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2009



RESULTS

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 2009 together with the comparative figures for the corresponding period in 2008 as follows:

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	Notes	Six months ended 30 June 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Revenue	2	**9,001,533**	12,377,787
Cost of sales		**(6,977,537)**	(9,365,633)
Gross profit		**2,023,996**	3,012,154
Other income	4	**142,293**	103,300
Distribution costs		**(329,995)**	(350,050)
Administrative costs		**(523,641)**	(608,602)
Loss on disposal of convertible bond and interest in an associate	5	**–**	(188,537)
Discount on acquisition of additional interests in subsidiaries		**7,182**	–
Finance costs		**(68,121)**	(156,016)
Share of results of associates		**11,133**	265,673
Share of results of jointly controlled entities		**(1,010)**	(672)
Profit before taxation		**1,261,837**	2,077,250
Income tax expense	6	**(75,523)**	(172,929)
Profit for the period		**1,186,314**	1,904,321
Attributable to:			
Equity holders of the Company		**983,306**	1,569,778
Minority interests		**203,008**	334,543
		1,186,314	1,904,321
Interim dividend	7	**253,422**	337,247
Earnings per share	8		
Basic		**HK$1.165**	HK$1.863
Diluted		**HK$1.155**	HK$1.822

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	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	**1,186,314**	1,904,321
Other comprehensive income for the period:		
Cash flow hedging reserve:		
Fair value changes of derivatives taken (from) to equity	**(35,135)**	64,867
Fair value changes transferred from income statement	**34,562**	–
Deferred tax	**(378)**	–
Investment revaluation reserve:		
Fair value changes of available-for-sale investments taken to (from) equity	**175,596**	(111,035)
Fair value changes transferred from income statement on disposal of available-for-sale investments	**19,852**	–
Translation reserve:		
Exchange differences arising on translation to presentation currency	**24,105**	1,048,358
Other comprehensive income for the period	**218,602**	1,002,190
Total comprehensive income for the period	**1,404,916**	2,906,511
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**1,198,273**	2,330,272
Minority interests	**206,643**	576,239
	1,404,916	2,906,511

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	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Non-current assets			
Investment properties		1,332,005	1,327,165
Properties, plant and equipment	9	17,181,568	16,888,278
Prepaid lease payments		1,516,373	1,499,021
Goodwill		2,005,658	2,005,658
Investments in associates		650,646	686,133
Available-for-sale investments		876,068	780,248
Interests in jointly controlled entities		9,426	10,435
Non-current deposits		1,224,914	1,413,450
Intangible assets		770,179	770,142
Properties held for development		819,864	233,135
Deferred tax assets		35,191	32,660
		26,421,892	25,646,325
Current assets			
Inventories		2,873,836	2,561,334
Trade and other receivables and prepayments	10	5,585,254	4,990,317
Bills receivable		1,041,125	775,582
Prepaid lease payments		46,711	32,103
Derivative financial instruments		301	3,468
Taxation recoverable		7,531	7,063
Bank balances and cash		3,627,547	4,225,273
		13,182,305	12,595,140
Current liabilities			
Trade and other payables	11	4,328,452	3,733,140
Bills payable		874,503	615,362
Derivative financial instruments		776	1,940
Taxation payable		355,131	383,261
Bank borrowings – amount due within one year		2,198,825	2,596,995
		7,757,687	7,330,698
Net current assets		5,424,618	5,264,442
Total assets less current liabilities		31,846,510	30,910,767
Non-current liabilities			
Deferred tax liabilities		50,972	51,329
Derivative financial instruments		138,256	136,961
Bank borrowings – amount due after one year		6,953,104	7,105,276
		7,142,332	7,293,566
		24,704,178	23,617,201
Capital and reserves			
Share capital		84,474	83,926
Share premium and reserves		20,235,004	19,270,120
Equity attributable to equity holders of the Company		20,319,478	19,354,046
Equity component of share option reserve of a subsidiary		14,374	13,715
Minority interests		4,370,326	4,249,440
Total equity		24,704,178	23,617,201

