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KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 148)

KINGBOARD LAMINATES HOLDINGS LIMITED
建滔積層板控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1888)

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS WITH THE HALLGAIN GROUP

BACKGROUND

Reference is made to the joint announcements dated 1 April 2011 and 13 April 2011 of KBC and KBL, the circular of KBC dated 26 April 2011 and the circular of KBL dated 26 April 2011 in relation to the Existing Continuing Connected Transaction Agreements. The annual caps under the Existing Continuing Connected Transaction Agreements will expire on 31 December 2013. Hallgain and, as the case may be, KBC and KBL entered into the New Continuing Connected Transaction Agreements and set out the proposed annual caps thereof for the three years commencing on 1 January 2014 and ending on 31 December 2016 as more particularly described in this announcement.

KBC

As at the date of this announcement, Hallgain owns approximately 34.86% of the is the sears cappanth2f1 Tf8330714 T41c07 Tw(there8he)4 an 8heima8heis8he 8he(5(eim,l8he)42.5

* *For identification purpose only*

Continuing Connected Transaction Agreements and set out the proposed annual caps thereof for the three years commencing on 1 January 2014 and ending on 31 December 2016 as more particularly described in this announcement.

NEW KBC PURCHASE FRAMEWORK AGREEMENT

Background

On 5 November 2013, KBC entered into a purchase framework agreement with Hallgain (the "**New KBC Purchase Framework Agreement**") in relation to the purchase of certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group by the KBC Group. Details of the New KBC Purchase Framework Agreement are set out below:

Date:	5 November 2013
Parties:	(1) Hallgain (2) KBC
Nature of transaction:	Pursuant to the New KBC Purchase Framework Agreement, the KBC Group agrees to purchase certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group. The amount of materials to be purchased is not fixed but is to be determined and agreed between the parties from time to time. The KBC Group will not be obligated to purchase a minimum amount of materials from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of materials to the KBC Group during the term of the New KBC Purchase Framework Agreement. The actual quantity, specification and price (with reference to the prevailing market price) of materials such as copper balls and drill bits under the New KBC Purchase Framework Agreement will be subject to the individual orders placed by the KBC Group with the Hallgain Group.
Term:	Three years from 1 January 2014 to 31 December 2016, both days inclusive.
Consideration:	The price at which the materials are to be purchased will be at a price which is not less favourable to the KBC Group than the price at which the KBC Group purchases, or would be able to purchase similar materials from independent third parties having regard to the quantity and other conditions of the purchase. The Hallgain Group will grant a credit period of 60 days to the KBC Group. The consideration will be settled in cash.

Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps under the Existing KBC Purchase Framework Agreement and the Proposed Annual Caps under the New KBC Purchase Framework Agreement.

Nine months ended 31 December 2011		Year ended 31 December 2012		Year ending 31 December 2013			Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount (up to 30 September 2013)	Estimated amount (up to 31 December 2013)	Proposed annual cap	Proposed annual cap	Proposed annual cap

Nature of transaction:	Pursuant to the New KBL Supply Framework Agreement, the KBL Group agrees to supply copper and laminates to the Hallgain Group. The amount of copper and laminates to be supplied is not fixed but is to be determined and agreed between the parties from time to time. The KBL Group will not be obligated to supply a minimum amount of copper and laminates to the Hallgain Group and the Hallgain Group will not be obligated to purchase any set quantity of copper and laminates from the KBL Group during the term of the New KBL Supply Framework Agreement. The actual quantity, specification and price (with reference to the prevailing market price) of the copper and laminates under the New KBL Supply Framework Agreement will be subject to the individual orders placed by the Hallgain Group with the KBL Group.
Term:	Three years from 1 January 2014 to 31 December 2016, both days inclusive.
Consideration:	The price at which the materials are to be supplied will be at a price which is not more favourable to the Hallgain Group than the price at which the KBL Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale. The KBL Group will grant a credit period of 90 days to the Hallgain Group. The consideration will be settled in cash.

