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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010 (Restated)
Revenue	18,953,859	16,459,971
Cost of sales and services rendered	(15,330,116)	(12,868,795)
Gross profit	3,623,743	3,591,176
Other income	142,017	89,207
Distribution costs	(447,899)	(429,137)
Administrative costs	(794,703)	(730,081)
Finance costs	(156,431)	(87,999)
Share of results of associates	125,043	90,779
Share of results of jointly controlled entities	(687)	(2,765)
Profit before taxation	2,491,083	2,521,180
Income tax expense	(264,855)	(200,330)
Profit for the period	2,226,228	2,320,850
Profit for the period attributable to:		
Owners of the Company	1,814,339	1,780,371
Non-controlling interests	411,889	540,479
	2,226,228	2,320,850
Earnings per share		
Basic	HK$2.128	HK$2.108
Diluted	HK$2.113	HK$2.087

	Six months ended 30 June	
	2011	2010
		[illegible]$000
		([illegible])
Profit for the period	2,226,228	2,320,850
Other comprehensive income for the period:		
Cash flow hedge:		
Loss on cash flow hedges	(1,375)	(35,760)
Deferred tax recognised in relation to change in cash flow hedges	(4,680)	5,065
Reclassification adjustment relating to transfer of cash flow hedges	35,952	59,667
Investment revaluation reserve:		
Fair value changes of available-for-sale investments	(26,003)	159,277
Reclassification adjustment relating to disposal of available-for-sale investments	(4,550)	(46,771)
Property revaluation reserve:		
Fair value gain on properties transferred to investment properties	290,548	–
Translation reserve:		
Exchange differences arising on translation of foreign operations and to presentation currency	523,449	219,904
Other comprehensive income for the period (net of tax)	813,341	361,382
Total comprehensive income for the period	3,039,569	2,682,232
Total comprehensive income for the period attributable to:		
Owners of the Company	2,532,144	2,105,722
Non-controlling interests	507,425	576,510

	[illegible]	30 June 2011	31 December 2010
			[illegible]$'000
			([illegible])
Non-current assets			
Investment properties		3,344,808	2,130,210
Properties, plant and equipment	[illegible]	17,553,721	17,574,362
Prepaid lease payments		966,128	919,313
Goodwill		2,288,149	2,288,149
Investments in associates		581,000	564,447
Available-for-sale investments		2,650,438	2,299,936
Interests in jointly controlled entities		262	1,075

	30 June 2011	31 December 2010 [illegible]$'000 ([illegible])
Non-current liabilities		
Deferred tax liabilities	80,534	73,378
Derivative financial instruments	26,931	50,755
Bank borrowings	11,007,888	7,086,134
	11,115,353	[illegible]210,267
	33,683,490	31,582,335
Capital and reserves		
Share capital	85,467	[illegible],950
Share premium and reserves	27,772,106	2[illegible]35,224

Equity at376 Tm( )Tj/F2 1 0 TD(84,950)table to owners of the Company27,772,106

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Other reserves HK$'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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2011	84,950	4,425,228	–	1,911	675,086	782,435	10,594	211,988	(49,757)	22,484	137,703	2,056,261	17,411,291	25,770,174	5,812,161	31,582,335
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	1,814,339	1,814,339	411,889	2,226,228
Loss on cash flow hedge	–	–	–	–	–	–	–	–	(1,375)	–	–	–	–	(1,375)	–	(1,375)
Transfer to profit or loss on cash flow hedge	–	–	–	–	–	–	–	–	35,952	–	–	–	–	35,952	–	35,952
Deferred tax recognised in relation to change in cash flow hedges	–	–	–	–	–	–	–	–	(4,680)	–	–	–	–	(4,680)	–	(4,680)
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	–	(26,003)	–	–	(26,003)	–	(26,003)
Investment revaluation reserve released on disposal	–	–	–	–	–	–	–	–	–	–	(4,550)	–	–	(4,550)	–	(4,550)
Fair value gain on properties transferred to investment properties	–	–	–	–	–	–	–	–	–	290,548	–	–	–	290,548	–	290,548
Exchange differences arising on translation of foreign operations and to presentation currency	–	–	–	–	–	–	–	–	–	–	–	427,913	–	427,913	95,536	523,449
Total comprehensive income for the period	–	–	–	–	–	–	–	–	29,897	290,548	(30,553)	427,913	1,814,339	2,532,144	507,425	3,039,569
Issue of new shares from exercise of share options	447	16,283	–	–	–	–	–	–	–	–	–	–	–	16,730	–	16,730
Issue of new shares from exercise of warrants	70	33,319	–	–	(5,565)	–	–	–	–	–	–	–	–	27,824	–	27,824
Recognition of equity-settled share based payments	–	–	30,317	–	–	–	–	–	–	–	–	–	–	30,317	13,020	43,337
Final dividend for the year ended 31 December 2010	–	–	–	–	–	–	–	–	–	–	–	–	(512,800)	(512,800)	–	(512,800)
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,046	3,046
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(6,816)	–	–	–	–	–	–	–	(6,816)	(87,185)	(94,001)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(35,771)	35,771	–	(101,192)	(101,192)
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(321,358)	(321,358)
Transfers	–	–	–	–	–	–	–	36,231	–	–	–	–	(36,231)	–	–	–
	517	49,602	30,317	–	(5,565)	(6,816)	–	36,231	–	–	–	(35,771)	(513,260)	(444,745)	(493,669)	(938,414)
Balance at 30 June 2011	85,467	4,474,830	30,317	1,911	669,521	775,619	10,594	248,219	(19,860)	313,032	107,150	2,448,403	18,712,370	27,857,573	5,825,917	33,683,490

