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建滔化工集團*

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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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

	30 June 2013	30 June 2012
	\$'	\$'
	(Unaudited)	(Unaudited)
Revenue	17,080,942	16,593,930
Cost of sales and services rendered	<u>(14,663,968)</u>	<u>(14,087,993)</u>
Gross profit	2,416,974	2,505,937
Other income	184,711	57,824

	2013	2012
	\$'	\$'
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,083,813</u>	<u>1,149,179</u>
Other comprehensive income for the period:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedge:		
Gain on cash flow hedges	–	9,786
Deferred tax recognised in relation to change in cash flow hedges	–	(1,659)
Reclassification adjustment relating to transfer of cash flow hedges	–	44
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	(62,529)	(99,853)
Reclassification adjustment relating to disposal of available-for-sale investments	(23,892)	46,219
Translation reserve:		
Exchange differences arising on translation of foreign operations and to presentation currency	<u>403,283</u>	<u>(89,763)</u>
Other comprehensive income (expense) for the period (net of tax)	<u>316,862</u>	<u>(135,226)</u>
Total comprehensive income for the period	<u>1,400,675</u>	<u>1,013,953</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,217,468	798,834
Non-controlling interests	<u>183,207</u>	<u>215,119</u>
	<u>1,400,675</u>	<u>1,013,953</u>

	30 2013 \$' (Unaudited)	31 2012 \$' (Audited)
Non-current assets		
Investment properties	6,043,707	5,743,663
Properties, plant and equipment	18,416,389	18,726,836
Prepaid lease payments	984,407	1,023,789
Goodwill	2,288,149	2,288,149
Interests in associates	518,452	649,317
Available-for-sale investments	5,031,005	3,166,084
Non-current deposits	442,258	404,510
Deferred tax assets	4,803	5,398
	<u>33,729,170</u>	<u>32,007,746</u>
Current assets		
Inventories	3,790,845	3,448,609
Properties held for development	13,085,277	10,063,615
Trade and other receivables and prepayments	9,258,452	8,487,915
Bills receivables	2,037,553	2,209,153
Other current assets	712,531	712,531
Prepaid lease payments	27,329	30,329
Taxation recoverable	58,120	59,643
Bank balances and cash	4,426,364	3,914,991
	<u>33,396,471</u>	<u>28,926,786</u>
Current liabilities		
Trade and other payables	4,694,320	4,959,412
Bills payables	801,993	874,954
Deposits received from pre-sale of residential units	982,830	379,156
Taxation payable	537,185	554,666
Bank borrowings	7,038,674	5,734,281
	<u>14,055,002</u>	<u>12,502,469</u>
Net current assets	<u>19,341,469</u>	<u>16,424,317</u>

	30 2013 \$' (Unaudited)	31 2012 \$' (Audited)
Non-current liabilities		
Deferred tax liabilities	259,086	258,118
Bank borrowings	<u>15,758,578</u>	<u>12,024,799</u>
	<u>16,017,664</u>	<u>12,282,917</u>
	<u>37,052,975</u>	<u>36,149,146</u>
 Capital and reserves		
Share capital	102,560	85,467
Share premium and reserves	<u>31,424,965</u>	<u>30,560,168</u>
 Equity attributable to owners of the Company	<u>31,527,525</u>	<u>30,645,635</u>
Non-controlling interests	<u>5,525,450</u>	<u>5,503,511</u>
 Total equity	<u>37,052,975</u>	<u>36,149,146</u>

1. **Measurement of financial instruments**

The 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 HongKong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. **Measurement of properties and financial instruments**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvement to HKFRSs 2009 – 2011 cycle
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and disclosure of interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income; and
HK(IFRIC)* – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

* IFRIC represents the International Finance Reporting Interpretation Committee.

