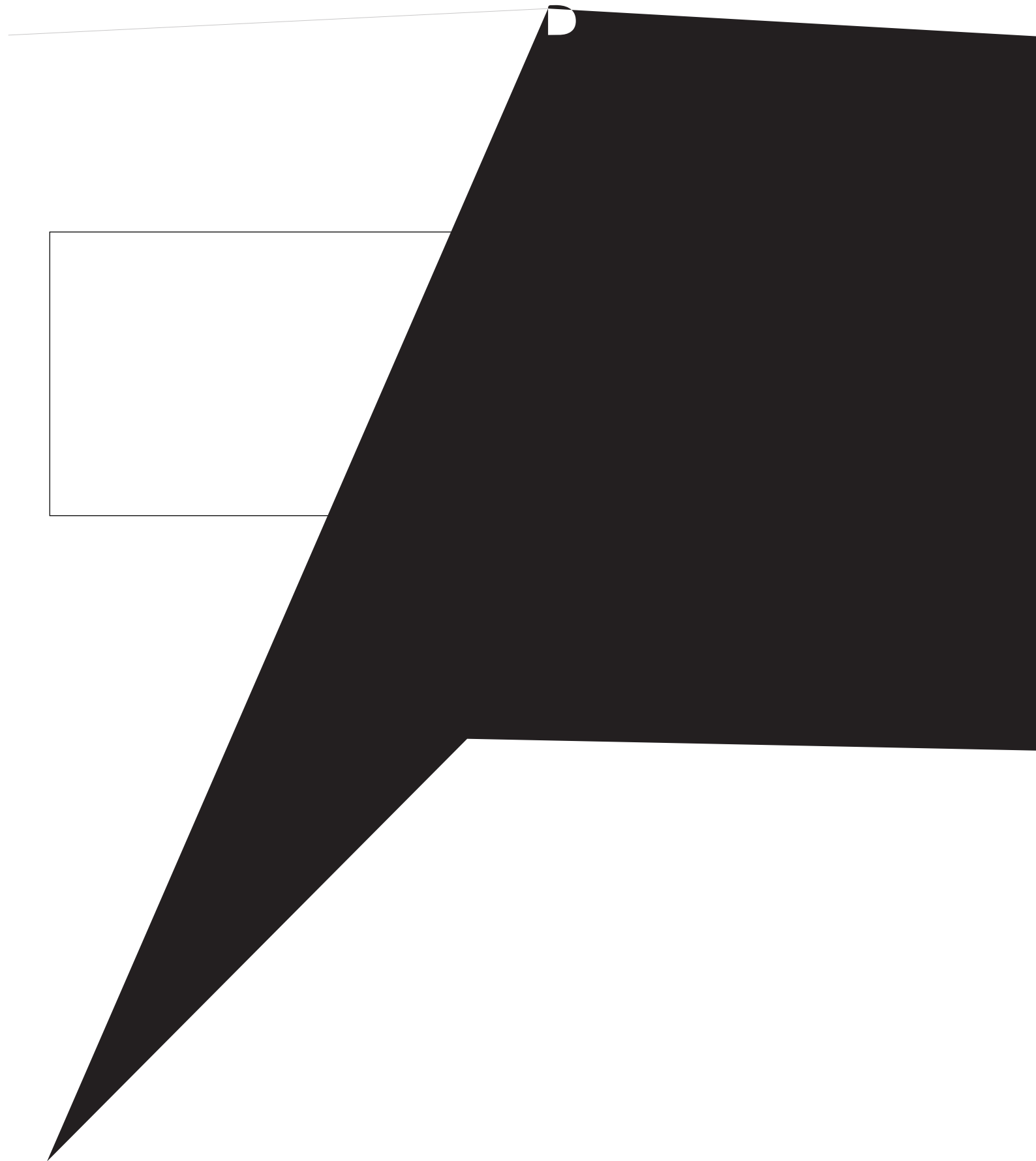




The board of directors (the “Board”) of Kingboard Chemical Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 as follows:

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2007	2006
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	2	9,021,859	7,464,958
Cost of sales		(6,812,893)	(5,475,385)
Gross profit		2,208,966	1,989,573
Other income		33,740	14,947
Investment income	4	178,917	14,205
Distribution costs		(261,480)	(215,039)
Administrative costs		(446,635)	(365,795)
Discount on acquisition of additional interest in a subsidiary		–	1,498
Finance costs		(121,881)	(149,639)
Share of results of associates		172,018	–
Share of results of jointly controlled entities		1,407	(2,503)
Profit before taxation		1,765,052	1,287,247
Income tax expense	5	(135,555)	(105,533)
Profit for the period		1,629,497	1,181,714
Attributable to:			
Equity holders of the Company		1,301,818	1,068,807
Minority interests		327,679	112,907
		1,629,497	1,181,714
Interim dividend	6	251,430	157,113
Earnings per share	7		
Basic		HK\$1.562	HK\$1.362
Diluted		HK\$1.513	HK\$1.304