NEW KBL PURCHASE FRAMEWORK AGREEMENT

Background

On 5 November 2013, KBL entered into a purchase framework agreement with Hallgain (the "**New KBL Purchase Framework Agreement**") in relation to the purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the KBL Group. Details of the New KBL Purchase Framework Agreement are set out below:

Date:	5 November 2013
Parties:	(1) Hallgain (2) KBL

Nature of transaction:	Pursuant to the New KBL Purchase Framework Agreement, the KBL Group agrees to purchase certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group. The amount of materials to be purchased is not fixed but is

Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps and Proposed Annual Caps under each of the following agreements: (i) the Existing KBL Supply Framework Agreement and the New KBL Supply Framework Agreement; and (ii) the Existing KBL Purchase Framework Agreement and the New KBL Purchase Framework Agreement.

	Nine months ended 31 December 2011		Year ended 31 December 2012		Year ending 31 December 2013			Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
	Annual cap (HK$'000)	Actual amount	Annual cap (HK$'000)	Actual amount	Annual cap (HK$'000)	Actual amount (up to 30 September 2013) (HK$'000)	Estimated amount (up to 31 December 2013) (HK$'000)	Proposed annual cap (HK$'000)	Proposed annual cap (HK$'000)	Proposed annual cap (HK$'000)
(i) The Existing KBL Supply Framework Agreement and the New KBL Supply Framework Agreement	901,000	789,255	1,502,000	980,479	1,878,000	653,087	870,783	1,200,000	1,320,000	1,452,000
(ii) The Existing KBL Purchase Framework Agreement and the New KBL Purchase Framework Agreement	168,000	163,446	280,000	160,931	350,000	173,063	230,750	335,000	486,000	705,000

The Proposed Annual Caps under each of the New KBL Supply Framework Agreement and the New KBL Purchase Framework Agreement were determined with reference to the internal projection of the transactions to be made having regard to (i) the historical figures; (ii) the anticipated demand; (iii) the prevailing market prices; and (iv) inflation.

It is expected that the supply of copper and laminates to the Hallgain Group for the year ending 31 December 2014 may be higher than the amount in 2013 in light of the Hallgain Group's proposed increment of production capacity in 2014. On the basis that the amount of copper and laminates to be supplied to the Hallgain Group in 2014 will be HK$1,200,000,000 and there will be an annual growth of 10%, the KBC Directors and the KBL Directors (other than the respective INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the Proposed Annual Caps for the New KBL Supply Framework Agreement are fair and reasonable.

The amount of the annual cap for the Existing KBL Purchase Framework Agreement to be utilised for the year ending 31 December 2013 is estimated to be approximately HKD230,750,000, representing an increase of approximately 43% from the actual amount utilised in 2012. Having considered the expected growth in production and sales, expected

drill bits and machineries by the Hallgain Group for each of the financial years ending 31 December 2014, 2015 and 2016, and on the assumption that there will be an annual increase of approximately 45% in each of 2014, 2015 and 2016 in respect of the purchase of materials such as drill bits and machineries from the Hallgain Group, the KBC Directors and the KBL Directors (other than the respective INEDs who will give their views after considering the

The supply of copper and laminates and purchases of copper balls, drill bits and machineries contemplated under the respective agreements are to be of a recurrent revenue nature to be occurred on a regular and continuing basis in the ordinary and usual course of business of the KBC Group and the KBL Group respectively. The agreements provide a framework for the supplies of copper and laminates by the KBL Group to the Hallgain Group from time to time on a non-exclusive basis and the purchase of materials such as copper balls, drill bits and machineries by the KBC Group and the KBL Group from the Hallgain Group respectively from time to time on a non-exclusive basis and regulate the future possible business relationship among the KBC Group, the KBL Group and the Hallgain Group in relation to the transactions under the agreements.