	Six months ended 30 June	
	2011	2010
		[illegible]$'000
		([illegible])
Net cash (used in) from operating activities	(1,194,015)	1,340,279
Net cash used in investing activities	(1,659,500)	(1,337,165)
Net cash from (used in) financing activities	2,563,610	(480,162)
Net decrease in cash and cash equivalents	(289,905)	(477,048)
Cash and cash equivalents at the beginning of the period	5,143,658	5,652,209
Cash and cash equivalents at the end of the period, representing bank balances and cash	4,853,753	5,175,161

[illegible]

1. Basis of preparation and principal accounting policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

[illegible]

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosure
HK(IFRIC*)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC*)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

* [illegible]

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.

[illegible]

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

HKFRS 10 replaces the parts of HKAS 27 “Consolidation and separate financial statements” that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties’ rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. The application of HKFRS 11 might result in changes in the classification of the Group’s joint arrangements and will change the accounting treatments.

The Group has already commenced an assessment of the impact of these new and revised standards but is not yet in a position to state whether these new and revised standards would have a material impact on its results of operations and financial position.

2. Revenue

Revenue represents the net amounts received and receivable by the Group from the sale of goods and services rendered to outside customers, net of discounts, returns and sales related taxes, and rental income received and receivable by the Group, for each reporting period and is analysed as follows:

	Six months ended 30 June	
	2011	2010
		[illegible]$000
		([illegible])
		(Restated)
Sale of laminates	5,825,716	5,283,197
Sale of printed circuit boards ("PCBs")	4,021,582	4,538,290
Sale of chemicals	8,625,697	6,208,530
Rental income	100,331	58,249
Others ([illegible])	380,533	371,705
	18,953,859	16,459,971

[illegible] Amount included service income of HK$30,961,000 (1 January 2010 to 30 June 2010: HK$26,491,000).

3. Segment information

Rental income from property investments is reclassified as part of the principal activities of the Group and as a result, the rental income of HK$100,331,000 for the six months ended 30 June 2011 was reclassified as revenue from other income. The directors of the Company are of the opinion that such reclassification is necessary to give a better understanding of the performance of the Group and the comparative amounts presented have been restated to conform with the revised classification.

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 access their performance. Specifically, the Group's operating segments under HKFRS 8 are as follows:

Laminates	–	manufacture and sale of laminates
PCBs	–	manufacture and sale of PCBs
Chemicals	–	manufacture and sale of chemicals
Properties	–	property developments and investments
Others	–	manufacture and sale of liquid crystal displays, magnetic products and others

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 executive directors 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 and jointly controlled entities, income tax expenses, finance costs, and unallocated corporate income and expenses).

