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KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

KB

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)

CONTINUING CONNECTED TRANSACTIONS

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

The KBC Board is pleased to announce that KBC entered into the KBC Purchase Framework Agreement with Hallgain on 1 April 2011. Pursuant to the KBC Purchase Framework Agreement, the KBC Group will acquire certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group from time to time in accordance with the terms of the KBC Purchase Framework Agreement for the three financial years ending 31 December 2013.

The KBL Board is pleased to announce that KBL entered into the KBL Agreements with Hallgain on 1 April 2011. Pursuant to the KBL Agreements, the KBL Group will supply copper and laminates to the Hallgain Group and acquire certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group respectively from time to time in accordance with the terms of the relevant KBL Agreements for the three financial years ending 31 December 2013.

LISTING RULES IMPLICATIONS

KBC

As the applicable percentage ratios in respect of the Agreements and the transactions contemplated thereunder, on an annual basis, exceed 5% but are less than 25%, the Agreements and the transactions contemplated thereunder constitute a discloseable transaction for KBC under Chapter 14 of the Listing Rules.

* *For identification purpose only*

The Agreements and the transactions contemplated thereunder also constitute continuing connected transactions for KBC pursuant to Chapter 14A of the Listing Rules, on the basis that Hallgain is a substantial KBC Shareholder and hence a connected person of KBC under the Listing Rules, and KBL is a subsidiary of KBC. As the applicable percentage ratios in respect of the continuing connected transactions under the Agreements and the Proposed Annual Caps, on an annual basis, are more than 5%, pursuant to Rule 14A.35 of the Listing Rules, the transactions under the Agreements are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and the transaction under the KBC Purchase Framework Agreement is subject to the Independent KBC Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Hallgain, being a substantial KBC Shareholder will abstain from voting on the resolution to be proposed at the KBC EGM. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan, each being a KBC Director and KBC Shareholder and a director and shareholder of Hallgain, will abstain from voting on the resolution to be proposed at the KBC EGM.

A KBC Independent Board Committee will be formed to consider and advise Independent KBC Shareholders as to whether (i) the terms of the KBC Purchase Framework Agreement; and (ii) the Proposed KBC Purchase Annual Caps are fair and reasonable, and are in the interests of KBC and the KBC Shareholders as a whole, and to advise the Independent KBC Shareholders as to how to vote at the KBC EGM. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to KBC to advise the KBC Independent Board Committee and the Independent KBC Shareholders in this respect.

A circular, containing among others, (i) details of the KBC Purchase Framework Agreement and the Proposed KBC Purchase Annual Caps; (ii) a letter from Karl Thomson Financial Advisory Limited to the KBC Independent Board Pp.8(of)-520.89lunde

The KBL Agreements and the transactions contemplated thereunder also constitute continuing connected transactions for KBL pursuant to Chapter 14A of the Listing Rules, on the basis that Hallgain, through its interests in KBC, is a substantial KBL Shareholder, and hence a connected person of KBL under the Listing Rules. As the applicable percentage ratios in respect of the continuing connected transactions under the KBL Agreements, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps, on an annual basis, are more than 5%, pursuant to Rule 14A.35 of the

Parties:	(1) Hallgain (2) KBC
Products to be purchased:	purchase of certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group by the KBC Group, without any limitation on the maximum or minimum quantity of materials to be purchased by the KBC Group
Pricing:	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
Term:	from 1 April 2011 to 31 December 2013, both days inclusive

Under the KBC Purchase Framework Agreement, the amount of materials such as copper balls and drill bits 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 KBC Purchase Framework Agreement. The actual quantity, specification and price of materials such as copper balls and drill bits under the KBC Purchase Framework Agreement will be subject to the individual orders placed by the KBC Group with the Hallgain Group. The Hallgain Group grants a credit period of 60 days to the KBC Group in respect of the purchase of materials from the Hallgain Group by the KBC Group.

