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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)

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**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

ANNOUNCEMENT IN RELATION TO THE ENTERING INTO OF A LICENCE AGREEMENT

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is being released for information purpose only.

The following is a reproduction of the relevant announcement of Kingboard Copper Foil Holdings Limited (“**KBCF**” or the “**Company**”), published on the Singapore Exchange Securities Trading Limited’s website at www.sgx.com on 3 August 2011 in relation to the entering into of a licence agreement by Hong Kong Copper Foil Limited, a wholly-owned subsidiary of KBCF.

“KINGBOARD COPPER FOIL HOLDINGS LIMITED

(Incorporated in Bermuda)

(Company Registration No. 26998)

LICENSING OF MANUFACTURING FACILITIES

1. LICENSING TRANSACTION

- 1.1 **Licence.** The Board of Directors of Kingboard Copper Foil Holdings Limited (the “**Company**”) wishes to announce that its wholly-owned subsidiary, Hong Kong Copper Foil Limited (the “**Licensor**”), has today entered into a licence agreement (the “**Licence Agreement**”) with Harvest Resource Management Limited (the “**Licensee**”) (together with the Licensor, the “**Parties**”) (the “**Licensing Transaction**”).

* For identification purpose only

Pursuant to the terms of the Licence Agreement, the Licensor will grant the Licensee a licence:

- (i) to use the leasehold properties, comprising factory buildings in Fogang, People's Republic of China (the "**PRC**") and, factory building in Lianzhou, PRC (as described in the Licence Agreement) (the "**Properties**");
- (ii) to use, consume and dispose of the inventory (as described in the Licence Agreement) (the "**Inventory**") which shall include consumables (as described in the Licence Agreement) and stocks in trade (as described in the Licence Agreement); and
- (iii) to use the machinery (as described in the Licence Agreement), together with all other equipment and facilities as from time to time located at the Properties (collectively, the "**Machinery**"),

(collectively, the "**Licence**"), for a period from 1 September 2011 to 31 August 2013 (the "**Licence Period**").

- 1.2 **Regulatory Approval.** The grant of the Licence shall be subject to any regulatory approval required by law or any regulatory body or the rules of any recognised stock exchange, in respect of the Licence Agreement and/or the grant of the Licence pursuant to the Licence Agreement, having been obtained from the appropriate government, governmental bodies, other regulatory bodies or any recognised stock exchange on terms satisfactory to the Licensor and such regulatory approval remaining in full force and effect. In the event such regulatory approval is not obtained or if granted is subsequently revoked, the Licence Agreement shall terminate with immediate effect.

2. INFORMATION ON THE COMPANY AND LICENSOR

- 2.1 **The Company.** The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries of the Company are investment holding, manufacture of copper foil and trading in copper foil.
- 2.2 **The Licensor.** The Licensor is a wholly-owned subsidiary of the Company which is incorporated in the British Virgin Islands. The principal activity of the Licensor is that of investment holding. The Properties, Inventory and Machinery are held by subsidiaries of the Licensor and constitute all of the manufacturing facilities of the Company and its subsidiaries (the "**Group**") for copper foil products. The Licensor has entered into an agreement with these subsidiaries to license the Property, Inventory and Machinery to the Licensee pursuant to the Licence Agreement.

3. INFORMATION ON THE LICENSEE

The Licensee is incorporated in the British Virgin Islands. The principal activity of the Licensee is that of investment holding. All of the shareholders and directors of the Licensee are independent third parties which do not have any prior relationship with Kingboard Chemical Holdings Limited (“**Kingboard Chemical**”), the ultimate holding company of the Company, and its subsidiaries.

4. RATIONALE OF THE LICENSING TRANSACTION

At the Annual General Meeting of the Company held on 29 April 2011 (“**AGM**”), shareholders of the Company (“**Shareholders**”) did not approve the renewal of the mandate (“**Shareholders’ Mandate**”) to enable the Group to enter into interested person transactions with Kingboard Chemical and its associates (as defined in the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited) (together the “**Interested Persons**”). As a result, the Group will not be able to enter into any transaction with the Interested Persons of a value equal to, or more than, 5 per cent. of its latest audited net tangible assets (the “**5% Limit**”) without obtaining approval from Shareholders.

