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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 16 December 2008.

BACKGROUND

The Company and Kingboard entered into the 2008 Material Purchase Agreement on 13 December 2008, pursuant to which the Group agreed to purchase Chemicals and drill bits from the Retained Group.

The Company and Kingboard also entered into the 2008 Material Supply and Service Agreement on 13 December 2008, pursuant to which the Retained Group agreed to purchase laminate products and related upstream component materials (other than copper foil) from the Group and to engage the Group for the provision of drilling services.

Kingboard Copper Foil, a non wholly-owned subsidiary of the Company whose shares are listed on SGX-ST, and Kingboard entered into the 2008 Copper Foil Supply Agreement on 13 December 2008, pursuant to which Kingboard Group (other than Kingboard Copper Foil Group itself) agreed to purchase copper foil from Kingboard Copper Foil Group.

Kingboard is the ultimate holding company of the Company and owns, directly or indirectly, 66.42% of the issued share capital of the Company as at the date of this announcement. Accordingly, Kingboard is a connected person of the Company and members of the Retained Group are also connected persons of the Company under the Listing Rules. Each of the above transactions constituted non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules, and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

On 2 February 2009, the Independent Shareholders approved the continuing connected transactions under the 2008 Material Purchase Agreement, the 2008 Material Supply and Service Agreement and the 2008 Copper Foil Supply Agreement and the annual caps thereof for the three financial years ending 31 December 2011.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR THE THREE FINANCIAL YEARS ENDING 31 DECEMBER 2014

It is intended that similar transactions will continue following the expiration of the financial year ending 31 December 2011. Accordingly, the Company entered into the following agreements with Kingboard on 7 November 2011:

- (i) the New Material Purchase Agreement which sets out the general terms and conditions upon which the Group purchases Chemicals from the Retained Group; and
- (ii) the New Material Supply and Service Agreement which sets out the general terms and conditions upon which the Group supplies laminate products and related upstream component materials (including copper foil) and provides drilling services to the Retained Group,

for a term from 1 January 2012 to 31 December 2014.

The Directors (other than the independent non-executive Directors) consider that the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the Continuing Connected Transactions are fair and reasonable. The view of the independent non-executive Directors will be set out in the Company's circular in relation to the Continuing Connected Transactions to be despatched to the Shareholders.

LISTING RULES IMPLICATIONS

The Continuing Connected Transactions, taking into account the proposed annual caps thereof, constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules. Accordingly, the Continuing Connected Transactions (and the proposed annual caps thereof) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether (i) the terms of the New Material Purchase Agreement and the New Material Supply and Service Agreement; and (ii) the proposed annual caps for the Continuing Connected Transactions for each of the three financial years ending 31 December 2012, 2013 and 2014 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) details of the Continuing Connected Transactions and the proposed annual caps thereof for each of the three financial years ending 31 December 2012, 2013 and 2014; (ii) a letter from Karl Thomson Financial Advisory Limited to the Independent Board Committee and the Independent Shareholders containing its advice on the Continuing Connected Transactions and the proposed annual caps thereof for each of the three financial years ending 31 December 2012, 2013 and 2014; (iii) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions and the proposed annual caps thereof for each of the three financial years ending 31 December 2012, 2013 and 2014; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 28 November 2011.

INTRODUCTION

Reference is made to the announcement of the Company dated 16 December 2008.

The Company and Kingboard entered into the 2008 Material Purchase Agreement on 13 December 2008, pursuant to which the Group agreed to purchase Chemicals and drill bits from the Retained Group.

The Company and Kingboard also entered into the 2008 Material Supply and Service Agreement on 13 December 2008, pursuant to which the Retained Group agreed to purchase laminate products and related upstream component materials (other than copper foil) from the Group and to engage the Group for the provision of drilling services.

Kingboard Copper Foil, a non wholly-owned subsidiary of the Company whose shares are listed on SGX-ST, and Kingboard entered into the 2008 Copper Foil Supply Agreement on 13 December 2008, pursuant to which Kingboard Group (other than Kingboard Copper Foil Group itself) agreed to purchase copper foil from Kingboard Copper Foil Group.