Condensed Consolidated Balance Sheet

		30 June 2007	31 December 2006
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		301,419	40,220
Properties, plant and equipment	8	11,572,181	10,254,325
Prepaid lease payments		588,045	471,727
Goodwill		1,717,720	1,717,519
Investment in associates		668,290	486,929
Available-for-sale investments		666,017	395,150
Interests in jointly controlled entities		16,762	15,354
Non-current deposits		675,351	265,430
Intangible assets		1,875	2,185
vET0396			

	30 June 2007 <i>HK\$'000</i> (Unaudited)	31 December 2006 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	32,397	36,323
Bank borrowings – amount due after one year	3,907,012	4,086,223
	<u>3,939,409</u>	<u>4,122,546</u>
	<u>20,176,939</u>	<u>19,012,921</u>
Capital and reserves		
Share capital	83,810	83,280
Reserves	16,639,702	15,875,645
	<u>16,723,512</u>	<u>15,958,925</u>
Equity attributable to equity holders of the Company	11,304	9,764
Equity component of share option reserve of a subsidiary	3,442,123	3,044,232
Minority interests	<u>20,176,939</u>	<u>19,012,921</u>
Total equity	<u>20,176,939</u>	<u>19,012,921</u>

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and on a basis consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial period beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29
	Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC)-INT 10	Interim financial reporting and impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

The adoption of these new HKFRSs has had no material effect on the results or the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC)-INT 12	Service concession arrangements ³

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

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company (“Directors”) anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

2. Segment information

For management purposes, the Group is currently organised into four operating divisions – laminates, printed circuit boards, chemicals and others. These divisions are the basis on which the Group reports its primary segment information.

	Laminates <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2007						
Segment revenue						
External sales	3,518,675	3,449,592	1,574,865	478,727	–	9,021,859
Inter-segment sales	1,153,518	–	744,175	40,582	(1,938,275)	–
Total	4,672,193	3,449,592	2,319,040	519,309	(1,938,275)	9,021,859
Result						
Segment result	1,044,222	244,798	264,258	38,969	–	1,592,247
Unallocated corporate income						133,043
Unallocated corporate expenses						(11,782)
Finance costs						(121,881)
Share of results of associates						172,018
Share of results of jointly controlled entities						1,407
Profit before taxation						1,765,052
Income tax expense						(135,555)
Profit for the period						1,629,497

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

	Laminates <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Chemicals <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2006						
Segment revenue						
External sales	2,867,235	2,899,184	1,183,282	515,257	–	7,464,958
Inter-segment sales	<u>848,644</u>	<u>–</u>	<u>669,962</u>	<u>8,836</u>	<u>(1,527,442)</u>	<u>–</u>
Total	<u>3,715,879</u>	<u>2,899,184</u>	<u>1,853,244</u>	<u>524,093</u>	<u>(1,527,442)</u>	<u>7,464,958</u>
Result						
Segment result	925,361	327,971	140,917	40,511	–	1,434,760
Discount on acquisition of additional interest in a subsidiary	1,498	–	–	–	–	1,498
Unallocated corporate income						8,926
Unallocated corporate expenses						(5,795)
Finance costs						(149,639)
Share of results of jointly controlled entities						<u>(2,503)</u>
Profit before taxation						1,287,247
Income tax expense						<u>(105,533)</u>
Profit for the period						<u>1,181,714</u>

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

The analysis of the Group's revenue by geographical market is as follows:

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The People's Republic of China	6,828,644	5,775,416
Other Asian countries	1,337,887	865,483
Europe	631,518	623,407
America	<u>223,810</u>	<u>200,652</u>
	<u>9,021,859</u>	<u>7,464,958</u>

3. Depreciation

During the period, depreciation of approximately HK\$599.8 million (1 January 2006 to 30 June 2006: HK\$471.4 million) was charged in respect of the Group's properties, plant and equipment.

4. Investment Income

Six months ended 30 June	
2007	2006
<i>HK\$'000</i>	<i>HK\$'000</i>

7. Earnings per share

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

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>1,301,818</u>	<u>1,068,807</u>
	Number of shares	
	30 June 2007	30 June 2006
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	833,287,204	784,978,763
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	27,349,146	30,431,573
– outstanding warrants	<u>–</u>	<u>4,403,675</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>860,636,350</u>	<u>819,814,011</u>

8. Additions to properties, plant and equipment

During the period, the Group spent approximately HK\$1,657 million (1 January 2006 to 30 June 2006: HK\$844 million) on acquisition of properties, plant and equipment.

