

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 HK$'000 (Unaudited)	31 December 2016 HK$'000 (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

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share options reserve *HK$'000*	Goodwill reserve *HK$'000*	Special surplus account *HK$'000*	Statutory reserve *HK$'000*	Property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2017	103,840	4,652,528	1,911	275,459	1,119,542	10,594	512,652	256,370	(277,790)	(449,187)	31,381,085	37,587,004	6,365,668	43,952,672
Profit for the period	–	–	–	–	–	–	–	–	–	–	2,180,202	2,180,202	654,188	2,834,390
Net changes arising from available-for-sale investments	–	–	–	–	–	–	–	–	538,915	–	–	538,915	19,183	558,098
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	–	–	–	(3,289)	–	(3,289)	(1,177)	(4,466)
Exchange difference arising from translation to presentation currency	–	–	–	–	–	–	–	–	–	749,248	–	749,248	143,483	892,731
Total comprehensive income for the period	–	–	–	–	–	–	–	–	538,915	745,959	2,180,202	3,465,076	815,677	4,280,753
Recognition of equity-settled share-based payments	–	–	–	3,136	–	–	–	–	–	–	–	3,136	–	3,136
Final dividend for the year ended 31 December 2016	–	–	–	–	–	–	–	–	–	–	(1,038,400)	(1,038,400)	–	(1,038,400)
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	64,000	64,000
Deemed disposal of partial interests in a subsidiary	–	–	–	–	199,774	–	–	–	–	–	–	199,774	329,966	529,740
Acquisition of additional interests in subsidiaries	–	–	–	–	67,755	–	–	–	–	–	–	67,755	(567,145)	(499,390)
Disposal of partial interests in a subsidiary	–	–	–	–	551,726	–	–	–	–	–	–	551,726	707,404	1,259,130
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(494,677)	(494,677)
Transfers to reserve	–	–	–	–	–	–	131,348	–	–	–	(131,348)	–	–	–
	–	–	–	3,136	819,255	–	131,348	–	–	–	(1,169,748)	(216,009)	39,548	(176,461)
Balance at 30 June 2017	103,840	4,652,528	1,911	278,595	1,938,797	10,594	644,000	256,370	261,125	296,772	32,391,539	40,836,071	7,220,893	48,056,964

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share options reserve *HK$'000*	Goodwill reserve *HK$'000*	Special surplus account *HK$'000*	Statutory reserve *HK$'000*	Property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2016	102,560	4,457,742	1,911	291,588	1,109,920	10,594	448,801	256,370	(13,131)	1,544,779	27,035,034	35,246,168	6,094,559	41,340,727
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,505,974	1,505,974	215,118	1,721,092
Net changes arising from available-for-sale investments	–	–	–	–	–	–	–	–	60,606	–	–	60,606	3,310	63,916
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	–	(17,328)	–	(17,328)	(6,199)	(23,527)
Exchange differences arising from translation to presentation currency	–	–	–	–	–	–	–	–	–	(651,925)	–	(651,925)	(160,855)	(812,780)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	60,606	(669,253)	1,505,974	897,327	51,374	948,701
Recognition of equity-settled share-based payments	–	–	–	13,513	–	–	–	–	–	–	–	13,513	–	13,513
Final dividend for the year ended 31 December 2015	–	–	–	–	–	–	–	–	–	–	(307,680)	(307,680)	–	(307,680)
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	26,400	26,400
Acquisition of additional interests in subsidiaries	–	–	–	–	5,626	–	–	–	–	–	–	5,626	(44,066)	(38,440)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(104,500)	(104,500)
Transfers to reserve	–	–	–	–	–	–	55,685	–	–	–	(55,685)	–	–	–

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash from operating activities	**1,129,777**	5,291,577
Net cash used in investing activities	**(251,421)**	(2,160,275)
Net cash used in financing activities	**(816,783)**	(3,410,640)
Net increase (decrease) in cash and cash equivalents	**61,573**	(279,338)
Cash and cash equivalents at the beginning of the period	**6,472,614**	4,853,792
Cash and cash equivalents at the end of the period, representing bank balances and cash	**6,534,187**	4,574,454

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.

2. Principal accounting policies – continued

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 HKFRSs	Annual improvements to 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 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	PCBs	Chemicals	Properties	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(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	(1344	Inter-segment sales

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3. Segment information – continued

	Laminates	PCBs	Chemicals	Properties	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(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

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.