For the above reasons, the Group is unable to transact with, and supply copper foil to, the Interested Persons in excess of the 5% Limit without obtaining the approval of Shareholders. As approximately 89% of the Group’s revenue for the financial year ended 31 December 2010 is based on the supply of copper foil to the Interested Persons, the management of the Company, in spite of their best efforts, have not been able to find customers to whom they are able to supply the same amount of copper foil as they had previously supplied to the Interested Persons. Accordingly, the Company will, as an interim measure, license the Properties, Inventory and Machinery that were being used for the production of copper foil, to the Licensee, in order to ensure that a steady stream of income, arising from the Licence Fee (as defined below), is received by the Company. As the Properties, Inventory and Machinery constitute all of the Group’s manufacturing facilities for its copper foil products, the Group will cease to manufacture copper foil for the duration of the Licence Period.

The Company will continue to actively consider the appropriate actions that need to be taken in order to address the non-approval of the renewal of the Shareholders’ Mandate and will, in compliance with the Corporate Disclosure Policy of the Listing Manual, make the relevant disclosures in due course.

5. OTHER PRINCIPAL TERMS OF THE LICENSING TRANSACTION

- 5.1 **Licence Fee.** The licence fee of HKD10,000,000 (the “**Licence Fee**”) is payable in advance on the first day of each and every calendar month for the duration of the Licence Period.
- 5.2 **Deposit.** On signing of the Licence Agreement, the Licensee has paid to the Licensor a sum of HKD20,000,000 by way of a deposit (the “**Deposit**”) for the due performance and observance of the Licence Agreement.

The Deposit shall be retained by the Licensor throughout the Licence Period, free of any interest to the Licensee, and in the event of any breach or non-observance or non-performance by the Licensee of any of the agreements, stipulations or conditions mentioned in the Licence Agreement, the Licensor shall be entitled to terminate the Licence Agreement in which event the Deposit may be forfeited by the Licensor.

Unless the Deposit is forfeited as described in the paragraph above or as described in paragraph 5.3 below in accordance with the terms of the Licence Agreement, the Licensor will repay the Licensee the Deposit (or the balance thereafter after deduction which the Licensor is entitled to make) without any interest thereon.

- 5.3 Termination and Re-entry.** Within the first 12 months of the Licence Period, either the Licensor or the Licensee may terminate this Agreement at its sole discretion, by serving on the other party not less than one month prior notice in writing and paying the other party HKD1,000,000 or such other amount as may be mutually agreed in writing between the parties. After the expiration of the first 12 months of the Licence Period, the Licensor may terminate the Licence Agreement, at its sole discretion, by serving on the Licensee not less than one month prior notice in writing.

The Parties agree that, at any point in time, if:

- (i) the Licence Fee or any part thereof is not paid for 14 days after becoming due (whether it has been formally demanded or not);
- (ii) there shall be a material breach of the agreements by the Licensee in the Licence Agreement;
- (iii) the Licensee shall become bankrupt or go into liquidation, as the case may be, or if a petition of bankruptcy or winding-up, as the case may be, is filed against the Licensee;
- (iv) the Licensee shall enter into any compensation or arrangement with creditors;
or
- (v) the Licensee's goods are or will be seized pursuant to a court order,

the Licensor shall be entitled to re-enter the Properties and the Licence shall be terminated but without prejudice to any rights which may have accrued to the Licensor or the Licensee by reason of any prior breach of any of the obligations in the Licence Agreement on the part of the Licensee or the Licensor. The Deposit shall also be forfeited by the Licensor but the Licensor has a right to claim any further damages which the Licensor has sustained or may sustain.