2. Proposed KBC Purchase Annual Caps

The following table sets out the Proposed KBC Purchase Annual Caps:

	Financial year ending 31 December		
	2011	2012	2013
KBC Purchase Framework Agreement	HK$388,000,000*	HK$647,000,000	HK$809,000,000

* *Proposed amount for nine months from 1 April 2011 to 31 December 2011*

The Proposed KBC Purchase Annual Caps were determined with reference to the internal projection of the purchases to be incurred having regard to (i) the prevailing market conditions relating to the demand for materials such as copper balls and drill bits; (ii) the anticipated growth in demand of materials such as copper balls and drill bits; (iii) the prevailing market prices of materials such as copper balls and drill bits; (iv) inflation; and (v) the business development plan of the KBC Group.

Having considered the above and the expected growth in production and sales, expected increase in demand, expected increase in production capacity of the KBC Group, and taking into consideration the estimated increase in the price for the sale of materials such as copper balls and drill bits by the Hallgain Group for each of the financial years ending 31 December 2011, 2012 and 2013, and on the assumption that there will be an annual increase of approximately 25% in 2011, 2012 and 2013 in respect of the purchase of materials such as copper balls and drill bits from the Hallgain Group, the KBC Directors are of the view that the Proposed KBC Purchase Annual Caps are fair and reasonable.

B THE KBL GROUP

1. KBL Supply Framework Agreement

Details and reasons for the transaction:

Particulars of the KBL Supply Framework Agreement are set out below:

Date:	1 April 2011
Parties:	(1) Hallgain (2) KBL
Products to be supplied:	supply of copper and laminates by the KBL Group to the Hallgain Group, without any limitation on the maximum or minimum quantity of copper and laminates to be purchased by the Hallgain Group
Pricing:	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
Term:	from 1 April 2011 to 31 December 2013, both days inclusive

Under the KBL Supply Framework Agreement, 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 KBL Supply Framework Agreement. The actual quantity, specification and price of the copper and laminates under the KBL Supply Framework Agreement will be subject to the individual orders placed by the Hallgain Group with the KBL Group. The KBL Group grants a credit period of 60 days to the Hallgain Group in respect of the sale of copper and laminates by the KBL Group to the Hallgain Group.

2. KBL Purchase Framework Agreement

Details and reasons for the transaction:

3. Proposed KBL Supply Annual Caps and Proposed KBL Purchase Annual Caps

The following table sets out the Proposed KBL Supply Annual Caps and Proposed KBL Purchase Annual Caps:

	Financial year ending 31 December
	2011 Ca(Br8)-778(r8)-7Cwps8

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The KBC Group is engaged in, among others, the manufacture and sale of PCBs, which requires materials such as copper balls and drill bits as a component for its production. The Hallgain Group is engaged in, among others, the manufacture and sale of copper balls, drill bits and machineries. The KBL Group is engaged in, among others, the manufacture and sale of laminates and related products and providing drilling services of laminates, which requires materials such as drill bits and specific machineries as a component for its production.

Pursuant to the KBC Purchase Framework Agreement, the Hallgain Group shall produce and supply materials such as copper balls and drill bits to the KBC Group. In order to satisfy the demand of the KBC Group for materials such as copper balls, the Hallgain Group shall purchase copper for the production of copper balls for its sale to the KBC Group. The provision of copper and laminates by the KBL Group to the Hallgain Group under the KBL Supply Framework Agreement not only facilitates the KBL Group to distribute and sell its copper and laminates, thereby increasing the sales and revenue of the KBL Group, it also secures a steady supply of copper and laminates to the Hallgain Group. A reliable supply of materials such as copper balls and drill bits by the Hallgain Group to the KBC Group can also facilitate the KBC Group's production of PCBs. The KBC Group and the KBL Group consider that the Hallgain Group is a reliable business co-operation partner and such co-operation is beneficial to the business of the KBC Group and the KBL Group, respectively.

The KBL Group has been continuously expanding its laminates business. The KBL Group anticipates that more materials such as drill bits and machineries for the manufacture of laminates will be required for it to further expand its business. Taking into account a range of factors including the reduction in transportation costs, the quality and the price of the machineries manufactured by the Hallgain Group for the production of laminates, the KBL Group considers that the purchase of materials such as drill bits and machineries under the KBL Purchase Framework Agreement is necessary to facilitate its expansion plan and will improve the competitiveness and the quality of the laminates manufactured by the KBL Group.

