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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**

On 1 May 2010, Hallgain entered into the KBC Drill Bits Agreement and the KBL Drill Bits Agreement with KBC and KBL respectively, pursuant to which the Hallgain Group has agreed to sell and each of the KBC Group and the KBL Group has agreed to purchase drill bits during the term of the KBC Drill Bits Agreement and the KBL Drill Bits Agreement respectively.

The actual quantity, specification and price of the drill bits under each of the KBC Drill Bits Agreement and the KBL Drill Bits Agreement will be subject to the individual orders placed by the KBC Group and the KBL Group with the Hallgain Group respectively.

### **LISTING RULES IMPLICATIONS**

The transaction contemplated in the KBC Drill Bits Agreement constitutes a 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. Pursuant to Rule 14A.25 of the Listing Rules, the KBC Drill Bits Agreement will be aggregated with the continuing connected transactions entered into between the Hallgain Group and each of the KBC Group and the KBL Group respectively on 22 December 2009 (please refer to the joint announcement issued by KBC and KBL dated 22 December 2009 for details of such transactions). As the aggregate annual amount of the continuing connected transactions under the KBC Drill Bits Agreement, the KBL Drill Bits Agreement, the KBC Copper Ball Agreement, the Machinery Agreement and the Copper Supply Agreement is more than 2.5 per cent. under the revenue ratio, pursuant to Rule 14A.35 of the Listing Rules, the transaction contemplated in the KBC Drill Bits Agreement is subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and is subject to the Independent KBC Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

\* For identification purposes only

A KBC Independent Board Committee will be formed to consider and advise Independent KBC Shareholders as to whether (i) the terms of the KBC Drill Bits Agreement; and (ii) the Proposed KBC 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 Drill Bits Agreement and the Proposed KBC 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 Drill Bits Agreement and the Proposed KBC Annual Caps; (iii) the recommendation of the KBC Independent Board Committee in respect of the KBC Drill Bits Agreement and the Proposed KBC Annual Caps; and (iv) a notice convening the KBC EGM, will be despatched to the KBC Shareholders as soon as practicable.

The transaction contemplated in the KBL Drill Bits Agreement constitutes a continuing connected transaction 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. Pursuant to Rule 14A.25 of the Listing Rules, the KBL Drill Bits Agreement will be aggregated with the continuing connected transactions entered into between the KBL Group and the Hallgain Group on 22 December 2009 (please refer to the joint announcement issued by KBC and KBL dated 22 December 2009 for details of such transactions). As the aggregate annual amount of the continuing connected transactions under the KBL Drill Bits Agreement, the Machinery Agreement and the Copper Supply Agreement is more than 2.5 per cent. under the revenue ratio, pursuant to Rule 14A.35 of the Listing Rules, the transaction contemplated in the KBL Drill Bits Agreement is subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and is subject to the Independent KBL Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

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

A circular, containing among others, (i) details of the KBL Drill Bits Agreement and the Proposed KBL Annual Caps; (ii) a letter from Karl Thomson Financial Advisory Limited to the KBL Independent Board Committee and the Independent KBL Shareholders containing its advice on the KBL Drill Bits Agreement and the Proposed KBL Annual Caps; (iii) the recommendation of the KBL Independent Board Committee in respect of the KBL Drill Bits Agreement and the Proposed KBL Annual Caps; and (iv) a notice convening the KBL EGM, will be despatched to the KBL Shareholders as soon as practicable.

## CONTINUING CONNECTED TRANSACTIONS

### A. Purchase of drill bits from the Hallgain Group by the KBC Group

#### 1. Details and reasons for the transaction:

Particulars of the KBC Drill Bits Agreement are set out below:

Date : 1 May 2010

Parties: (1) Hallgain  
(2) KBC

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

Under the KBC Drill Bits Agreement, the amount of 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 drill bits from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of drill bits to the KBC Group during the term of the KBC Drill Bits Agreement. The actual quantity, specification and price of the drill bits under the KBC Drill Bits 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 drill bits 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 Drill Bits Agreement for the three financial years ending 31 December 2012 (the “**Proposed KBC Annual Caps**”):

	Financial year ending 31 December		
	2010	2011	2012
KBC Drill Bits Agreement	HK\$64,000,000*	HK\$116,160,000	HK\$140,553,600

\* Proposed amount for eight months from 1 May 2010 to 31 December 2010

The Proposed KBC Annual Caps were determined with reference to the prevailing market conditions relating to the demand for drill bits, the anticipated growth in demand of the drill bits, 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 drill bits 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 21 per cent. in 2010, 2011 and 2012 in respect of the purchase of drill bits from the Hallgain Group, the KBC Directors are of the view that the Proposed KBC Annual Caps are fair and reasonable.