The application of the above new or revised 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. **Operating segments**

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 segments under HKFRS 8 are as follows:

Laminates	–	manufacture and sale of laminates
Printed circuit boards (“PCBs”)	–	manufacture and sale of PCBs
Chemicals	–	manufacture and sale of chemicals
Properties	–	property developments and investments
Others	–	including service incomes, manufacture and sale of liquid crystal displays and magnetic products

Under HKFRS 8, reported 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 (share of results of associates, gain on disposal of available-for-sale investments, income tax expense, finance costs, share-based payments, unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	\$'	\$'	\$'	\$'	\$'	\$'	\$'
30 June 2013							
Segment revenue							
External sales	5,346,872	3,430,835	7,748,536	252,998	301,701	-	17,080,942
Inter-segment sales	<u>1,085,292</u>	<u>-</u>	<u>322,801</u>	<u>-</u>	<u>2,365</u>	<u>(1,410,458)</u>	<u>-</u>
Total	<u>6,432,164</u>	<u>3,430,835</u>	<u>8,071,337</u>	<u>252,998</u>	<u>304,066</u>	<u>(1,410,458)</u>	<u>17,080,942</u>
Result							
Segment result	<u>719,418</u>	<u>145,021</u>	<u>396,953</u>	<u>169,176</u>	<u>11,040</u>		1,441,608
Gain on disposal of available-for-sale investments							23,892
Share-based payments							(27,743)
Unallocated corporate income							76,033
Unallocated corporate expenses							(111,470)
Finance costs							(219,722)
Share of results of associates							<u>80,506</u>
Profit before taxation							1,263,104
Income tax expense							<u>(179,291)</u>
Profit for the period							<u>1,083,813</u>

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

	\$'	\$'	\$'	\$'	\$'	\$'	\$'
30 June 2012							
Segment revenue							
External sales	5,093,340	3,545,862	6,767,514	884,469	302,745	-	16,593,930
Inter-segment sales	<u>1,130,012</u>	<u>-</u>	<u>351,035</u>	<u>-</u>	<u>3,101</u>	<u>(1,484,148)</u>	<u>-</u>
Total	<u>6,223,352</u>	<u>3,545,862</u>	<u>7,118,549</u>	<u>884,469</u>	<u>305,846</u>	<u>(1,484,148)</u>	<u>16,593,930</u>
Result							
Segment result	<u>743,899</u>	<u>211,539</u>	<u>242,582</u>	<u>308,162</u>	<u>10,352</u>		1,516,534
Share-based payments							(63,425)
Unallocated corporate income							88,867
Unallocated corporate expenses							(125,776)
Finance costs							(166,663)
Share of results of associates							<u>105,247</u>
Profit before taxation							1,354,784
Income tax expense							<u>(205,605)</u>
Profit for the period							<u>1,149,179</u>

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

During the reporting period, depreciation of approximately HK\$1,113,700,000 (1 January 2012 to 30 June 2012: HK\$1,078,600,000) was charged in respect of the Group's properties, plant and equipment.

	2013	30 June 2012
	\$'	\$'
	(Unaudited)	(Unaudited)
Other income comprises:		
Dividends from available-for-sale investments	60,766	46,417
Interest income from available-for-sale investments	82,092	19,122
Interest income from held-to-maturity investments	-	56,941
Interest income from bank balances	<u>32,274</u>	<u>23,300</u>

	2013	30 June 2012
	\$'	\$'
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	217,650	162,071
Interest on bank borrowings not wholly repayable within five years	7,495	–
Interest paid in relation to the interest rate swap contracts	–	10,058
	<u>225,145</u>	<u>172,129</u>
Less: Amount capitalised in the cost of qualifying assets	(5,423)	(5,466)
	<u>219,722</u>	<u>166,663</u>

Borrowing costs capitalised during the reporting period arose on the general borrowing pool and were calculated by applying a capitalisation rate of 1.1% for the period (1 January 2012 to 30 June 2012: 1.1%) per annum.

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	2013	30 June 2012
	\$'	\$'
	(Unaudited)	(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	1,489	3,485
Taxation arising in other jurisdictions	176,751	198,710
	<u>178,240</u>	<u>202,195</u>
Deferred taxation		
Charge for the period	1,051	3,410
	<u>179,291</u>	<u>205,605</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. The income tax provision in respect of operations in other jurisdictions is calculated at the applicable tax rates on the estimated assessable profits for the period based on the relevant jurisdictions.