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 that they will occur 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 between the KBC Group, the KBL Group and the Hallgain Group in relation to the transactions under the Agreements.

The terms of the Agreements were arrived at after arm's length negotiation between the relevant parties. Upon obtaining the approval from the KBC Shareholders and the KBL Shareholders (as the case may be) in relation to the Agreements, each of the KBC Copper Ball Agreement, the Machinery Agreement and the Copper Supply Agreement as announced and defined in the announcement issued jointly by KBC and KBL on 22 December 2009 and the KBC Drill Bits Agreement and the KBL Drill Bits Agreement as announced and defined in the announcement issued jointly by KBC and KBL on 6 May 2010 will be terminated accordingly.

In light of the above, the KBC Directors are of the view that the terms of the KBC Purchase Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of KBC and the KBC Shareholders as a whole. The KBL Directors are of the view that the terms of the KBL Supply Framework Agreement and the KBL Purchase Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of KBL and the KBL Shareholders as a whole. The transactions under the KBC Purchase Framework Agreement, the KBL Supply Framework Agreement and the KBL Purchase Framework Agreement are carried out in the ordinary and usual course of business of the KBC Group and the KBL Group respectively.

LISTING RULES IMPLICATIONS

KBC

As the applicable percentage ratios in respect of the Agreements and the transactions contemplated thereunder, on an annual basis, exceed 5% but are less than 25%, the Agreements and the transactions contemplated thereunder constitute a discloseable transaction for KBC under Chapter 14 of the Listing Rules.

The Agreements and the transactions contemplated thereunder also constitute continuing connected transactions for KBC pursuant to Chapter 14A of the Listing Rules, on the basis that Hallgain is a substantial KBC Shareholder and hence a connected person of KBC under the Listing Rules, and KBL is a subsidiary of KBC. As the applicable percentage ratios in respect of the continuing connected transactions under the Agreements and the Proposed Annual Caps, on an annual basis, are more than 5%, pursuant to Rule 14A.35 of the Listing Rules, the transactions under the Agreements are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and the transaction under the KBC Purchase Framework Agreement is subject to the Independent KBC Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Hallgain, being a substantial KBC Shareholder will abstain from voting on the resolution to be proposed at the KBC EGM. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan, each being a KBC Director and KBC Shareholder and a director and shareholder of Hallgain, will abstain from voting on the resolution to be proposed at the KBC EGM.

A KBC Independent Board Committee will be formed to consider and advise Independent KBC Shareholders as to whether (i) the terms of the KBC Purchase Framework Agreement; and (ii) the Proposed KBC Purchase Annual Caps are fair and reasonable, and are in the interests of KBC and the KBC Shareholders as a whole, and to advise the Independent KBC Shareholders as to how to vote at the KBC EGM. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to KBC to advise the KBC Independent Board Committee and the Independent KBC Shareholders in this respect.

A circular, containing among others, (i) details of the KBC Purchase Framework Agreement and the Proposed KBC Purchase Annual Caps; (ii) a letter from Karl Thomson Financial Advisory Limited to the KBC Independent Board Committee and the Independent KBC Shareholders containing its advice on the KBC Purchase Framework Agreement and the Proposed KBC Purchase Annual Caps; (iii) the recommendation of the KBC Independent Board Committee in respect of the KBC Purchase Framework Agreement and the Proposed KBC Purchase Annual Caps; and (iv) a notice convening the KBC EGM, will be despatched to the KBC Shareholders on or about 18 April 2011.

KBL

As the applicable percentage ratios in respect of the KBL Agreements and the transactions contemplated thereunder, on an annual basis, exceed 5% but are less than 25%, the KBL Agreements and the transactions contemplated thereunder constitute a discloseable transaction for KBL under Chapter 14 of the Listing Rules.