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	Attributable to equity holders of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Goodwill reserve HK$'000	Special surplus account HK$'000	Statutory reserve HK$'000	Hedging reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Share option reserve of a subsidiary HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2009	83,926	4,384,067	1,911	(791)	10,594	87,502	(111,284)	11,288	(159,232)	1,682,438	13,363,627	19,354,046	13,715	4,249,440	23,617,201
Profit for the period	–	–	–	–	–	–	–	–	–	–	983,306	983,306	–	203,008	1,186,314
Fair value changes of derivatives taken from equity	–	–	–	–	–	–	(35,135)	–	–	–	–	(35,135)	–	–	(35,135)
Fair value changes transferred from income statement	–	–	–	–	–	–	34,562	–	–	–	–	34,562	–	–	34,562
Deferred tax	–	–	–	–	–	–	(378)	–	–	–	–	(378)	–	–	(378)
Fair value changes of available-for-sale investments taken to equity	–	–	–	–	–	–	–	–	175,596	–	–	175,596	–	–	175,596
Fair value changes transferred from income statement on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	19,852	–	–	19,852	–	–	19,852
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	–	–	20,470	–	20,470	–	3,635	24,105
Total comprehensive income for the period	–	–	–	–	–	–	(951)	–	195,448	20,470	983,306	1,198,273	–	206,643	1,404,916
Issue of new shares from exercise of share options	548	19,940	–	–	–	–	–	–	–	–	–	20,488	–	–	20,488
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	–	–	–	752	–	752
Final dividend for the year ended 31 December 2008	–	–	–	–	–	–	–	–	–	–	(253,422)	(253,422)	–	–	(253,422)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,520)	(11,520)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	59,614	59,614
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(133,851)	(133,851)
Transfer upon lapse of share option	–	–	–	–	–	–	–	–	–	–	93	93	(93)	–	–
Transfers	–	–	–	–	–	35,178	–	–	–	–	(35,178)	–	–	–	–
	548	19,940	–	–	–	35,178	–	–	–	–	(288,507)	(232,841)	659	(85,757)	(317,939)
Balance at 30 June 2009	**84,474**	**4,404,007**	**1,911**	**(791)**	**10,594**	**122,680**	**(112,235)**	**11,288**	**36,216**	**1,702,908**	**14,058,426**	**20,319,478**	**14,374**	**4,370,326**	**24,704,178**

	Attributable to equity holders of the Company														
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill reserve *HK$'000*	Special surplus account *HK$'000*	Statutory reserve *HK$'000*	Hedging reserve *HK$'000*	Property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Share option reserve of a subsidiary *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2008	83,810	4,505,828	897	(791)	10,594	31,728	–	6,583	(58,403)	1,057,425	12,640,032	18,277,703	12,862	3,936,231	22,226,796
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,569,778	1,569,778	–	334,543	1,904,321
Fair value changes of derivatives taken to equity	–	–	–	–	–	–	64,867	–	–	–	–	64,867	–	–	64,867
Fair value changes of available-for-sale investments taken from equity	–	–	–	–	–	–	–	–	(111,035)	–	–	(111,035)	–	–	(111,035)
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	–	–	806,662	–	806,662	–	241,696	1,048,358

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	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net cash from operating activities	**1,549,825**	1,014,558
Net cash used in investing activities	**(1,162,122)**	(2,160,053)
Net cash (used in) from financing activities	**(985,413)**	3,056,848
Net (decrease) increase in cash and cash equivalents	**(597,710)**	1,911,353
Cash and cash equivalents at the beginning of the period	**4,225,257**	3,494,011
Cash and cash equivalents at the end of the period	**3,627,547**	5,405,364
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**3,627,547**	5,406,706
Bank overdrafts	**–**	(1,342)
	3,627,547	5,405,364

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance 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") and Hong Kong Accounting

Presentation of financial statements

In the current period, the Group has adopted HKAS 1 (Revised) "Presentation of financial statements" which has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised), however, has no impact on the reported results or financial position of the Group.

Operating segments

In the current period, the Group has adopted Hong Kong Financial Reporting Standard ("HKFRS") 8 "Operating segments". HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group's chief operating decision maker (see note 2 for details). HKFRS 8 replaces HKAS 14 "Segment reporting" which required an entity to identify two sets of segments (business and geographical). Following the adoption of HKFRS 8, the presentation of the segments results has changed (see note 2 for details).