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 of the Company (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 *(Note)*	**(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:

	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

	30 June 2017 *HK$'000 (Unaudited)*	31 December 2016 *HK$'000 (Audited)*
Trade payables	**2,203,509**	2,582,459
Accrued expenses	**806,464**	727,666
Payables for acquisition of properties, plant and equipment	**488,897**	455,961
Receipt in advance	**913,142**	744,315
Other tax payables	**828,540**	831,054
VAT payables	**285,089**	334,548
Other payables *(Note)*	**1,265,529**	1,133,621
	6,791,170	6,809,624

Note: Included in other payables was the advance from an associate of approximately HK$1,095,117,000 (31 December 2016: HK$1,062,564,000) which is interest-free, unsecured and repayable on demand.

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

13. Share options

(a) Existing share option scheme of the Company

The existing share option scheme of the Company (the "Scheme") was approved by shareholders of the Company at the extraordinary general meeting held on 23 March 2009. The purpose of the Scheme is to provide incentive or reward to the Eligible Participants (as defined below) for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Scheme which is valid for a period of 10 years (as at the date of this report, the

13. Share options – continued

(a) Equity-settled share option scheme of the Company – continued

In respect of the share options outstanding at the end of the reporting period, the weighted average exercise price per share is HK$27.63 (31 December 2016: HK$25.66).

As at 30 June 2017, if all the exercisable share options under the Scheme were converted, 44,752,000 (31 December 2016: 34,752,000) shares will be issued, representing approximately 4.31% (31 December 2016: 3.35%) of the issued share capital of the Company.

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

		Share options grant date	Exercise price HK$	Exercise period	Number of share options outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2017
Executive Directors										
Mr. Cheung Kwok Wing	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	3,360,000	–	–	–	–	3,360,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	3,400,000	–	–	–	–	3,400,000
Mr. Chang Wing Yiu	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	3,120,000	–	–	–	–	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	2,700,000	–	–	–	–	2,700,000
Mr. Cheung Kwong Kwan	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	3,120,000	–	–	–	–	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	2,000,000	–	–	–	–	2,000,000
Mr. Ho Yin Sang *(Note 3)*	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	3,120,000	–	–	–	–	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	1,500,000	–	–	–	–	1,500,000
Ms. Cheung Wai Lin, Stephanie	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	3,120,000	–	–	–	–	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	2,500,000	–	–	–	–	2,500,000
Mr. Cheung Ka Shing	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	2,928,000	–	–	–	–	2,928,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	3,200,000	–	–	–	–	3,200,000
Sub-total					34,068,000	–	–	–	–	34,068,000

13. Share options – continued

(a) Employee share options of the Company – continued

		Share options grant date	Exercise price HK$	Exercise period	Number of share options outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2017
Employees										
	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 *(Note 1)*	8,784,000	–	–	–	–	8,784,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 *(Note 2)*	1,900,000	–	–	–	–	1,900,000
Sub-total					10,684,000	–	–	–	–	10,684,000
Total					44,752,000	–	–	–	–	44,752,000
Exercisable at:										
1 January 2017					34,752,000					
30 June 2017					44,752,000					

Notes:

1. These share options under the Scheme were granted on 21 March 2011 at an exercise price of HK$40.70 per share. The exercise price was adjusted for the dilutive effect on 29 May 2013 and the adjusted exercise price is HK$33.92. 25% of the total number of share options were vested immediately on the date of grant. The remaining 75% were split evenly into three lots and vested on 21 March 2012, 2013 and 2014, respectively. The closing price of the Company's shares immediately before the date of grant was HK$39.55.

2. These share options under the Scheme were granted on 19 March 2015 at an exercise price of HK$12.424 per share. 33% of the total number of share options were vested immediately on the date of grant. 33% of the total number of share options were vested on 19 March 2016 and remaining 34% were vested on 19 March 2017. The closing price of the Company's shares immediately before the date of grant was HK$12.34.

3. In addition to 4,620,000 share options held by Mr. Ho Yin Sang, the spouse of Mr. Ho Yin Sang held 4,828,000 share options.

The Group recognised the total expense of approximately HK$3,136,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$13,513,000) in relation to the share options granted by the Company.