## B. Purchase of drill bits from the Hallgain Group by the KBL Group

### 1. Details and reasons for the transaction:

Particulars of the KBL Drill Bits Agreement are set out below:

Date :	1 May 2010
Parties:	(1) Hallgain (2) KBL
Products to be purchased:	purchase of drill bits from the Hallgain Group by the KBL Group, without any limitation on the maximum or minimum quantity of drill bits to be purchased by the KBL Group
Pricing:	at a price which is not less favourable to the KBL Group than the price at which the KBL 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 May 2010 to 31 December 2012, both days inclusive

Under the KBL Drill Bits Agreement, the amount of drill bits to be purchased 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 purchase a minimum amount of drill bits from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of drill bits to the KBL Group during the term of the KBL Drill Bits Agreement. The actual quantity, specification and price of the drill bits under the KBL Drill Bits Agreement will be subject to the individual orders placed by the KBL Group with the Hallgain Group. The Hallgain Group grants a credit period of 60 days to the KBL Group in respect of the purchase of drill bits from the Hallgain Group by the KBL Group.

## 2. Proposed KBL Annual Caps

The following table sets out the proposed annual caps for the KBL Drill Bits Agreement for the three financial years ending 31 December 2012 (the “**Proposed KBL Annual Caps**”):

	<b>Financial year ending 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
KBL Drill Bits Agreement	HK\$15,607,000*	HK\$28,093,000	HK\$33,711,000

\* Proposed amount for eight months from 1 May 2010 to 31 December 2010

The Proposed KBL Annual Caps were determined with reference to the prevailing market conditions relating to the demand for drill bits, the anticipated growth in demand of the drill bits, 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 drill bits 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 20 per cent. in 2010, 2011 and 2012 in respect of the purchase of drill bits from the Hallgain Group, the KBL Directors are of the view that the Proposed KBL Annual Caps are fair and reasonable.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

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

Pursuant to the Agreements, the Hallgain Group shall produce and supply drill bits to each of the KBC Group and the KBL Group. 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.

The terms of the Agreements were arrived at after arm's length negotiation between the relevant parties.

In light of the above, the KBC Directors are of the view that the terms of the KBC Drill Bits 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 Drill Bits 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 Drill Bits Agreement and the KBL Drill Bits Agreement are carried out in the ordinary and usual course of business of the KBC Group and the KBL Group respectively.

## **LISTING RULES IMPLICATIONS**

The transaction contemplated in the KBC Drill Bits Agreement constitutes a 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. Pursuant to Rule 14A.25 of the Listing Rules, the KBC Drill Bits Agreement will be aggregated with the continuing connected transactions entered into between the Hallgain Group and each of the KBC Group and the KBL Group respectively on 22 December 2009 (please refer to the joint announcement issued by KBC and KBL dated 22 December 2009 for details of such transactions). As the aggregate annual amount of the continuing connected transactions under the KBC Drill Bits Agreement, the KBL Drill Bits Agreement, the KBC Copper Ball Agreement, the Machinery Agreement and the Copper Supply Agreement is more than 2.5 per cent. under the revenue ratio, pursuant to Rule 14A.35 of the Listing Rules, the transaction contemplated in the KBC Drill Bits Agreement is subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and is subject to the Independent KBC Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

A KBC Independent Board Committee will be formed to consider and advise Independent KBC Shareholders as to whether (i) the terms of the KBC Drill Bits Agreement; and (ii) the Proposed KBC 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 Drill Bits Agreement and the Proposed KBC 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 Drill Bits Agreement and the Proposed KBC Annual Caps; (iii) the recommendation of the KBC Independent Board Committee in respect of the KBC Drill Bits Agreement and the Proposed KBC Annual Caps; and (iv) a notice convening the KBC EGM, will be despatched to the KBC Shareholders as soon as practicable.