Segment revenues and results by reportable segments are presented below:

	Laminates	PCBs	Chemicals	Properties	Others	Eliminations	Consolidated
Six months ended 30 June 2011							
Segment revenue							
External sales	5,825,716	4,021,582	8,625,697	100,331	380,533	–	18,953,859
Inter-segment sales	1,343,156	–	452,726	–	7,269	(1,803,151)	–

	Laminates	PCBs	Chemicals	Properties	Others	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2010 (Restated)							
Segment revenue							
External sales	5,283,197	4,538,290	6,208,530	58,249	371,705	–	16,459,971
Inter-segment sales	1,570,565	–	369,393	–	6,459	(1,946,417)	–

4. Depreciation

During the reporting period, depreciation of approximately HK$1,065.9 million (1 January 2010 to 30 June 2010: HK$1,023.3 million) was charged in respect of the Group's properties, plant and equipment.

5. Other income

	Six months ended 30 June	
	2011	2010
		HK$'000
		(Unaudited)
		(Restated)
Other income comprises:		
Dividends from available-for-sale investments	38,601	11,540
Gain on disposal of available-for-sale investments	4,551	46,771
Gain on fair value changes of investment properties	26,915	–
Interest income	24,438	14,665
Others	47,512	16,231
	142,017	89,207

6. Income tax expense

	Six months ended 30 June	
	2011	2010
		HK$'000
		(Unaudited)
The amount comprises:		
Hong Kong Profits Tax	7,088	4,103
Taxation arising in other jurisdictions	248,875	189,588
	255,963	193,691
Deferred taxation		
Charge for the period	8,892	6,639
	264,855	200,330

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profit 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 2011 of

10. Trade and other receivables and prepayments and bills receivables

	30 June 2011	31 December 2010
		HK$'000
		(audited)
Trade receivables	6,056,310	5,159,244
Advance to suppliers	1,025,524	947,077
Other receivables and prepayments	2,331,642	1,852,190
	9,413,476	7,958,511

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 June 2011	31 December 2010
		HK$'000
		(audited)
0 – 90 days	4,891,214	4,190,710
91 – 180 days	1,108,451	907,357
Over 180 days	56,645	61,177
	6,056,310	5,159,244

Included in trade receivables are receivables for sales to a substantial shareholder of the Company of approximately HK$203,623,000 (31.12.2010: HK$19,008,000).

All bills receivables of the Group are aged within 90 days at the end of the reporting period.

11. Trade and other payables and bills payables

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

	30 June 2011	31 December 2010 HK$'000 (Audited)
0 – 90 days	1,688,713	1,658,076
91 – 180 days	343,432	347,702
Over 180 days	232,981	191,247
	2,265,126	2,197,025

Included in trade payables are payables for purchases from a substantial shareholder of the Company of approximately HK$108,753,000 (31.12.2010: HK$34,485,000).

All bills payables of the Group are aged within 90 days at the end of the reporting period.

12. Share options

([illegible]) [illegible]

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 (the "2002 Scheme") on 2 July 2002 for the duration of 10 years. In view of the changes to the Listing Rules, a new share option scheme (the "Scheme") was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 23 March 2009. The 2002 Scheme was accordingly terminated on the same day without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme.

Under the Scheme which is valid for a period of 10 years, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds any equity interests ("Invested Entity"), including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vi) any person or entity who from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 business days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and hi, or2p or gkTBoard as hof the Company

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

	Number of share options outstanding as at 31 December 2010	Granted during the period	Exercised during the period	Number of share options outstanding as at 30 June 2011	Option grant date	Exercise period	Exercise price
Directors							
Cheung Kwok Wing ([illegible])	–	2,800,000	–	2,800,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Chang Wing Yiu ([illegible])	484,800	–	(484,800)	–	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	–	2,600,000	–	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Cheung Kwong Kwan ([illegible])	359,600	–	(359,600)	–	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	–	2,600,000	–	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Ho Yin Sang ([illegible])	603,600	–	(603,600)	–	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	–	2,600,000	–	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Mok Cham Hung, Chadwick ([illegible])	–	2,600,000	–	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Cheung Wai Lin, Stephanie ([illegible])	–	2,600,000	–	2,600,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Chan Wing Kwan ([illegible])	591,600	–	(591,600)	–	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
Sub-total	2,039,600	15,800,000	(2,039,600)	15,800,000			
Employees	2,434,400	–	(2,434,400)	–	11 Oct 2002	15 Oct 2002 to 2 July 2012	3.74
	–	12,200,000	–	12,200,000	21 Mar 2011	21 Mar 2011 to 22 Mar 2019 ([illegible])	40.7
Sub-total	2,434,400	12,200,000	(2,434,400)	12,200,000			
Total	4,474,000	28,000,000 ([illegible])	(4,474,000) ([illegible] 3)	28,000,000			

1. These share options are exercisable only from the date of grant until 22 March 2019 with the maximum number of shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of shares subject to the share options from 21 March 2011 to 22 March 2019 ("Lot 1"); (b) additional 25% of the total number of shares subject to the share options from 21 March 2012 to 22 March 2019 ("Lot 2"); (c) additional 25% of the total number of shares subject to the share options from 21 March 2013 to 22 March 2019 ("Lot 3"); and (d) remaining 25% of the total number of shares subject to the share options from 21 March 2014 to 22 March 2019 ("Lot 4").