13. Share options – continued

(b) *Existing share option scheme of EEIC & Eek Inata Capital Limited ("EEIC")*

The existing share option scheme of EEIC (the "EEIC Scheme") was approved by the shareholders of EEIC at the extraordinary general meeting held on 21 April 2008 and was adopted and took effect from 9 May 2008 upon approval by the shareholders of the Company. The purpose of the EEIC Scheme is to provide incentive or reward to the eligible participants of the EEIC Scheme for their contribution to, and continuing efforts to promote the interests of the EEIC Group.

The EEIC Scheme is open to full-time employees and directors of any company within the EEIC Group, the parent group and of an associated company of EEIC, subject to certain conditions being satisfied.

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

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

The duration of the EEIC Scheme is 10 years (the remaining life of the EEIC Scheme is approximately 8 months as at the date of this report) and the totneral meom o0aorice mcd thlast dM a dis

13. Share options – continued

(c) *Employee share option scheme of Kingboard Laminates Holdings Limited ("KLHL") – continued*

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

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

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

The total number of shares of KLHL which may be issued upon exercise of all options to be granted under the KLHL Scheme and any other share option scheme of KLHL (excluding, for this purpose, options lapsed in accordance with the terms of the KLHL Scheme and any other share option scheme of KLHL) must not in aggregate exceed 10% of the total number of shares of KLHL in issue as at the date of approval of the KLHL Scheme. As at the date of this report, no share option has been granted, exercised, cancelled or lapsed under the KLHL Scheme.

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

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

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

13. Share options – continued

(c) *Equity-settled share option scheme of Kingboard Laminates Holdings Limited ("KLHL") – continued*

As at 30 June 2017, no share options granted under 2007 KLHL Scheme remained outstanding and accordingly, the total number of shares of KLHL in respect of which options had been granted was nil.

Details of the share options granted by KLHL pursuant to the 2007 KLHL Scheme and the share options outstanding as at 30 June 2017 were as follows:

	Number of share options outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2017	Share options grant date	Exercisable period	Exercise price HK$
Executive Directors									
Mr. Ho Yin Sang *(Note 2)*	9,000,000	–	(9,000,000)	–	–	–	21 March 2011	21 March 2011 to 17 May 2017 *(Note 1)*	6.54
Mr. Cheung Ka Shing	9,000,000	–	(9,000,000)	–	–	–	21 March 2011	21 March 2011 to 17 May 2017 *(Note 1)*	6.54
Sub-total	18,000,000	–	(18,000,000)	–	–	–			
Employees	63,000,000	–	(63,000,000)	–	–	–	21 March 2011	21 March 2011 to 17 May 2017 *(Note 1)*	6.54
Sub-total	63,000,000	–	(63,000,000)	–	–	–			
Total	81,000,000	–	(81,000,000)	–	–	–			
Exercisable at:									
1 January 2017	81,000,000								
30 June 2017	–								

Notes:

1. 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 KLHL's shares immediately before the date of grant was HK$6.3.

2. 9,000,000 share options were held by his spouse.

14. 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 in respect of:		
– acquisition of properties, plant and equipment	**237,905**	116,110
– capital injection in an unlisted investment	**3,346**	3,346

16. Contingent liabilities

(a) The Group provided guarantees amounting to approximately HK$4,918,844,000 as at 30 June 2017 (31 December 2016: HK$6,376,798,000) to facilitate mortgage bank loans applications of purchasers of the properties that were developed by the Group. 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 properties that were developed by the Group. 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 and certain subsidiaries of 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 KLHL 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.

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 breakthrough in earnings contributed from 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

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$3.1million (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 by 5% to HK$3,844.9 million. Despite the 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 by 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 by 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.

AVAILABLE-FOR-SALE INVESTMENTS

As at 30 June 2017, the Group held in aggregate approximately HK$7,151 million available-for-sale investments, representing approximately 9% of the total asset of the Group as at 30 June 2017, which consisted 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*
Ordinary shares of Cathay Pacific Airways Limited (listed on the Stock Exchange with stock code 293) ("Cathay Pacific")	4,294,952	–

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.