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 3 (Revised)	Business combinations[1]
HK(IFRIC*) – Int 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – Int 18	Transfer of assets from customers[3]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for transfers on or after 1 July 2009.

* *IFRIC represents the International Financial Reporting Interpretations Committee*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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	Laminates *HK$'000*	PCBs *HK$'000*	Chemicals *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2008						
Segment revenue						
External sales	4,324,876	4,092,982	3,603,205	356,724	–	12,377,787
Inter-segment sales	1,403,906	–	221,138	51,769	(1,676,813)	–
Total	5,728,782	4,092,982	3,824,343	408,493	(1,676,813)	12,377,787
Result						
Segment result	1,181,733	332,370	628,504	17,077	–	2,159,684
Loss on disposal of convertible bond and interest in an associate	–	–	–	–	–	(188,537)
Unallocated corporate income						59,034
Unallocated corporate expenses						(61,916)
Finance costs						(156,016)
Share of results of associates	–	–	265,673	–	–	265,673
Share of results of jointly controlled entities	–	–	–	(672)	–	(672)
Profit before taxation						2,077,250
Income tax expense						(172,929)
Profit for the period						1,904,321

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

3. Depreciation

During the period, depreciation of approximately HK$887.3 million (1 January 2008 to 30 June 2008: HK$764.0 million) was charged in respect of the Group's properties, plant and equipment.

4. Other income

	Six months ended 30 June	
	2009 ***HK$'000*** ***(Unaudited)***	2008 *HK$'000* *(Unaudited)*
Other income comprises:		
Dividends from available-for-sale investments	**17,245**	7,421
Interest income on bank deposits	**14,607**	24,731
Gain on disposal of available-for-sale investments	**63,708**	–
Net exchange gain	**–**	40,083
Rental income	**42,396**	27,255
Others	**4,337**	3,810
	142,293	103,300

5. Loss on disposal of convertible bond and interest in an associate

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Loss on disposal of convertible bond	**–**	183,649
Loss on disposal of interest in an associate	**–**	4,888
	–	188,537

During the year ended 31 December 2007, the Group subscribed a three-year zero coupon convertible bond ("CB") with a principal amount of HK$108,000,000 from G-Prop (Holdings) Limited ("G-Prop"), an associate of the Group. The CB can be converted in whole or in part into new ordinary shares of G-Prop at any time from 25 October 2007, being the date of issue to 24 October 2010, being the maturity date at a conversion price of HK$0.162 per share. During the year ended 31 December 2007, the gain arising from change in fair value of conversion and redemption option derivative amounted to approximately HK$182,367,000.

Pursuant to a sale and purchase agreement dated 1 February 2008, the Group sold its entire holding of 740,518,325 ordinary shares in G-Prop, to Mass Rise Limited, an independent third party and an indirect wholly-owned subsidiary of Chinese Estates Holdings Limited, at a consideration of approximately HK$121,445,000.

At the same time, the Group sold the CB to Get Nice Securities Limited, an independent third party, at a consideration of HK$109,333,000, i.e. HK$0.164 per subscription share.

As a result of the above, the Group recognized a loss of approximately HK$188,537,000 in total, comprising loss on disposal of interest in an associate of approximately HK$4,888,000 and loss on disposal of CB of approximately HK$183,649,000.

6. Income tax expense

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
The amount comprises:		
Hong Kong Profits Tax	**3,310**	2,530
Taxation arising in other jurisdictions	**75,478**	173,337
	78,788	175,867
Deferred taxation		
Credit for the period	**(3,265)**	(2,938)
	75,523	172,929

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Interim dividend

The Directors have resolved to declare an interim dividend for the six months ended 30 June 2009 of HK30 cents (2008: HK40 cents) per share to the shareholders whose names appear on the register of members of the Company on Wednesday, 16 September 2009. The dividend warrants will be dispatched on or around Tuesday, 22 September 2009.