2. The closing price of the Company's shares quoted on the Stock Exchange immediately before the granting date is HK$39.55.

3. The weighted average closing price of the Company's shares quoted on the Stock Exchange immediately before the various exercise dates is HK$42.20.

The estimated fair value of the share options granted during the period under the Scheme as at the date of grant was HK$242,535,149, which was calculated using the Black-Scholes option pricing model with the following parameters and assumptions:

	Lot 1	Lot 2	Lot 3	Lot 4
Stock price (HK$)	40.680	40.680	40.680	40.680
Exercise price (HK$)	40.700	40.700	40.700	40.700
Risk free rate (%)	1.459	1.623	1.785	1.918
Expected option period (years)	4.004	4.505	5.005	5.505
Expected volatility (%)	33.028	33.028	33.028	33.028
Expected dividend yield (%)	3.200	3.625	3.250	3.593

Expected option period (years)

([illegible]) [illegible]

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 been 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 EEIC and its subsidiaries ("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 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 the EEIC Group, 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 preceding 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 at a discount to the Exercise Price may be exercised 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 (if any) 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

[illegible]

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 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 10 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.

Details of the share options granted by KLHL pursuant to the KLHL Scheme and the share options outstanding as at 30 June 2011 were as follows:

	Number of share options outstanding as at 31 December 2010	Granted during the period	Number of share options outstanding as at 30 June 2011	Option grant date	Exercise period	Exercise price
Directors and employees of KLHL	–	100,000,000	100,000,000	21 Mar 2011	21 Mar 2011 to 17 May 2017 ([illegible])	6.54
Total	–	100,000,000 ([illegible])	100,000,000			

[illegible]

1. These share options are exercisable only from the date of grant until 17 May 2017 with the maximum number of shares entitled to be subscribed by each grantee as follows: (a) up to 25% of the total number of shares subject to the share options from 21 March 2011 to 17 May 2017 ("KLHL Lot 1"); (b) additional 25% of the total number of shares subject to the share options from 21 March 2012 to 17 May 2017 ("KLHL Lot 2"); (c) additional 25% of the total number of shares subject to the share options from 21 March 2013 to 17 May 2017 ("KLHL Lot 3"); and (d) remaining 25% of the total number of shares subject to the share options from 21 March 2014 to 17 May 2017 ("KLHL Lot 4").

2. The closing price of KLHL's shares quoted on the Stock Exchange immediately before the granting date is HK$6.30.

The estimated fair value of the share options granted during the period under the KLHL Scheme as at the date of grant was HK$104,092,742, which was calculated using the Black-Scholes option pricing model with the following parameters and assumptions:

	KLHL Lot 1	KLHL Lot 2	KLHL Lot 3	KLHL Lot 4
Stock price (HK$)	6.460	6.460	6.460	6.460
Exercise price (HK$)	6.540	6.540	6.540	6.540
Risk free rate (%)	1.072	1.283	1.485	1.648
Expected option period (years)	3.081	3.582	4.082	4.582
Expected volatility (%)	34.417	34.417	34.417	34.417
Expected dividend yield (%)	6.529	6.423	5.613	6.374

Risk free rate was based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority. The expected option period was determined with reference to the KLHL Scheme and information provided by KLHL. The expected volatility was determined by applying the 1-year historical volatility of KLHL as input for option pricing model as extracted from Bloomberg. Expected dividend yield was based on dividend payout of KLHL estimated by Bloomberg.

The estimated fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

The Group recognised the total expense of approximately HK$13,012,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$Nil) in relation to the share options granted by KLHL.