6. FINANCIAL EFFECTS OF THE LICENSING TRANSACTION AND THE CORRESPONDING CESSATION OF THE MANUFACTURE OF COPPER FOIL

- 6.1 **General.** The cessation of the manufacture of copper foil would have a financial impact on the Group which will be reflected in both the income statement and the statement of financial position of the Group after such cessation has occurred. In general, there will be a substantial decrease in the revenue and cost of sales of the Group. The trade receivables and trade payables of the Group will also decrease in line with its revenue and cost of sales.
- 6.2 **Assumptions.** For illustrative purposes only, the financial effects of the Licensing Transaction and the corresponding cessation of the manufacture of copper foil products on the revenue, profit, net tangible assets (“NTA”) and earnings per share of the Company (“Share”), based on the audited consolidated financial statement of the Company and its subsidiaries (the “Group”) as at 31 December 2010, are set out below.
- 6.3 **Revenue and Profits.** Assuming that the Licensing Transaction had been completed on 1 January 2010, being the beginning of the most recently completed financial year of the Group, and based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2010, the effect on the revenue and profits of the Group for the financial year ended 31 December 2010 would be as follows:

| | Before Licensing Transaction | After Licensing Transaction |
|----------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Revenue (HK\$'000) | 4,274,035 | 350,135 |
| Cost of Sales/Cost of Services Rendered ⁽¹⁾ (HK\$'000) | 3,921,318 | 330,212 |
| Profit before tax (HK\$'000) | 243,844 | 5,459 |
| Profit after tax (HK\$'000) | 217,584 | 4,313 |

Note:

- ⁽¹⁾ On the basis that sales of copper foil will cease after the Licensing Transaction, the term “Cost of Sales” will be substituted by “Cost of Services Rendered” for the financial effects after the Licensing Transaction.

- 6.4 **Earnings.** Assuming that the Licensing Transaction had been completed on 1 January 2010, being the beginning of the most recently completed financial year of the Group, and based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2010, the effect on the earnings per Share for the financial year ended 31 December 2010 would be as follows:

| | Before Licensing Transaction | After Licensing Transaction |
|------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Earnings after tax and minority interests (HK\$'000) | 213,530 | 259 |
| Weighted average number of Shares ('000) | 722,500 | 722,500 |
| Basic earnings per Share (Hong Kong cents) | 29.55 | 0.04 |
| Diluted profit per Share (Hong Kong cents) | 29.55 | 0.04 |

- 6.5 **NTA.** Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2010, and (a) assuming that the Licensing Transaction had completed on 1 January 2010, being the beginning of the most recently completed financial year of the Group, or (b) assuming that the Licensing Transaction had completed on 31 December 2010, being the end of the most recently completed financial year of the Group, the financial effect on the NTA per Share as at 31 December 2010 would be as follows:

| | Before Licensing Transaction | After Licensing Transaction (Assuming completed on 1 January 2010) | After Licensing Transaction (Assuming completed on 31 December 2010) |
|--------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| NTA (HK\$'000) | 2,654,305 | 2,441,034 | 2,654,305 |
| NTA per Share (Hong Kong dollars) | 3.67 | 3.38 | 3.67 |

7. INTEREST(S) OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE LICENSING TRANSACTION

- 7.1 **Directors' Interests.** None of the directors of the Company have any interest, direct or indirect, in the Licensing Transaction.
- 7.2 **Controlling Shareholders' Interests.** None of the controlling shareholders of the Company have any interest, direct or indirect, in the Licensing Transaction.

8. GENERAL INFORMATION

- 8.1 **Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Licensing Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 8.2 **Document for Inspection.** Copies of the Licence Agreement are available for inspection by Shareholders of the Company during normal business hours at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Lam Ka Po
Director

3 August 2011”

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

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

Hong Kong, 3 August 2011

As at the date of this announcement, the board of directors of Kingboard Chemical Holdings Limited consists of 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 directors, Mr. Chan Wing Kwan, being the non-executive director and Messrs. Cheng Wai Chee, Christopher, Henry Tan, Lai Chung Wing, Robert and Tse Kam Hung, being the independent non-executive directors.

As at the date of this announcement, the board of directors of Kingboard Laminates Holdings Limited consists of 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 directors, Mr. Lo Ka Leong, being the non-executive director and Messrs. Chan Yue Kwong, Michael, Leung Tai Chiu, Mok Yiu Keung, Peter and Ip Shu Kwan, Stephen, being the independent non-executive directors.