8. Earnings per share

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings for the purpose of calculating basic and diluted earnings per share	**983,306**	1,569,778

	Number of shares	
	30 June 2009	30 June 2008
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**844,184,524**	842,729,266
Effect of dilutive potential ordinary shares relating to outstanding share options	**7,471,757**	19,006,477
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**851,656,281**	861,735,743

	Six months ended 30 June	
	2009	2008
	(Unaudited)	*(Unaudited)*
Additional information on adjusted earnings per share:		
Basic	**HK$1.156**	HK$2.086
Diluted	**HK$1.146**	HK$2.040

Additional information on adjusted basic and diluted earnings per share figures have also been presented, based on the profit for the period attributable to equity holders of the Company add/less any non-recurring items, which are calculated as follows:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period attributable to equity holders of the Company	**983,306**	1,569,778
Non-recurring items:		
Add: Loss on disposal of convertible bond and interest in an associate	**–**	188,537
Less: Discount on acquisition of additional interests in subsidiaries	**(7,182)**	–
Earnings for the purpose of calculating adjusted basic and diluted earnings per share	**976,124**	1,758,315

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

9. Additions to properties, plant and equipment

During the period, the Group spent approximately HK$1,080 million (1 January 2008 to 30 June 2008: HK$2,123 million) on acquisition of properties, plant and equipment.

10. Trade and other receivables and prepayments

	30 June	31 December
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**3,841,697**	3,985,533
Other receivables and prepayments	**1,743,557**	1,004,784
	5,585,254	4,990,317

The Group allows credit periods of up to 120 days, depending on the products sold, to its trade customers. The following is an aged analysis of trade receivables at the reporting dates:

	30 June	31 December
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 90 days	**3,151,253**	2,788,189
91–180 days	**633,319**	1,138,520
Over 180 days	**57,125**	58,824
	3,841,697	3,985,533

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of approval of the Scheme. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

In accordance with the terms of the Scheme, share options of the Company issued vest at the date of grant.

There was no share options granted under the Scheme since its adoption. At 30 June 2009, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 9,144,000 (31 December 2008: 14,622,000), representing 1.1% (31 December 2008: 1.74%) of the shares of the Company in issue on that date.

A summary of the movements of the share options under the 2002 Scheme for the period is as follows:

	Granted to Directors	Granted to employees	Total
Balance at 31 December 2008 and 1 January 2009	6,214,600	8,407,400	14,622,000
Exercised during the period *(Note)*	(2,300,000)	(3,178,000)	(5,478,000)
Balance at 30 June 2009	3,914,600	5,229,400	9,144,000

Note: The above share options were granted on 11 October 2002 at an exercise price of HK$3.74 per share. These options are exercisable during the period from 15 October 2002 to 2 July 2012.

During the period, options to subscribe for 5,478,000 shares in the Company at HK$3.74 per share were exercised. The weighted average closing price of the Company's shares quoted on the Stock Exchange on the five trading days immediately before the exercise dates was HK$13.10.

(b) Employees' share option scheme of Elec & Eltek International Company Limited ("EEIC")

The 2002 Elec & Eltek Employees' Share Option Scheme (the "2002 EEIC Scheme") which was adopted from 12 November 2002 for the duration of 5 years, had terminated in November 2007 without affecting the rights of holders of any options granted and outstanding under the 2002 EEIC Scheme.

EEIC has since 1997, had in place share option schemes to acknowledge the contributions of and to motivate employees to contribute to the EEIC Group. With the expiration of the 2002 EEIC Scheme, the directors of EEIC wished to have in place a new share option scheme to replace the expired 2002 EEIC Scheme for the purpose of providing an opportunity for employees who have contributed significantly to the growth and performance of the EEIC Group to participate in the equity of EEIC so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services as well as to align the interests of employees with the interests of shareholders.

The 2008 Elec & Eltek Employees' Share Option Scheme (the "2008 EEIC Scheme") was approved by the shareholders of EEIC at the extraordinary general meeting of EEIC held on 21 April 2008 and was adopted and took effect from 9 May 2008 upon approval by the shareholders of the Company.