13. Warrants

On 2 March 2010, a bonus issue of warrants ("Warrants") to the shareholders of the Company on the basis of 1 Warrant for every 10 shares held by shareholders of the Company whose names appear on the register of members of the Company on 26 April 2010, was proposed. Consequently, 84,473,904 Warrants were issued, conferring rights to the holders of the Warrants from any time on 5 May 2010 up to 31 October 2012 (both days inclusive) to subscribe for up to an aggregate of 84,473,904 shares of the Company at an initial subscription price of HK$40 per share (subject to adjustment), representing an aggregate subscription price of approximately HK$3,378,956,000.

The fair value of equity component of the Warrants was amounted to HK$675,791,000 based on the quoted price of the Warrants as at the first day of their trading on the Stock Exchange and the amount was transferred from retained profits to warrant reserve as a bonus issue of warrants.

During the six months ended 30 June 2011, 695,542 new shares of the Company were issued on exercise of the Warrants. Exercise in full of the remaining outstanding Warrants would, under the present capital structure, result in the receipt by the Company of approximately HK$3,347,607,000 in subscription monies and the issue of 83,690,186 new shares of the Company.

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 excellent results for the six months ended 30 June 2011 ("1H 2011"). The business operating environment remained challenging for the Group during the reporting period. As a result of disruption to the electronics supply chain caused by the earthquake in Japan in the second quarter of 2011 ("Q2 2011"), the performance of both laminate and printed circuit board ("PCB") divisions were negatively impacted. Meanwhile, driven by favourable chemical prices and robust demand for chemical products in China, our chemical projects generated remarkable returns to the Group. Thus, the contribution of earnings before interest, tax, depreciation and amortisation ("EBITDA") of the chemical division surged to 42% of Group EBITDA (first half of 2010 ("1H 2010"): 25%). In addition, our investment properties continued to bring in stable rental income for the Group. Group revenue was up 15% to HK$18,953.9 million. EBITDA increased 2% to HK$3,713.4 million and net profit rose by 2% to HK$1,814.3 million.

Elec & Eltek International Company Limited, a subsidiary which has been listed on the main board of the Singapore Exchange, successfully achieved dual primary listing status by introduction to the main board of the Hong Kong Stock Exchange on 8 July 2011. This sets another important milestone in the long term development of our PCB division. Leveraging on a broader investors base in these two key stock exchanges in Asia region, the Group can have access to capital market with strong financial flexibility.

During the period under review, the Group had the honour to be named by Forbes Magazine as one of the Global 2000 leading companies for the second consecutive year. This clearly underscores the accomplishments of our management with strong leadership in building and managing a successful business portfolio with diversified income streams. To reward our shareholders, the Board resolved to declare an interim dividend of HK40 cents per share.

In the first quarter of 2011 ("Q1 2011"), demand for laminate products reboundnce

The Group's key investment properties in eastern and southern China continued to generate stable rental income. Shanghai Kingboard Modern Plaza and Guangzhou Zhan Wang Digital Plaza have consistently made a steady earnings contribution. Renovation of Guangzhou Dong Zhao Building

The Group continued to adopt 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 2011, outstanding notional amount of interest rate swap agreements stood at HK$1.7 billion with a weighted average duration and interest rate of 0.52 year and 3.06% respectively. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into any other material derivative financial instruments throughout the first six months of 2011. There was no material foreign exchange rate exposure to the Group during the period under review. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirement of operating expenses.

As at 30 June 2011, the Group had a global workforce of approximately 49,300 (31 December 2010 – 47,300). 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

At 30 June 2011, the interests of the Directors, chief executive and their respective 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")), which (1) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position they were taken or deemed to have under such provisions of the SFO); (2) were recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (3) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

([illegible]) [illegible]

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	3,269,675	0.38
Mr. Chan Wing Kwan ([illegible])	Beneficial owner	1,655,250	0.19
Mr. Cheung Kwong Kwan	Beneficial owner	1,968,200	0.23
Mr. Chang Wing Yiu ([illegible])	Beneficial owner	4,115,274	0.48
Mr. Ho Yin Sang ([illegible] 3)	Beneficial owner	3,767,729	0.44
Mr. Mok Cham Hung, Chadwick ([illegible])	Beneficial owner	2,940,000	0.34
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	210,000	0.02

[illegible]

(1) Out of the 1,655,250 Shares, 1,595,250 Shares were held by Mr. Chan Wing Kwan and 60,000 Shares were held by his spouse.