The transaction contemplated in the KBL Drill Bits Agreement constitutes a continuing connected transaction 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. Pursuant to Rule 14A.25 of the Listing Rules, the KBL Drill Bits Agreement will be aggregated with the continuing connected transactions entered into between the KBL Group and the Hallgain Group on 22 December 2009 (please refer to the joint announcement issued by KBC and KBL dated 22 December 2009 for details of such transactions). As the aggregate annual amount of the continuing connected transactions under the KBL Drill Bits Agreement, the Machinery Agreement and the Copper Supply Agreement is more than 2.5 per cent. under the revenue ratio, pursuant to Rule 14A.35 of the Listing Rules, the transaction contemplated in the KBL Drill Bits Agreement is subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and is subject to the Independent KBL Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

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

A circular, containing among others, (i) details of the KBL Drill Bits Agreement and the Proposed KBL Annual Caps; (ii) a letter from Karl Thomson Financial Advisory Limited to the KBL Independent Board Committee and the Independent KBL Shareholders containing its advice on the KBL Drill Bits Agreement and the Proposed KBL Annual Caps; (iii) the recommendation of the KBL Independent Board Committee in respect of the KBL Drill Bits Agreement and the Proposed KBL Annual Caps; and (iv) a notice convening the KBL EGM, will be despatched to the KBL Shareholders as soon as practicable.

## **GENERAL**

The principal business of KBC is investment holding. The KBC Group is principally engaged in the production and sale of PCBs, caustic soda, formalin, phenol, acetone, PVC, acetic acid, coke and methanol and property developments.

The principal business of KBL is investment holding. The KBL Group is principally engaged in the manufacturing 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 business of manufacturing 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 Drill Bits Agreement and the KBL Drill Bits Agreement
“connected person”	the meaning ascribed to it under the Listing Rules
“Copper Supply Agreement”	as defined in the joint announcement issued by KBC and KBL dated 22 December 2009
“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 Copper Ball Agreement”	as defined in the joint announcement issued by KBC and KBL dated 22 December 2009
“KBC Director(s)”	the director(s) of KBC
“KBC Drill Bits Agreement”	the agreement dated 1 May 2010 entered into between KBC and Hallgain in relation to the purchase of drill bits from the Hallgain Group by the KBC Group for a term from 1 May 2010 to 31 December 2012

“KBC EGM”	extraordinary general meeting to be held by KBC to approve, among other things, the KBC Drill Bits Agreement and the Proposed KBC 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 directors of KBC, namely Mr. Cheng Wai Chee, Christopher, Mr. Henry Tan, Mr. Lai Chung Wing, Robert and Mr. Tse Kam Hung
“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 Board”	the board of KBL Directors
“KBL Director(s)”	the director(s) of KBL
“KBL Drill Bits Agreement”	the agreement dated 1 May 2010 entered into between KBL and Hallgain in relation to the purchase of drill bits from the Hallgain Group by the KBL Group for a term from 1 May 2010 to 31 December 2012
“KBL EGM”	extraordinary general meeting to be held by KBL to approve, among other things, the KBL Drill Bits Agreement and the Proposed KBL 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 directors of KBL, namely Mr. Chan Charnwut Bernard, Mr. Chan Yue Kwong, Michael, Mr. Leung Tai Chiu and Mr. Mok Yiu Keung, Peter
“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”	as defined in the joint announcement issued by KBC and KBL dated 22 December 2009
“PCBs”	printed circuit boards
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the KBC Board  
**Kingboard Chemical Holdings Limited**  
**Chan Wing Kwan**  
*Managing Director*

By Order of the KBL Board  
**Kingboard Laminates Holdings Limited**  
**Cheung Kwok Keung**  
*Managing Director*

Hong Kong, 6 May 2010

*As at the date of this announcement, the KBC Board comprises Messrs. Cheung Kwok Wing, Chan Wing Kwan, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie and Mok Cham Hung, Chadwick, being the executive KBC Directors, 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.*