The 2008 EEIC Scheme which shall be administered by the committee of directors of EEIC as authorised by EEIC's directors, is open to full-time employees and directors of any company within EEIC and its subsidiaries, the parent group and of an associated company of EEIC, subject to certain conditions being satisfied.

The 2008 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 prior to the relevant date of grant, or 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 discount to the Exercise Price is 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 2008 EEIC Scheme is 10 years and the total number of shares in EEIC that may be issued shall not exceed 10% of the total number of EEIC shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of EEIC excluding treasury shares from time to time. The total number of EEIC shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of EEIC shares in issue from time to time.

Share options may be accepted within 30 days after the relevant date of grant accompanied by payment of S$1.00 (or its equivalent) as consideration by the participants, but the grant of share options do not confer rights on the option holders to any dividend entitlement or to vote at any shareholders' meeting.

There was no share options granted under the 2008 EEIC Scheme since its adoption. However, there are outstanding share options under the 2002 EEIC Scheme and a summary of the movements of the outstanding share options under the 2002 EEIC Scheme for the period is as follows:

	Granted to Directors	Granted to employees	Total
Balance at 31 December 2008 and 1 January 2009 *(Note)*	3,892,800	5,441,000	9,333,800
Lapsed during the period	–	(107,600)	(107,600)
Balance at 30 June 2009	3,892,800	5,333,400	9,226,200

Note:

The interests in share options arise by virtue of

(i) 4,055,000 share options accepted by the Directors and 5,745,000 share options accepted by the employees of the Group on 24 June 2005, which would entitle the relevant Directors and employees to subscribe for shares in EEIC at an adjusted subscription price of US$2.033 per share after the 1 for 5 bonus issue effected by EEIC on 13 October 2005 ("Bonus Issue"). The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing on 26 November 2006, 26 November 2007, 26 November 2008, 26 November 2009 and 26 March 2010 respectively and all ending on 24 May 2010;

(ii) 150,000 share options accepted by the independent non-executive directors of EEIC on 29 September 2005, which would entitle the relevant directors to subscribe for shares in EEIC at an adjusted subscription price of US$2.375 per share after the Bonus Issue. The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing on 5 September 2006, 5 September 2007, 5 September 2008, 5 September 2009 and 5 July 2010 respectively, and all ending on 4 September 2010; and

(iii) 1,020,000 share options accepted by full-time employees of EEIC and its subsidiaries on 12 December 2006, which would entitle the relevant employees to subscribe for shares in EEIC at a subscription price of US$2.400 per share. The share options are exercisable in whole or in part at the staggered manner within 4 option periods, commencing on 13 November 2008, 13 November 2009, 13 November 2010 and 13 September 2011, respectively, and all ending on 12 November 2011.

There was no share options exercised during the six months ended 30 June 2009.

The share options were granted on 24 June 2005, 29 September 2005 and 12 December 2006. The estimated fair value of each share option granted on those dates was approximately HK$1.58, HK$1.55 and HK$2.56 per share respectively.

These fair values were calculated using the Trinomial Lattice Model. The inputs into the model are as follows:

	Share option grant date		
	12 December 2006	**29 September 2005**	**24 June 2005**
Share price at grant date	US$2.74	US$2.92	US$2.53
Subscription price	US$2.40	US$2.85*	US$2.44*
Expected volatility	36.6%	21.2%	25.4%
Expected life	5 years	5 years	5 years
Risk-free rate	3.7%	4.2%	3.7%

The Group recognised the total expense of approximately HK$752,000 for the six months ended 30 June 2009 (1 January 2008 to 30 June 2008: HK$1,412,000) in relation to the share options granted by EEIC.

(c) *Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL")*

The share option scheme of KLHL (the "KLHL Scheme") was approved by the shareholders of KLHL and the shareholders of the Company on 18 May 2007 and 25 June 2007 respectively. The KLHL Scheme has been taken effect after obtaining the approval from the Listing Committee of the Stock Exchange on 6 July 2007.

The KLHL Scheme would be valid for a period of ten years. 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

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.

No share option was granted pursuant to the KLHL Scheme since its adoption.

