LISTING RULES IMPLICATIONS

The transactions contemplated in the Agreements do not constitute any notifiable transaction under Chapter 14 of the Listing Rules on the part of KBC, on the basis that none of the calculation of the relevant percentage ratios for KBC exceed five per cent.

The transactions contemplated in the KBL Agreements do not constitute any notifiable transaction under Chapter 14 of the Listing Rules on the part of KBL, on the basis that none of the calculation of the relevant percentage ratios for KBL exceed five per cent.

The transactions contemplated in the Agreements constitute continuing connected transactions for KBC, 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 relevant percentage ratios represented by the aggregate amount of the continuing connected transactions under the Agreements and the Proposed Annual Caps are less than 2.5 per cent., pursuant to Rule 14A.32 of the Listing Rules, the continuing connected transactions under the Agreements and the Proposed Annual Caps are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and are exempt from independent KBC Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The transactions contemplated in the KBL Agreements constitute continuing connected transactions for KBL, 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 relevant percentage ratios represented by the aggregate amount of the continuing connected transactions under the KBL Agreements and the Proposed KBL Annual Caps are less than 2.5 per cent., pursuant to Rule 14A.32 of the Listing Rules, the continuing connected transactions under the KBL Agreements and the Proposed KBL Annual Caps are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and are exempt from independent KBL Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

A. THE KBC GROUP

1. Purchase of copper balls from the Hallgain Group by the KBC Group

[illegible]:

Particulars of the KBC Copper Ball Agreement are set out below:

Date : 22 December 2009

Parties: (1) Hallgain
(2) KBC

Products to be purchased:	purchase of copper balls from the Hallgain Group by the KBC Group, without any limitation on the maximum or minimum quantity of copper balls 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 January 2010 to 31 December 2012, both days inclusive

Under the KBC Copper Ball Agreement, the amount of copper balls 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 copper balls from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of copper balls to the KBC Group during the term of the KBC Copper Ball Agreement. The actual quantity, specification and price of the copper balls under the KBC Copper Ball 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 copper balls from the Hallgain Group by the KBC Group.

2. Proposed KBC Annual Caps

The following table sets out the proposed annual caps for the KBC Copper Ball Agreement for the three financial years ending 31 December 2012 (the "**Proposed KBC Annual Caps**"):

	Financial year ending 31 December		
	2010	**2011**	**2012**
KBC Copper Ball Agreement	HK$275,000,000	HK$302,500,000	HK$332,750,000

The Proposed KBC Annual Caps were determined with reference to the prevailing market conditions relating to the demand for copper balls, the anticipated growth in demand of the copper balls, and 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 copper balls by the Hallgain Group for each of the financial years ending 31 December 2010, 2011 and 2012, and on the assumption that there will be an annual increase of approximately 10 per cent. in 2010, 2011 and 2012 in respect of the purchase of copper balls from the Hallgain Group, the KBC Directors are of the view that the Proposed KBC Annual Caps are fair and reasonable.

B. THE KBL GROUP

1. Purchase of machineries from the Hallgain Group by the KBL Group

[illegible]:

Particulars of the Machinery Agreement are set out below:

Date :	22 December 2009
Parties:	(1) Hallgain (2) KBL
Products to be purchased:	purchase of machineries for the manufacture of laminates from the Hallgain Group by the KBL Group, without any limitation on the maximum or minimum quantity of machineries to be purchased by the KBL Group
Pricing:	at a price which is not less favourable to the KBL Group

Products to be supplied:	supply of copper by the KBL Group to the Hallgain Group, without any limitation on the maximum or minimum quantity of copper 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 January 2010 to 31 December 2012, both days inclusive

Under the Copper Supply Agreement, the amount of copper 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 to the Hallgain Group and the Hallgain Group will not be obligated to purchase any set quantity of copper from the KBL Group during the term of the Copper Supply Agreement. The actual quantity, specification and price of the copper under the Copper Supply 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 by the KBL Group to the Hallgain Group.