9. Trade and other receivables and prepayments

	30 June	31 December
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	4,579,851	4,456,464
Bills receivables	772,625	466,178
Other receivables and prepayments	<u>735,025</u>	<u>883,351</u>
	<u>6,087,501</u>	<u>5,805,993</u>

The Group allows credit periods of up to 120 days, depending on the product sold, to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2007 <i>HK\$'000</i> (Unaudited)	31 December 2006 <i>HK\$'000</i> (Audited)
0 – 90 days	3,949,472	3,664,990
91 – 180 days	587,372	750,160
Over 180 days	43,007	41,314
	<u>4,579,851</u>	<u>4,456,464</u>

All bills receivables are aged within 90 days at the balance sheet date. The fair value of the Group's trade and other receivables at the balance sheet date approximate their corresponding carrying amounts.

10. Trade and other payables and bills payable

The following is an aged analysis of the trade payables at the balance sheet date:

	30 June 2007 <i>HK\$'000</i> (Unaudited)	31 December 2006 <i>HK\$'000</i> (Audited)
0 – 90 days	1,476,043	1,468,344
91 – 180 days	390,801	303,117
Over 180 days	82,707	94,413
	<u>1,949,551</u>	<u>1,865,874</u>

The fair value of the Group's trade and other payables and bills payable at the balance sheet date approximate their corresponding carrying amounts.

BUSINESS REVIEW

Building upon our strengths and leveraging on our ever-expanding business network of more than 50 plants in China and overseas sales offices, it is my great pleasure to report to our shareholders that Kingboard Chemical Holdings Limited (the “Group”) has set another period of strong business growth for the six-month ended 30 June 2007.

Underpinned by healthy economic conditions in the region and the strategic investments we have made over the past years to improve our capabilities and competitiveness, all major divisions of the Group experienced robust revenue growth in the financial period under review and our net profit soared 22% to HK\$1.3 billion in spite of brief softness of printed circuit board (“PCB”) market at the start of the financial year.

According to the latest report of Japan Marketing Survey Co., Ltd, our laminate division continued to maintain its No.1 position to reach 11.5% of the global market share in 2006 up from 9.9% a year ago. Our PCB division, despite the adverse impact of the inventory adjustments by computer related customers in first quarter of year 2007, attained 19% revenue growth and continued to advance its market share. Riding on the strong growth momentum in the PRC market, the Group’s chemical division achieved a highest ever 208% growth in earnings contribution over the corresponding period of last financial year, after accounting for the share of associate profit of our Hainan joint venture. This very well reflects the inherent value of the Group’s balanced business portfolio in the three core business segments and our effort in sharpening the Group’s competitive edge so as to withstand business challenges.

Kingboard Chemical Holdings Limited was assigned investment grade ratings by Moody’s as well as Standard & Poor’s in May and July 2007 respectively. The ratings by major international rating agencies underscore the diversity of our businesses in high growth sectors complemented by satisfactory operating cashflows as well as the quality of our management team. The Group would continue to capitalize on the solid track records so as to pursuit long term business growth and further enhance our shareholders’ value.

Financial highlights

- Revenue posted strong growth to HK\$9 billion – up 21%
- Pre-tax profit margin advanced to 17.6%*
- Profit attributable to equity holders of the Company increased by 22% to HK\$1.3 billion
- Interim dividend per share up 50% to HK30 cents

* *Excluding share of results of associates and jointly controlled entities*

Performance

Overall demand for electronics products showed signs of sustainable rebound after a temporary inventory adjustment in the computer industry in the first quarter of year 2007. Revenue (including inter-segment sales) for the laminate division recorded 26% growth to HK\$4,672.2 million. Earnings before interest and tax (“EBIT”) increased by 13% to HK\$1,044.2 million over the same period last year. The volume sales of laminates grew around 11% with average monthly shipment reaching 7.8 million square meters. Amidst higher degree of material costs volatility in the first quarter and absorption of start-up costs of our new glass epoxy laminate plant in Jiangyin, Jiangsu province, EBIT margin only contracted marginally to 22.3%. This once again demonstrated our competency to sustain our remarkable performance through an excellent vertical integration business model and continuous cost management.