The Directors have resolved to declare an interim dividend and a special dividend for the six months ended 30 June 2013 of HK10 cents (1 January 2012 to 30 June 2012: HK10 cents or HK8.3 cents after per annum.

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

	30 June 2013 \$' (Unaudited)	30 June 2012 \$' (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>933,309</u>	<u>908,060</u>
	30 June 2013	30 June 2012 (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share ()	<u>1,025,600,236</u>	<u>1,025,600,116</u>

The weighted average number of ordinary shares used in calculating the basic earnings per share and diluted earnings per share is adjusted for the bonus share issue incurred for the six months ended 30 June 2012 and 2013 as if the bonus share issue had occurred on 1 January 2012.

No diluted earnings per share for the six months ended 30 June 2013 and 30 June 2012 has been presented in respect of the Company's share options and warrants because the exercise prices of the Company's share options and warrants were higher than the average market price of the Company's shares during the period.

10. Acquisition of properties, plant and equipment

During the reporting period, the Group spent approximately HK\$578 million (1 January 2012 to 30 June 2012: HK\$1,269 million) on acquisition of properties, plant and equipment.

11. Trade receivables, advance to suppliers, prepayments and deposits

	30 June 2013 \$' (Unaudited)	31 December 2012 \$' (Audited)
Trade receivables	5,482,015	5,214,158
Advance to suppliers	1,381,482	1,034,257
Prepayments and deposits	889,954	580,002
Deposits paid for acquisition for land use right of development of properties held for sale	–	558,858
Interest income receivables	47,736	–
Value added tax recoverables	916,896	879,225
Land appreciation tax on pre-sale properties	–	9,951
Other receivables	540,369	211,464
	<u>9,258,452</u>	<u>8,487,915</u>

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 the trade receivables at the end of the reporting period:

	30 2013 \$' (Unaudited)	31 2012 \$' (Audited)
0 – 90 days	4,107,747	3,862,697
91 – 180 days	1,302,114	1,289,311
Over 180 days	72,154	62,150
	<u>5,482,015</u>	<u>5,214,158</u>

All bills receivables of the Group are aged within 90 days (31 December 2012: 90 days) at the end of the reporting period.

12. Trade payables

The following is an aged analysis of the trade payables at the end of the reporting period:

	30 2013 \$' (Unaudited)	31 2012 \$' (Audited)
0 – 90 days	2,407,993	2,077,403
91 – 180 days	415,031	503,700
Over 180 days	198,523	157,555
	<u>3,021,547</u>	<u>2,738,658</u>

All bills payables of the Group are aged within 90 days (31 December 2012: 90 days) at the end of the reporting period.

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On behalf of the Board of Directors, I am pleased to report to our shareholders that Kingboard Chemical Holdings Limited (the “Group”) delivered another set of satisfactory results for the six months ended 30 June 2013 (“1H 2013”). During the reporting period, the US economy gained positive momentum towards recovery while the European economy also continued

	2013	2012	
	\$'	\$'	
Revenue	17,080.9	16,593.9	+3%
EBITDA	2,613.5	2,614.2	-
Profit before tax	1,263.1	1,354.8	-7%
Net profit attributable to owners of the Company	933.3	908.1	+3%
Basic earnings per share [#]	HK\$0.910	HK\$0.885	+3%
Interim dividend per share [#]	HK10.0 cents	HK8.3 cents	+20%
Special dividend per share	HK20.0 cents	-	N/A
Net asset value per share [#]	HK\$30.7	HK\$28.0	+10%
Net gearing	50%	45%	

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Demand for global electronics products has been driven by high technology products. With demand

As there was no income recognition for property sales in property division in 1H 2013, property division income declined 71% to HK\$253 million, bulk of which related to rental income from the investment properties. In 1H 2012, property division income comprised property sales income of HK\$720 million and rental income of HK\$164 million. Rental income increased by 54% against the previous year – mainly due to additional rental contribution from the commercial properties in Hong Kong and London acquired in 2012. Current occupancy rate of all our investment properties is maintained at over 95%. Pre-sale of the residential projects in Kunshan delivered outstanding results. Contract sales reached approximately RMB715 million with contract sales area of around 94,400 square meters. As at 30 June 2013, the Group held a land bank of approximately 5 million square metres of gross floor area located at prime sites in major cities such as Guangzhou, Shanghai and Kunshan in China laying a solid foundation for future property project developments.