3. Proposed KBL Annual Caps

The following table sets out the proposed annual caps for the Machinery Agreement and the Copper Supply Agreement for the three financial years ending 31 December 2012 (the "**Proposed KBL Annual Caps**"):

	Financial year ending 31 December		
	2010	**2011**	**2012**
Machinery Agreement	HK$7,000,000	HK$8,400,000	HK$10,000,000
Copper Supply Agreement	HK$180,000,000	HK$198,000,000	HK$217,800,000

The Proposed KBL Annual Caps were determined with reference to the prevailing market conditions relating to the demand for machineries and copper, the anticipated growth in demand of machineries and copper, and the business development plan of the KBL Group.

Having considered the above and the expected growth in production and sales, expected increase in demand, expected increase in production capacity of the KBL Group, and taking into consideration the estimated increase in the price for the sale of machineries by the Hallgain Group and the sale of copper by the KBL Group for each of the financial years ending 31 December 2010, 2011 and 2012, and on the assumption that there will be an annual increase of approximately 20 per cent. in 2010, 2011 and 2012 in respect of the purchase of machineries from the Hallgain Group and approximately 10 per cent. in 2010, 2011 and 2012 in respect of the sale of copper by the KBL Group to the Hallgain Group, the KBL Directors (including the independent non-executive KBL Directors) are of the view that the Proposed KBL Annual Caps are sufficient, fair and reasonable.

The transactions contemplated in the KBL Agreements do not constitute any notifiable transaction under Chapter 14 of the Listing Rules on the part of KBL, on the basis that none of the calculation of the relevant percentage ratios for KBL exceed five per cent.

The transactions contemplated in the Agreements constitute continuing connected transaction for KBC, 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 relevant percentage ratios represented by the aggregate amount of the continuing connected transactions under the Agreements and the Proposed Annual Caps are less than 2.5 per cent., pursuant to Rule 14A.32 of the Listing Rules, the continuing connected transaction under the Agreements and the Proposed Annual Caps are only subject to the reporting and announcement

"Copper Supply Agreement"	the agreement dated 22 December 2009 entered into between KBL and Hallgain in relation to the sale of copper to the Hallgain Group by the KBL Group for a term from 1 January 2010 to 31 December 2012
"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
"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 Copper Ball Agreement"	the agreement dated 22 December 2009 entered into between KBC and Hallgain in relation to the purchase of copper balls from the Hallgain Group by the KBC Group for a term from 1 January 2010 to 31 December 2012
"KBC Director(s)"	the director(s) of KBC
"KBC Group"	KBC and its subsidiaries, excluding the KBL Group
"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 Agreements"	the Machinery Agreement and the Copper Supply Agreement
"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 Board"	the board of KBL Directors
"KBL Director(s)"	the director(s) of KBL
"KBL Group"	KBL and its subsidiaries

"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
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Machinery Agreement"	the agreement dated 22 December 2009 entered into between KBL and Hallgain in relation to the purchase of machineries for the manufacture of laminates from the Hallgain Group by the KBL Group for a term from 1 January 2010 to 31 December 2012
"PCBs"	printed circuit boards
"Proposed Annual Caps"	the Proposed KBC Annual Caps and the Proposed KBL Annual Caps
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	percentage

By Order of the KBC Board
Kingboard Chemical Holdings Limited
Chan Wing Kwan
M/ /

By Order of the KBL Board
Kingboard Laminates Holdings Limited
Cheung Kwok Keung
M/ /

Hong Kong, 22 December 2009

A / / KBC B / M . C K , C / K / , C / , C K K / , H / , C / L , M C / H , C / , KBC D / , / M . C / C , C , H / , L / C K / H , KBC D .

A / / KBL B / M . C K / , C K K , C K P , L/ K/ P , C K/ H , C / / C , L M / P F , KBL D / , M . L K/ L , KBL D / , / M . C / C / B / , C / K , M / ,