Revenue of PCB division for the six-month period under review increased by 19% to HK\$3,449.6 million but EBIT declined by 25% to HK\$244.8 million against same period last year. As mentioned in the previous paragraph, the computer and peripherals segment experienced excessive inventory at the start of year 2007 while demand from other market segments such as automotive and consumer electronics remained healthy. This market phenomenon had affected the order intake and capacity utilization of Elec & Eltek which has almost half of its sales exposure to the computer and peripherals market segment. However, the other PCB subsidiaries within the Group with little exposure to the computer applications managed to enjoy full capacity utilization throughout the first half. Consequently, the PCB division was able to mitigate the adverse market impact and delivered satisfactory performance.

Our chemical division continued to deliver excellent performance with revenue and EBIT growth of 25% to HK\$2,319 million and 88% to HK\$264.3 million, respectively. This spectacular growth was due to strong product prices, increased economies of scale and competitive feedstock costs. The strong caustic soda demand in Southern China market had provided healthy return and margin expansion from our caustic soda plant in Hengyang, Hunan province. In addition, the coke/methanol plant in Hebei province had performed extremely well in the first half of 2007 and its EBIT tripled against corresponding period of last year as consolidation in domestic coke production continued. Despite volatility in methanol prices in the first half of 2007, our joint venture with China BlueChemical Limited in Hainan province generated remarkable return for our shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group’s financial position and liquidity remained strong. As at 30 June 2007, net current assets and current ratio of the Group were approximately HK\$7,888.4 million (31 December 2006 – HK\$9,467.1 million) and 2.54 (31 December 2006 – 2.90), respectively.

The net working capital cycle improved from 96 days as at 31 December 2006 to 90 days as at 30 June 2007 on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 66 days (31 December 2006 – 73 days)
- Trade receivables, in terms of debtors turnover days, improved to 93 days (31 December 2006 – 97 days)
- Trade and bills payable, in terms of creditors turnover days, reduced to 69 days (31 December 2006 – 74 days)

With the payment of final and special dividend for the year ended 31 December 2006 of HK\$832.8 million in May 2007 and the capital expenditure of approximately HK\$1,657 million in new production facilities in the first half of 2007, cash and cash equivalents as at 30 June 2007, including US Treasury Notes of HK\$546 million, was HK\$4,966.3 million (31 December 2006 – HK\$6,252.7 million) and the Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total

Expansion in the chemical division is expected to be the strongest growth driver for the Group, and we are pursuing our capacity expansion rigorously so as to further expand our market share. The Chongqing methanol project and the Huizhou phenol/acetone project are on track to commence operation by the end of 2007. Two joint ventures for methanol projects in Shanxi province, phase two expansion of the coke/methanol plant in Hebei province and phase three expansion of Hengyang caustic soda plant, all of which are expected to commence production in 2008, will further broaden our existing earnings base. Recently we entered into a vertically integrated venture covering coal mining and coke/methanol facilities at Lvliang, Shanxi province. This venture not only has a sustained competitive cost structure generating attractive investment returns, it will also have close to zero gas emissions. Our ongoing commitment to the development of environmental friendly and clean production facilities are greatly welcomed and supported by the provincial government authorities.

We have recently announced the proposed subscription for shares and convertible bonds in G-Prop (Holdings) Limited (“G-Prop”), a company listed in Hong Kong, which in turn is proposing to acquire a PRC company operating a coal based methanol plant in Inner Mongolia. The PRC company is also in negotiation for the exploration rights to a coal mine reserve about 220 km from the plant. This transaction is subject to, among other things, G-Prop’s independent shareholders’ approval.

HUMAN RESOURCES

As at 30 June 2007, the Group employed approximately 47,300 (31 December 2006 – 42,900) employees globally. The increase in headcount was in line with our ongoing expansion plan. Other than offering competitive salary package, the Group grants share options and discretionary bonuses to eligible employees based on our financial achievement and individual’s performance.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks, the management and employees for their unreserved support in the last six months.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlements to the interim dividend, the register of members of the Company will be closed from Monday, 17 September 2007 to Wednesday, 19 September 2007 (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, 14 September 2007.

PURCHASE, SALE OR REDEMPTION OF COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2007, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the period ended 30 June 2007.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the 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 (“Listing Rules”) throughout the six months ended 30 June 2007, 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, all the Directors (including the non-executive Directors) are subject to retirements by rotation and re-election at the Company’s annual general meeting in compliance with the Company’s Articles of Association.

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”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

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

Hong Kong, 28 August 2007

As at the date of this announcement, the Board consists of Messrs. Cheung Kwok Wing, Chan Wing Kwan, Cheung Kwong Kwan, Chang Wing Yiu, Ho Yin Sang, Cheung Wai Lin, Stephanie and Mok Cham Hung, Chadwick, being the executive Directors, and Messrs. Cheng Ming Fun, Paul, Cheng Wai Chee, Christopher, Henry Tan and Tse Kam Hung, being the independent non-executive Directors.