13. Commitments

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of properties, plant and equipment	**437,028**	625,174

14. Related party transactions

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

	Six months ended 30 June	
	2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Sales of goods to a minority shareholder of a subsidiary	**135,531**	252,456
Purchase of goods from a minority shareholder of a subsidiary	**32,903**	50,988
Drilling service provided by a minority shareholder of a subsidiary	**2,713**	9,768
Purchase of goods from an associate	**132,517**	311,838

Included in trade and other receivables and prepayments as at 30 June 2009 was an amount due from a minority shareholder of a subsidiary of approximately HK$81,564,000 (31.12.2008: HK$104,804,000). The Group allows credit periods of up to 120 days, depending on the products sold, to its related parties.

Included in trade and other payables as at 30 June 2009 was an amount due to an associate of approximately HK$12,169,000 (31.12.2008: HK$11,595,000). The related party offers credit periods of up to 120 days to the Group.

BUSINESS REVIEW

Underscoring the strength of our balanced business portfolio with concrete business fundamentals, Kingboard Chemical Holdings Limited (the "Group") continued to chalk up profitable results for the six months ended 30 June 2009 (the "reporting period"). Despite tough operating landscape in the first half of 2009 ("1H 2009"), all business divisions delivered positive contributions to the Group's earnings. Reacting promptly to market changes, management adopted a disciplined approach to capital expenditure and implemented stringent cost control initiatives. Under the strong leadership of our dedicated and seasoned management team, the Group achieved encouraging results which outperformed our peers in the industry. Group revenue decreased 27% to HK$9,001.5 million while net profit decreased 37% to HK$983.3 million.

Capitalizing on the ongoing industry consolidation, laminate division advanced its No 1. position in the world with market share of 14% in 2008. Our position as the largest PCB manufacturer in China was further reinforced by the recent acquisition of Express Electronics (Dongguan) Company Ltd in March 2009 – which increased our monthly PCB production capacity by 5%. Chemical division continued to generate positive earnings. Our remarkable operational performance is a clear testament on the Group's strong capability to ride out the trough of the financial crisis and deliver profitability with diversified revenue streams. As the Group generated robust and steady operating cash inflow in the current period, the Board decided to increase our dividend payout ratio to 26% from 21% last year and declared an interim dividend of HK30 cents per share.

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	Six months ended 30 June		
	2009	2008	**Change**
	HK$'million	*HK$'million*	
Revenue	**9,001.5**	12,377.8	-27%
Profit before tax*	**1,261.8**	2,077.3	-39%
Net profit attributable to shareholders*	**983.3**	1,569.8	-37%
Basic earnings per share*	**HK116.5 cents**	HK186.3 cents	-37%
Interim dividend per share	**HK30.0 cents**	HK40.0 cents	-25%
Dividend payout ratio	**26%**	21%	
Net asset value per share	**HK$24.1**	HK$23.8	+1%
Net gearing	**22%**	24%	

* *Including:*
30 June 2009: discount on acquisition of HK$7.2 million
30 June 2008: loss on disposal of convertible bond and interest in an associate of HK$188.5 million

Pe f a ce

In the first half of 2009, demand for electronic products gradually improved as the economic stimulus measures initiated by governments worldwide started to take effect. Order booking for laminate showed encouraging uptrend towards the end of first quarter of 2009 ("Q1 2009") and capacity utilization of laminate plants improved since March 2009. Key raw material prices including copper, wood pulp and chemical products were significantly lower than last year, which helped to offset the lower average selling price for laminate. Revenue (including inter-segment sales) fell 28% to HK$4,104.5 million while volume sales declined 18% with average monthly shipment reaching 7.0 million square meters. As capacity utilization improved, margin rebounded strongly in Q2 2009. Laminate division attained an earnings before interest and tax ("EBIT") of HK$872.5 million – down 26% against first half of 2008.

PCB division also experienced stronger order inflow and higher capacity utilization since end of Q1 2009. Bolstered by high density interconnect ("HDI") PCB capacity increase from the two dedicated HDI plants in Kunshan, Jiangsu province and Kaiping, Guangdong province, HDI sales was more than double against the same period last year. In addition, the newly acquired Express PCB shops in Suzhou, Jiangsu province and Dongguan, Guangdong province provided extra growth impetus to revenue and earnings. Contributions from these new plants together with substantial raw material costs reduction mitigated the adverse impact from average selling price decline in 1H 2009. PCB division's revenue decreased 25% to HK$3,065.2 million with EBIT reduced to HK$217.3 million. EBIT margin merely declined 1% to 7.1%.