(2) Out of the 4,115,274 Shares, 3,397,074 Shares were held by Mr. Chang Wing Yiu and 718,200 Shares were held by his spouse.

(3) Out of the 3,767,729 Shares, 2,485,229 Shares were held by Mr. Ho Yin Sang and 1,282,500 Shares were held by his spouse.

(4) Out of the 2,940,000 Shares, 2,830,000 Shares were held by Mr Mok Cham Hung, Chadwick and 110,000 Shares were held by his spouse.

([illegible]) [illegible]

Name of Director	Capacity	Interest in underlying Shares pursuant to Share Options under the 2009 Scheme
Mr. Cheung Kwok Wing	Beneficial owner	2,800,000
Mr. Chang Wing Yiu	Beneficial owner	2,600,000
Mr. Ho Yin Sang ([illegible])	Beneficial owner	5,040,000
Mr. Cheung Kwong Kwan	Beneficial owner	2,600,000
Mr. Mok Cham Hung, Chadwick	Beneficial owner	2,600,000
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	2,600,000

[illegible] Out of the 5,040,000 Share Options, 2,600,000 Share Options were held by Mr. Ho Yin Sang and 2,440,000 Share Options were held by his spouse.

([illegible]) [illegible]

Name of Director	Capacity	Interest in underlying Shares pursuant to the Warrants
Mr. Cheung Kwok Wing	Beneficial owner	165,222
Mr. Chan Wing Kwan ([illegible])	Beneficial owner	[illegible]

([illegible]) [illegible]

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	253,500	0.008
Mr. Chan Wing Kwan *([illegible])*	Beneficial owner	100,000	0.003
Mr. Chang Wing Yiu *([illegible])*	Beneficial owner	100,000	0.003
Mr. Ho Yin Sang *([illegible] 3)*	Beneficial owner	540,000	0.018
Mr. Mok Cham Hung, Chadwick *([illegible])*	Beneficial owner	60,000	0.002

[illegible]

(1) The 100,000 KLHL Shares were held by the spouse of Mr. Chan Wing Kwan.

(2) The 100,000 KLHL Shares were held by the spouse of Mr. Chang Wing Yiu.

(3) The 540,000 KLHL Shares were held by the spouse of Mr. Ho Yin Sang.

(4) The 60,000 KLHL Shares were held by the spouse of Mr. Mok Cham Hung, Chadwick.

([illegible]) [illegible]

Name of Director	Capacity	Interest in underlying shares pursuant to KLHL Share Options
Mr. Ho Yin Sang *([illegible])*	Beneficial owner	9,000,000
Mr. Mok Cham Hung, Chadwick *([illegible])*	Beneficial owner	10,000,000

[illegible]

(1) The 9,000,000 KLHL Shares Options were held by the spouse of Mr. Ho Yin Sang.

(2) The 10,000,000 KLHL Shares Options were held by the spouse of Mr. Mok Cham Hung, Chadwick.

([illegible]) [illegible]

Name of Director	Capacity	Number of non-voting deferred shares held ([illegible])
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

Other than as disclosed above, none of the Directors, chief executive nor their respective 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 2011 which (1) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position they were taken or deemed to have under such provisions of SFO); (2) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (3) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as is known to any Directors or chief executive of the Company, as at 30 June 2011, 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:

[illegible]

Name of shareholder	Nature of interest	Interest in underlying Shares pursuant to the Warrants	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("Hallgain") *([illegible])*	Beneficial owner	25,969,292	266,485,579	31.18
Capital Research and Management Company	Investment manager	–	85,351,244	9.99
FMR LLC	Investment manager	–	50,755,000	5.94
Value Partners Limited	Investment manager	–	42,970,500	5.03

[illegible] As at 30 June 2011: (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 had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2011 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.

During the six months ended 30 June 2011, 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 practices adopted by the Group and discussed auditing, internal control and financial reporting matters

Board of Directors:

[illegible]

Mr. Cheung Kwok Wing *([illegible])*

Mr. Cheung Kwong Kwan

Mr. Chang Wing Yiu

Mr. Ho Yin Sang

Ms. Cheung Wai Lin, Stephanie

Mr. Mok Cham Hung, Chadwick

Mr. Chen Maosheng

[illegible]

Mr. Chan Wing Kwan

[illegible]

Mr. Cheng Wai Chee, Christopher

Mr. Henry Tan

Mr. Lai Chung Wing, Robert

Mr. Tse Kam Hung