Kingboard is the ultimate holding company of the Company and owns, directly or indirectly, 66.42% of the issued share capital of the Company as at the date of this announcement. Accordingly, Kingboard is a connected person of the Company and members of the Retained Group are also connected persons of the Company under the Listing Rules. Each of the above transactions constituted non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules, and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

On 2 February 2009, the Independent Shareholders approved the continuing connected transactions under the 2008 Material Purchase Agreement, the 2008 Material Supply and Service Agreement and the 2008 Copper Foil Supply Agreement and the annual caps thereof for the three financial years ending 31 December 2011. It is intended that similar transactions will continue following the expiration of the financial year ending 31 December 2011. Accordingly, the Company entered into the New Material Purchase Agreement and the New Material Supply and Service Agreement with Kingboard on 7 November 2011 and proposes to seek the Independent Shareholders' approval for the continuing connected transactions under these agreements and the annual caps thereof for the three financial years ending 31 December 2014.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Purchase of Chemicals from the Retained Group

Particulars of the New Material Purchase Agreement:

| | |
|---------------------------|---|
| Date: | 7 November 2011 |
| Parties: | (1) Kingboard (2) the Company |
| Products to be purchased: | purchase of Chemicals from the Retained Group |
| Pricing: | in accordance with the then-prevailing market prices, but in no event will the terms be less favourable to the Group than those offered to Independent Third Parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances |
| Term: | from 1 January 2012 to 31 December 2014, both days inclusive |

Details and reasons for the transactions:

Under the New Material Purchase Agreement, the amount of Chemicals are not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to purchase a minimum amount of Chemicals from the Retained Group and the Retained Group will not be obligated to supply any set quantity of Chemicals to the Group during the term of the New Material Purchase Agreement.

The terms of the New Material Purchase Agreement were arrived at after arm's length negotiation between the parties. The Directors (other than the independent non-executive Directors) are of the view that the terms of the New Material Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The transactions under the New Material Purchase Agreement are carried out in the ordinary and usual course of business of the Group. The view of the independent non-executive Directors will be set out in the Company's circular in relation to the Continuing Connected Transactions to be despatched to the Shareholders.

The Chemicals are essential for the production of phenolic resin and epoxy resin and consequently for the production of laminates and related upstream component materials by the Group. Although the Group does not rely on the Retained Group for the purchase of Chemicals since such Chemicals are readily available from Independent Third Parties at comparable prices and terms, the purchase of Chemicals from the Retained Group allows the Group to benefit from the economies of scale of the Retained Group.

Historical amounts and proposed annual caps:

The following table sets forth the historical purchases made by the Group and the proposed annual caps for the New Material Purchase Agreement:

| | Financial year ended/ending 31 December | | |
|--|--|-------------|----------------------|
| | 2009 | 2010 | 2011 |
| Historical purchases ¹ (HK\$'000) | 370,343 | 504,457 | 547,720 ² |
| | 2009 | 2010 | 2011 |
| Annual caps ¹ (HK\$'000) | 392,000 | 548,800 | 768,320 |
| | 2012 | 2013 | 2014 |
| Proposed annual caps ³ (HK\$'000) | 999,000 | 1,298,000 | 1,688,000 |

Notes:

1. For the purchase of Chemicals and drill bits under the 2008 Material Purchase Agreement.
2. Actual amount for the nine months ended 30 September 2011.
3. For the purchase of Chemicals under the New Material Purchase Agreement.

The Company believes that the economic growth in the People's Republic of China will stimulate the demand for electronic products, such as mobile phones and consumer products, and as a result, there will be an increasing demand for laminates for the production of electronic products. As such, the increasing demand will lead to the corresponding increasing demand for Chemicals which are used for the production of laminates.

The strong market growth can be illustrated by the historical purchases made by the Group in 2009, 2010 and the first nine months of 2011. The actual transaction amount under the 2008 Material Purchase Agreement in 2010 as compared to that in 2009 increased by approximately 36%. As compared to the actual transaction amount in 2010, the projected transaction amounts in 2011, being approximately HK\$730,293,000, also increases by approximately 45%.

Having considered the above and the historical revenue, expected growth in production and sales, expected increase in demand, expected increase in production capacity of the Group, and taking into consideration the estimated increase in the price for the sale of Chemicals by the Retained Group and the projected global economy for the financial years ending 31 December 2012, 2013 and 2014, and on the assumption that there will be an annual increase of approximately 30% in 2012, 2013 and 2014 (as compared to the annual cap for the corresponding previous year), the Directors (other than the independent non-executive Directors) are of the view that the above proposed annual caps in respect of the purchases of Chemicals by the Group from the Retained Group under the New Material Purchase Agreement are fair and reasonable. The view of the

independent non-executive Directors will be set out in the Company's circular in relation to the Continuing Connected Transactions to be despatched to the Shareholders.