The KBL Agreements and the transactions contemplated thereunder also constitute continuing connected transactions for KBL pursuant to Chapter 14A of the Listing Rules, on the basis that Hallgain, through its interests in KBC, is a substantial KBL Shareholder, and hence a connected person of KBL under the Listing Rules. As the applicable percentage

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

The principal business of Hallgain is investment holding. 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, the following expressions have the meanings set out below unless the context requires otherwise:

"Agreements"	the KBC Purchase Framework Agreement, the KBL Supply Framework Agreement and the KBL Purchase Framework Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Hallgain"	Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability
"Hallgain Group"	Hallgain and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent KBC Shareholder(s)"	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to KBC means the KBC Shareholders other than Hallgain and its associates
"Independent KBL Shareholder(s)"	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to KBL means the KBL Shareholders other than KBC and its associates
"KBC"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
"KBC Board"	the board of KBC Directors
"KBC Director(s)"	the director(s) of KBC
"KBC EGM"	extraordinary general meeting to be held by KBC to approve, among other things, the KBC Purchase Framework Agreement and the Proposed KBC Purchase Annual Caps

"KBC Group"	KBC and its subsidiaries, excluding the KBL Group
"KBC Independent Board Committee"	an independent committee of the KBC Board composed of all independent non-executive KBC Directors, namely Dr. Cheng Wai Chee, Christopher, Mr. Henry Tan, Mr. Lai Chung Wing, Robert and Mr. Tse Kam Hung
"KBC Purchase Framework Agreement"	the agreement dated 1 April 2011 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 from 1 April 2011 to 31 December 2013
"KBC Shareholder(s)"	holder(s) of the KBC Shares
"KBC Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of KBC
"KBL"	Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
"KBL Agreements"	the KBL Supply Framework Agreement and the KBL Purchase Framework Agreement
"KBL Board"	the board of KBL Directors
"KBL Director(s)"	the director(s) of KBL
"KBL EGM"	extraordinary general meeting to be held by KBL to approve, among other things, the KBL Supply Framework Agreement, the KBL Purchase Framework Agreement, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps
"KBL Group"	KBL and its subsidiaries
"KBL Independent Board Committee"	an independent committee of the KBL Board composed of all independent non-executive KBL Directors, namely Mr. Chan Charnwut Bernard, Mr. Chan Yue Kwong, Michael, Mr. Leung Tai Chiu and Mr. Mok Yiu Keung, Peter

"KBL Purchase Framework Agreement"	the agreement dated 1 April 2011 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 from 1 April 2011 to 31 December 2013
"KBL Shareholder(s)"	holder(s) of the KBL Shares
"KBL Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of KBL
"KBL Supply Framework Agreement"	the agreement dated 1 April 2011 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 from 1 April 2011 to 31 December 2013
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PCBs"	printed circuit boards
"Proposed Annual Caps"	the Proposed KBC Purchase Annual Caps, the Proposed KBL Purchase Annual Caps and the Proposed KBL Supply Annual Caps
"Proposed KBC Purchase Annual Caps"	the proposed annual caps for the KBC Purchase Framework Agreement for the three financial years ending 31 December 2013
"Proposed KBL Supply Annual Caps"	the proposed annual caps for the KBL Supply Framework Agreement for the three financial years ending 31 December 2013
"Proposed KBL Purchase Annual Caps"	the proposed annual caps for the KBL Purchase Framework Agreement for the three financial years ending 31 December 2013
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

By Order of the KBC Board
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

By Order of the KBL Board
Kingboard Laminates Holdings Limited
Tsoi Kin Lung
Company Secretary

Hong Kong, 1 April 2011

As at the date of this announcement, the KBC Board comprises Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Mok Cham Hung, Chadwick and Chen Maosheng, being the executive KBC Directors, Mr. Chan Wing Kwan, being the non-executive KBC Director, and Messrs. Cheng Wai Chee, Christopher, Henry Tan, Lai Chung Wing, Robert and Tse Kam Hung, being the independent non-executive KBC Directors.

As at the date of this announcement, the KBL Board comprises Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho, Chan Sau Chi, Liu Min and Zhou Pei Feng, being the executive KBL Directors, Mr. Lo Ka Leong, being the non-executive KBL Director, and Messrs. Chan Charnwut Bernard, Chan Yue Kwong, Michael, Leung Tai Chiu and Mok Yiu Keung, Peter, being the independent non-executive KBL Directors.