In light of the above, the KBC Directors (other than the INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the New Continuing Connected Transaction Agreements are on normal commercial terms which are fair and reasonable and in the interests of KBC and the KBC Shareholders as a whole. The KBL Directors (other than the INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the New KBL Supply Framework Agreement and the New KBL Purchase Framework Agreement are on normal commercial terms which are fair and reasonable and in the interests of KBL and the KBL Shareholders as a whole. The terms of the agreements were arrived at after arm's length negotiation between the relevant parties. 14A.58(1)

LISTING RULES IMPLICATIONS

KBC

As at the date of this announcement, Hallgain owns approximately 34.86% of the issued share capital of KBC and is therefore a connected person of KBC. KBC, directly or indirectly, owns approximately 73.35% of the issued share capital of KBL and therefore KBL is a non-wholly owned subsidiary of KBC. Accordingly, the transactions contemplated under the New Continuing Connected Transaction Agreements constitute continuing connected transactions of KBC under Chapter 14A of the Listing Rules. 14A.58(2)

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the amount on an annual basis under each of the New Continuing Connected Transaction Agreements for each of the three years ending 31 December 2014, 2015 and 2016 is/are equal to or greater than 5%, the transactions contemplated under each of the New Continuing Connected Transaction Agreements are subject to compliance with the annual review, reporting, announcement and independent shareholders' approval requirements by KBC under Rule 14A.35 of the Listing Rules.

KBL

Hallgain is also a connected person of KBL. Accordingly, the transactions contemplated under the New KBL Purchase Framework Agreement and the New KBL Supply Framework Agreement constitute continuing connected transactions of KBL under Chapter 14A of the Listing Rules. 14A.58(2)

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the aggregate amount on an annual basis under each of the New KBL Supply Framework Agreement and the New KBL Purchase Framework Agreement for each of the three years ending 31 December 2014, 2015 and 2016 is/are equal to or greater than 5%, the transactions contemplated under each of the New KBL Supply Framework Agreement and the New KBL Purchase Framework Agreement are subject to compliance with the annual review, reporting, announcement and independent shareholders' approval requirements by KBL under Rule 14A.35 of the Listing Rules.

APPROVAL BY INDEPENDENT SHAREHOLDERS

KBC

KBC will seek independent KBC Shareholders' approval at an extraordinary general meeting (the "**KBC EGM**") for the New Continuing Connected Transaction Agreements and the transactions and the Proposed Annual Caps contemplated thereunder. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee (comprising the INEDs) and the independent KBC Shareholders in relation to the relevant transactions. 14A.58(3)

A circular containing, among other things, (i) further details of each of the New Continuing Connected Transaction Agreements and the Proposed Annual Caps contemplated thereunder; (ii) the opinion from the independent financial adviser; (iii) the recommendation from the independent board committee (comprising the INEDs); and (iv) the notice of the KBC EGM and other information as required under the Listing Rules is expected to be despatched by KBC to the KBC Shareholders within 15 business days after the publication of this announcement. 14A.58(10)

KBL

KBL will seek independent KBL Shareholders' approval at an extraordinary general meeting (the "**KBL EGM**") for the New KBL Supply Framework Agreement, New KBL Purchase Framework Agreement and the transactions and the Proposed Annual Caps contemplated thereunder. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee (comprising the INEDs) and the independent KBL Shareholders in relation to the relevant transactions. 14A.58(3)

A circular containing, among other things, (i) further details of the New KBL Supply Framework Agreement and the New KBL Purchase Framework Agreement and the Proposed Annual Caps contemplated thereunder; (ii) the opinion from the independent financial adviser; (iii) the recommendation from the independent board committee (comprising the INEDs); and (iv) the notice of the KBL EGM and other information as required under the Listing Rules is expected to be despatched by KBL to the KBL Shareholders within 15 business days after the publication of this announcement. 14A.58(10)

GENERAL

The KBC Group

KBC is an investment holding company. The KBC Group is principally engaged in the manufacture and sale of, among other things, PCBs, chemicals, liquid crystal displays and magnetic products, and property development and investment.