The Chinese government's aggressive efforts in supporting infrastructure projects and local industries resulted in quick recovery of the demand for industrial products, which in turn translated into favorable market dynamics for chemical products in the first half of 2009. Average selling prices for all our key chemical products including coke, methanol, phenol and acetone have recovered in the current period from that of end 2008 level. The Hebei coke/methanol plant ramped up to full capacity utilization within Q2 2009 and total coke output from the Hebei site increased over 30% against the same period last year. With lower average selling prices for chemical products against last year, revenue was down 29% to HK$2,703.6 million. EBIT declined by 62% to HK$239.0 million while EBIT margin reduced to 8.8%. Share of associate profits decreased to HK$11 million mainly due to reduced contribution from CNOOC Kingboard Chemical Limited as a result of lower sales volume and average selling price for methanol during the first half of 2009.

LIQUIDITY AND CAPITAL RESOURCES

The Group's consolidated financial and liquidity position continued to be robust. As at 30 June 2009, net current assets and current ratio of the Group were approximately HK$5,424.6 million (31 December 2008 – HK$5,264.4 million) and 1.70 (31 December 2008 – 1.72) respectively.

The net working capital cycle increased from 65 days as at 31 December 2008 to 81 days as at 30 June 2009 on the following key metrics:

– Inventories, in terms of stock turnover days, increased to 75 days as the Group stocked up strategic key raw materials in the first half of 2009 (31 December 2008 – 48 days).

– Trade receivables, in terms of debtors turnover days, increased to 78 days in line with higher sales in second quarter of 2009 (31 December 2008 – 61 days).

– Trade and bills payable, in terms of creditors turnover days, increased to 72 days (31 December 2008 – 44 days), in line with increased business volume.

In the first half of 2009, the Group invested approximately HK$1 billion in new production capacities. The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was approximately 22% (31 December 2008 – 23%). The proportion of bank borrowings between short term and long term stood at 24%:76% (31 December 2008: 27%:73%). As at 30 June 2009, the Group had cash on hand and committed and undrawn bank loan facilities of HK$3.6 billion and HK$3.3 billion respectively. Hence, the Group is in a strong financial position to capitalize on any opportunities arising from the ongoing industry consolidation. Only 6% of the bank borrowings was denominated in Renminbi and the rest in Hong Kong or US dollars.

The Group continued to adopt a prudent financial management policy including the use of interest rate swap contract to minimize exposure to fluctuation in interest rates movement. At the end of June 2009, we had entered into interest rate swap agreements of notional amount of HK$4.8 billion with reputable financial institutions for a weighted average duration and interest rate of 1.49 years and 3.01% respectively. The Group also entered into commodity and foreign currency forward contracts to manage the Group's exposure to fluctuation in exchange rates and commodities

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PROSPECTS

APPRECIATIONECTS

Laminate order bookings in Q3 2009 showed an uptrend against Q2 2009. Our persistent effort to upgrade capability on thin and high performance laminate brings in encouraging results. In addition to supplying the laminate requirements for dedicated HDI PCB plants within the Group, we expect to see significant sales growth from external customers for these new products. We will pursue market expansion in the domestic China market in order to take full advantage of business opportunities arising from favorable government policies.

PCB division also experienced upward momentum in order bookings in the third quarter of 2009. Hence, most of our PCB manufacturing sites have been operating at full capacities. Both of our dedicated HDI plants have made good progress and will continue to ramp up production in the

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 September 2009 to Wednesday, 16 September 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, Company's shareholders are reminded to ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 11 September 2009.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2009, the interests of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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:

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

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Cheung Kwok Wing	Beneficial owner	3,251,725	0.38
Mr. Chan Wing Kwan *(Note 1)*	Beneficial owner	1,380,250	0.16
Mr. Cheung Kwong Kwan	Beneficial owner	563,200	0.06
Mr. Chang Wing Yiu *(Note 2)*	Beneficial owner	3,355,274	0.39
Mr. Ho Yin Sang *(Note 3)*	Beneficial owner	2,594,129	0.30
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,810,000	0.21

Notes:

(1) Out of the 1,380,250 Shares, 1,320,250 Shares were held by Mr. Chan Wing Kwan and 60,000 Shares were held by his spouse.