For further information of the business and financial performance of Cathay Pacific, please refer to the report and announcement referred in the above paragraph for details. Please also refer to the respective publications of Cathay Pacific from time to time for updates on prospects and performances. The report and announcement 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 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 as at 30 June 2017 (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%). As at 30 June 2017, the effective interest rate of the Group's variable-rate bank borrowings ranged from HIBOR +0.8% to LIBOR +1.5% (31 December 2016: HIBOR +0.8% to LIBOR +2.42%), and the Group's fixed rate bank borrowing of 4.35% (31 December 2016: 6%) per annum respectively.

Included in bank borrowings are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	30 June 2017 *HK$'000* *(Unaudited)*	31 December 2016 *HK$'000* *(Audited)*
US$	**1,522,408**	1,768,109
HK$	**14,858,380**	14,587,940

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

CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately HK$4,919 million as at 30 June 2017 (31 December 2016: HK$6,377 million) to facilitate mortgage bank loan applications of purchasers of the properties developed by the Group. Please refer to note 16 to the Group's unaudited condensed consolidated financial statements for the Period in this report for further details of such guarantees.

During the year ended 31 December 2011, the Company and certain of its subsidiaries were named as respondents in a petition ("Petition") frcnLofmew.6())0.5(t)0.5(h0.6(it)0.5(h0.6(rcnLof S0.6(u

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, the interests of the Directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position

(a)

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

Name of Director	Capacity	Interest in underlying Shares pursuant to Share Options
Mr. Cheung Kwok Wing	Beneficial owner	6,760,000
Mr. Chang Wing Yiu	Beneficial owner	5,820,000
Mr. Cheung Kwong Kwan	Beneficial owner	5,120,000
Mr. Ho Yin Sang *(Note)*	Beneficial owner/ Interest of spouse	9,448,000
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	5,620,000
Mr. Cheung Ka Shing	Beneficial owner	6,128,000

Note: Out of the 9,448,000 Share Options, 4,620,000 Share Options were held by Mr. Ho Yin Sang and 4,828,000 Share Options were held by his spouse.

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

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL *(%)*
Mr. Cheung Kwok Wing	Beneficial owner	1,043,000	0.034
Mr. Chang Wing Yiu *(Note)*	Beneficial owner/ Interest of spouse	9,200,000	0.299
Mr. Ho Yin Sang	Interest of spouse	1,043,000	0.034
Mr. Cheung Ka Shing	Beneficial owner	379,000	0.012
Mr. Cheung Kwong Kwan	Beneficial owner	4,000,000	0.130
Mr. Leung Tai Chiu	Beneficial owner	78,000	0.003

Note: Out of the 9,200,000 shares, 7,500,000 shares were held by Mr. Chang Wing Yiu and 1,700,000 shares were held by his spouse.

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

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

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

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

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC *(%)*
Mr. Cheung Kwok Wing	Beneficial owner	1,507,200	0.806
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260

(f) Ordinary shares ("KBCF Shares") of US$0.10 each in the share capital of KBCF, a non-wholly owned subsidiary of the Company

Name of Director	Capacity	Number of issued KBCF Shares held	Approximate percentage of the issued share capital of KBCF *(%)*
Mr. Ho Yin Sang	Interest of spouse	2,000	0.0002

Other than as disclosed above, as at 30 June 2017, the Company has not been notified of any other notifiable interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at 30 June 2017, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Hallgain Management Limited ("Hallgain") *(Note)*	Beneficial owner	405,000,700 (L)	39.00 (L)
FMR LLC	Investment manager	104,625,500 (L)	10.08 (L)
Fidelity Puritan Trust	Investment manager	84,134,000 (L)	8.10 (L)

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

Note:

As 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 were not accustomed to act in accordance with any shareholder's direction; and (ii) Mr. Cheung Kwok Wing, being a Director, was also a director of Hallgain.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2017 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 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

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The Leading Smart Graphene Floor-heating

遠程遙控 智慧生活
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Independent smart controls for multiple areas

極速升溫 發熱均勻
Fast warmed up with even temperature distribution

優選實木 健康無憂
Premium selection on natural wooden flooring

節能環保 經濟省電
Efficiency use of energy and environmental friendly

上門安裝 省時省力
Door to door maintenance services

10級防水，5000v 耐壓，安全無憂
Safe application with Level 10 waterproof qualities and 5000v insulation resistance

極致纖薄 整體4cm厚度
Ultra slim with only 4cm thickness

10年
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Quality assurance with 10-years warranty and an average of 50-years life expectancy

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