The KBL Group

KBL is an investment holding company. The KBL Group is principally engaged in the manufacture and sale of laminates and related upstream component materials.

The Hallgain Group

Hallgain is an investment holding company. The Hallgain Group is principally engaged in the manufacture and sale of electronic component parts, raw materials and machineries for the production of laminates and PCBs.

DEFINITIONS

In this announcement, unless otherwise indicated or the context otherwise requires, the following expressions shall have the following meanings:

"connected person"	has the meaning ascribed to it under the Listing Rules
"Existing Annual Caps"	the annual caps for the Existing Continuing Connected Transaction Agreements for the three years ending 31 December 2013
"Existing Continuing Connected Transaction Agreements"	the Existing KBC Purchase Framework Agreement, Existing KBL Purchase Framework Agreement and Existing KBL Supply Framework Agreement
"Existing KBC Purchase Framework Agreement"	the agreement dated 1 April 2011 entered into between KBC and Hallgain for the purchase of certain materials for the production of PCBs, details of which are described in the joint announcement of KBC and KBL dated 1 April 2011
"Existing KBL Purchase Framework Agreement"	the agreement dated 1 April 2011 entered into between KBL and Hallgain for the purchase of certain materials for the production of laminates, details of which are described in the joint announcement of KBC and KBL dated 1 April 2011

"Existing KBL Supply Framework Agreement"	the agreement dated 1 April 2011 entered into between KBL and Hallgain for the supply of copper and laminates, details of which are described in the joint announcement of KBC and KBL dated 1 April 2011
"Hallgain"	Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability
"Hallgain Group"	Hallgain and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"INEDs"	the independent non-executive directors of KBC or KBL, as the case may be
"KBC"	Kingboard Chemical Holdings Limited (stock code: 148), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
"KBC Director(s)"	the director(s) of KBC
"KBC EGM"	an extraordinary general meeting to be held by KBC to approve, among other things, the New Continuing Connected Transaction Agreements and the Proposed Annual Caps contemplated thereunder
"KBC Group"	KBC and its subsidiaries, excluding the KBL Group
"KBC Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of KBC
"KBC Shareholder(s)"	holder(s) of the KBC Shares
"KBL"	Kingboard Laminates Holdings Limited (stock code: 1888), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

"KBL Director(s)"	the director(s) of KBL
"KBL EGM"	an extraordinary general meeting to be held by KBL to approve, among other things, the New KBL Supply Framework Agreement, the New KBL Purchase Framework Agreement and the Proposed Annual Caps contemplated thereunder
"KBL Group"	KBL and its subsidiaries
"KBL Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of KBL
"KBL Shareholder(s)"	holder(s) of the KBL Shares
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New Continuing Connected Transaction Agreements"	the New KBC Purchase Framework Agreement, New KBL Purchase Framework Agreement and New KBL Supply Framework Agreement
"New KBC Purchase Framework Agreement"	the agreement dated 5 November 2013 entered into between KBC and Hallgain in relation to the purchase of certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group by the KBC Group for a term of three years from 1 January 2014 to 31 December 2016
"New KBL Purchase Framework Agreement"	the agreement dated 5 November 2013 entered into between KBL and Hallgain in relation to the purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the KBL Group for a term of three years from 1 January 2014 to 31 December 2016
"New KBL Supply Framework Agreement"	the agreement dated 5 November 2013 entered into between KBL and Hallgain in relation to the supply of copper and laminates by the KBL Group to the Hallgain Group for a term of three years from 1 January 2014 to 31 December 2016
"PCB(s)"	acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system

"Proposed Annual Caps"	the proposed annual caps for the transactions contemplated under each of the New Continuing Connected Transaction Agreements
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

By Order of the board of directors
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

By Order of the board of directors
Kingboard Laminates Holdings Limited