(2) Out of the 3,355,274 Shares, 2,677,074 Shares were held by Mr. Chang Wing Yiu and 678,200 Shares were held by his spouse.

(3) Out of the 2,594,129 Shares, 1,426,629 Shares were held by Mr. Ho Yin Sang and 1,167,500 Shares were held by his spouse.

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

Name of Director	Capacity	Interest in underlying Shares pursuant to the Share Options under the 2002 Scheme
Mr. Chan Wing Kwan	Beneficial owner	966,600
Mr. Chang Wing Yiu	Beneficial owner	859,800
Mr. Ho Yin Sang *(Note)*	Beneficial owner	2,294,600
Mr. Cheung Kwong Kwan	Beneficial owner	1,109,600

Note: Out of the 2,294,600 Share Options, 978,600 Share Options were held by Mr. Ho Yin Sang and 1,316,000 Share Options were held by his spouse.

The Company adopted its first share option scheme on 11 May 1998, and such share option scheme was terminated upon the adoption of its second share option scheme ("2002 Scheme") on 2 July 2002 for the duration of 10 years. In view of the recent changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), a new

(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. Chan Wing Kwan	Beneficial owner	1,481,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000
Mr. Chang Wing Yiu	Beneficial owner	423,200

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 71.71% owned subsidiary of the Company*

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC

(f) *Share options of EEIC*

Name of Director	Capacity	Interest in underlying EEIC Shares pursuant to share options of EEIC *(Note)*
Mr. Cheung Kwok Wing	Beneficial owner	973,200
Mr. Chan Wing Kwan	Beneficial owner	973,200
Mr. Chang Wing Yiu	Beneficial owner	973,200
Mr. Mok Cham Hung, Chadwick	Beneficial owner	973,200

Note: The interests are held by virtue of an aggregate of 3,244,000 share options of EEIC accepted by the Directors on 24 June 2005. The number of share options were subsequently adjusted pursuant to the 1 for 5 bonus issue effected on 13 October 2005. The relevant Directors are entitled to subscribe for EEIC Shares at an adjusted subscription price of US$2.033 per EEIC Share. The share options are exercisable in whole or in part at the staggered manner within 5 option periods, commencing on 26 November 2006, 26 November 2007, 26 November 2008, 26 November 2009 and 26 March 2010 respectively and all ending on 24 May 2010.

(g) *Ordinary shares ("KCFH Shares") of US$0.10 each in the share capital of Kingboard Copper Foil Holdings Limited ("KCFH"), a non wholly owned subsidiary of the Company*

Name of Director	Capacity	Number of issued KCFH Shares held	Approximate percentage of the issued share capital of KCFH
Mr. Ho Yin Sang *(Note)*	Beneficial owner	2,000	0.0003
Mr. Lai Chung Wing, Robert	Beneficial owner	72,000	0.01

Note: The 2,000 KCFH Shares were held by the spouse of Mr. Ho Yin Sang.

Other than as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2009.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

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Ordinary shares of HK$0.10 each of the Company

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	261,131,929	30.97
Capital Research and Management Company	Investment manager	102,715,040	12.18
Commonwealth Bank of Australia	Interests of controlled corporations	50,498,030	5.98
FMR LLC	Investment manager	50,190,400	5.94
FIL Limited	Investment manager	42,809,600	5.07

Note: As at 30 June 2009: (i) no shareholder of Hallgain is entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wing and Chan Wing Kwan, being Directors, are also directors of Hallgain.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2009, 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2009, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the Code. Notwithstanding the aforesaid deviation, ut pGov 4M5T2CS 1 SCs/48nWa0 24x SCn that th.11 Tm49able colM t 1 mon,s by rot