turnover grew 5% to HK$3,844.9 million. Despite some impact from the price increases of upstream materials for PCB production as laminates price increased, the segment benefitted from significantly higher added-value for its products and greatly enhanced production efficiency. EBITDA demonstrated a strong growth of 33% to HK$531.5 million.

As China steadily reduced excess capacity, prices for chemical products increased generally. Driven by robust sales in steel, properties and automobile, prices of the chemical division's main products, including coke, methanol and caustic soda, demonstrated phenomenal growth, thereby driving segment turnover to grow 40% to HK$6,532.9 million. EBITDA grew substantially by 34% to HK$676.9 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 aggregated to HK$1,595.4 million during the Period. Rental income increased 28% to HK$399.7 million, mainly attributable to the rents received from the newly acquired commercial property, Moor Place in London and newly completed commercial property, Shanghai Kingboard Plaza Phase 1.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position continued to be robust. As at 30 June 2017, net current assets and current ratio of the Group were approximately HK$17,613 million (31 December 2016: HK$12,176.1 million) and 1.92 (31 December 2016: 1.54) respectively.

The net working capital cycle increased from 41 days as at 31 December 2016 to 50 days as at 30 June 2017 on the following key metrics:

– Inventories, in terms of stock turnover days, were 27 days (31 December 2016: 23 days).

– Trade receivables, in terms of debtor turnover days, were 55 days (31 December 2016: 53 days).

– Trade and bills payables, in terms of creditor turnover days, were 32 days (31 December 2016: 35 days).

The Group's net gearing ratio (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was 20% (31 December 2016: 24%). The proportion of short-term to long-term bank borrowings stood at 29%:71% (31 December 2016: 47%:53%). During the Period, the Group invested HK$850 million and HK$1,150 million in new production capacity and property development projects respectively. 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 type 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 2017, the Group employed a global workforce of approximately 43,200 (31 December 2016: 41,800). 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

The second half of the year is the traditional peak season for sales of electronic products. As the supply shortage becomes more evident amidst surging demand for laminates, the Group has once again raised product prices. At the same time, the Group is expanding the sales of high value-added laminates, such as thin laminates, halogen-free laminates and LED-related laminates. With new capacities coming on stream in phases, operating efficiency is expected to continue to be enhanced.

Benefitting from the peak season for automobiles, handsets and home appliances, the PCB division has strong order growth. High-end PCBs are showing a trend of undersupply. The division is able to maintain strong growth momentum on the back of a diversified downstream business portfolio. Leveraging on solid experience in producing PCBs for automobiles and telecommunications equipment, the division will enhance its targeted research and development capabilities, while optimising the existing production lines by installing high-precision and automated facilities to strengthen the division's core competence.

While China is expediting the rollout of its supply-side reform policy, it is expected that certain chemical enterprises that underperform in terms of operating efficiency and environmental standards will exit the market. This will help to steadily improve the supply-demand conditions. Major products of the chemical division, such as coke, methanol and caustic soda, will have room for further price increases. The division will fully utilise its existing capacities while strictly controlling production costs, in an effort to yield higher profits in an efficient and low-carbon model.

Kunshan and some other local government authorities implemented control measures targeting the property market during the second half of last year. With the cyclical impact of these measures coming to an end during the second half of this year, it is expected that market demand will emerge again. The property division is actively preparing for the launch of a number of projects for sales. Shanghai Kingboard Plaza Phase 1 will also contribute rental income growth following the end of the rent-free periods.

The Group has introduced a revolutionary graphene-based floor heating modules, receiving excellent market response. The first experiential sales centre has been set up in Shanghai, with eleven more to be opened in the major cities of China during the second half. The Group plans to establish two factories in order to increase capacity for graphene heating chips and heated floor panels.

APPRECIATION

On behalf of the Board of Directors, I wish 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 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 Friday, 20 October 2017.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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 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 2017, 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 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 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 2017.

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

Hong Kong, 18 August 2017

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. Cheung Ming Man, Chong Kin Ki, Leung Tai Chiu and Chan Wing Kee being the independent non-executive Directors.