Our financial and liquidity position continued to be solid. As at 30 June 2013, net current assets and current ratio of the Group were approximately HK\$19,341.5 million (31 December 2012 – HK\$16,424.3 million) and 2.38 (31 December 2012 – 2.31) respectively.

The net working capital cycle increased from 49 days as at 31 December 2012 to 58 days as at 30 June 2013 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 47 days (31 December 2012 – 39 days).
- Trade receivables, in terms of debtors turnover days, increased to 58 days (31 December 2012 – 51 days).
- Trade and bills payable, in terms of creditors turnover days, increased to 47 days (31 December 2012 – 41 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) was 50% (31 December 2012 – 38%). The proportion of bank borrowings between short term and long term stood at 31%:69% (31 December 2012 – 32%:68%). During the period under review, the Group invested around HK\$580 million and HK\$2.84 billion in new production capacity and property development projects respectively. As at 30 June 2013, the Group had cash on hand and committed and undrawn banking facilities of HK\$4.4 billion and HK\$2 billion respectively. Hence, with a robust balance sheet coupled with strong liquidity, the Group is well equipped to ride through any challenges and capture new growth opportunities in the market place.

The Group continued to adopt a prudent financial management policy including the use of

As at 30 June 2013, the Group had a global workforce of approximately 46,700 (31 December 2012 – 43,400). The increase in headcount was in line with the expanded business activities. In addition to offering a competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our overall financial achievement and individual performance.

Looking ahead, the macro business operating environment looks positive. Leveraging on the competitive advantages of our vertical-integration business model and economies of scale, the Group is confident of nurturing change in all divisions in response to market changes.

With regard to the laminate division, laminate plants in Jiangmen, Guangdong province and Jiangyin, Jiangsu province will continue to expand capacity in the second half of 2013 in order to provide a good product range to tap into the LED and automotive market.

As the number of mobile internet users continues to rise, global telecommunication service providers are gearing up the 4G LTE infra-structure to meet user demand. In turn, this will drive the PCB demand from this sector. Furthermore, demand for smart-phones and tablets remain robust. The Group will continue to expand its PCB capacity to expand our market share in HDI and other advance products.

With regard to the chemical division, we plan to ramp up PVC capacity in Hengyang plant, Hunan province in 2H 2013. Furthermore, management will continue to exert strict costs control and push operational efficiency to sharpen our competitiveness.

Property division is expected to continue to post a strong performance in 2H 2013. Decoration work of Guangzhou Kingboard Plaza at Zhujiang Xincheng has been completed. Demand from prospective tenants for this project has been very positive. This project is expected to generate rental income in 2H 2013, which will further fuel the Group's rental income growth. In addition, property pre-sales continued to show strong momentum in July. The Group plans to launch additional residential projects for sale in future to meet market demand.

We are confident that the prospects for the Chinese economy will remain positive. The

The register of members of the Company will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend and the special dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 16 September 2013.

During the six months ended 30 June 2013, 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.

The Audit Committee has reviewed with the management the accounting principles and Aoun, the inpeccix roldend fint, specreporAouncil the the the the to the the istrasure that the th

Rule 3.21 of the Listing Rules and the number of independent non-executive Directors of the Company represented less than one-third of the board. The Company has endeavoured to identify a suitable candidate to take up the role as an independent non-executive director and a member of the audit committee. Mr. Tang King Shing has become a new independent non-executive Director and member of the audit committee of the Company with effect from 1 August 2013 and both Rules 3.10A and 3.21 of the Listing Rules have been complied with by the Company.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard 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 standard 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 2013.

By Order of the Board

  

Hong Kong, 16 August 2013