2. Sale of laminates and related upstream component materials and provision of drilling services to the Retained Group

Particulars of the New Material Supply and Service Agreement:

| | |
|---------------------------------------|---|
| Date: | 7 November 2011 |
| Parties: | (1) Kingboard (2) the Company |
| Products and services to be supplied: | supply of laminate products and related upstream component materials (including copper foil) and provision of drilling services by the Group to the Retained Group |
| Pricing: | in accordance with the then-prevailing market prices, but in no event will the terms be more favourable to the Retained Group than those offered by the Group to Independent Third Parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances |
| Term: | from 1 January 2012 to 31 December 2014, both days inclusive |

Details and reasons for the transactions:

Under the New Material Supply and Service Agreement, the amount of laminates and related upstream component materials (including copper foil) to be sold and the drilling services to be provided are not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to supply a minimum amount of laminates and related upstream component materials or to provide drilling services to the Retained Group and the Retained Group will not be obligated to purchase any set quantity of laminates or related upstream component materials or to utilise the drilling services offered by the Group during the term of the New Material Supply and Service Agreement.

The New Material Supply and Service Agreement is a comprehensive agreement covering the supply of laminates and related upstream component materials (including copper foil) and provision of drilling services. Kingboard Copper Foil is a non-wholly owned subsidiary of the Company whose shares are listed on the SGX-ST. The supply of copper foil by Kingboard Copper Foil Group to Kingboard Group (other than Kingboard Copper Foil Group itself) constitutes interested person transactions of Kingboard Copper Foil under the SGX-Listing Manual. On 3 January 2011, Kingboard Copper Foil entered into an agreement with Kingboard to supplement the 2008 Copper Foil Supply Agreement for the supply of copper foil by Kingboard Copper Foil Group to Kingboard

Group (other than Kingboard Copper Foil Group itself) for the financial years ending 31 December 2013 subject to compliance with, among other things, the requirements of the SGX-Listing Manual. At the annual general meeting of Kingboard Copper Foil on 29 April 2011, the shareholders of Kingboard Copper Foil disapproved the aforesaid interested persons transactions. Accordingly, Kingboard Copper Foil Group currently does not supply copper foil to Kingboard Group (other than Kingboard Copper Foil Group itself) under any agreement between Kingboard Copper Foil and Kingboard but may resume so in the future subject to compliance with the requirements of the SGX-Listing Manual. The New Material Supply and Service Agreement provides the flexibility for the Group to supply laminates products and related upstream component materials (including, subject to compliance with the requirements of the SGX-Listing Manual, copper foil supplied from Kingboard Copper Foil Group) and provide drilling services to the Retained Group. The Group currently purchases copper foil from third party suppliers and may from time to time sell such copper foil to the Retained Group. The supply of such copper foil to the Retained Group will constitute continuing connected transactions of the Company and will be covered by the New Material Supply and Service Agreement.

The terms of the New Material Supply and Service Agreement were arrived at after arm's length negotiation between the relevant parties. The Directors (other than the independent non-executive Directors) are of the view that the terms of the New Material Supply and Service Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The transactions under the New Material Supply and Service Agreement are carried out in the ordinary and usual course of business of the Group. The view of the independent non-executive Directors will be set out in the Company's circular in relation to the Continuing Connected Transactions to be despatched to the Shareholders.

While the Group does not rely on the Retained Group for the sale of laminates and related upstream component materials and provision of drilling services, given that the Group has established a close working relationship with the Retained Group, the Company believes that transactions under the New Material Supply and Service Agreement will enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole.

Historical amounts and proposed annual caps:

The following table sets forth the historical sales made to the Retained Group and the proposed annual caps for the New Material Supply and Service Agreement:

| | Financial year ended/ending 31 December | | |
|--|--|-------------|------------------------|
| | 2009 | 2010 | 2011 |
| Historical sales ¹ (HK\$'000) | 2,101,289 | 2,591,093 | 1,741,939 ² |
| | 2009 | 2010 | 2011 |
| Annual caps ¹ (HK\$'000) | 3,834,000 | 3,834,000 | 3,834,000 |
| | 2012 | 2013 | 2014 |
| Proposed annual caps ³ (HK\$'000) | 3,000,000 | 3,000,000 | 3,000,000 |

Notes:

1. Under the 2008 Material Supply and Service Agreement and the 2008 Copper Foil Supply Agreement.
2. Actual amount for the nine months ended 30 September 2011.
3. For the supply for laminates and related upstream component materials (including copper foil) and provision of drilling services under the New Material Supply and Service Agreement.

While the historical annual caps for the three financial years ended 31 December 2009, 2010 and 2011 were not fully utilised during the same period as a result of the slow down in demand by the Retained Group for laminate products and related upstream component materials and drilling services, the Company anticipates that the economic growth in the People's Republic of China will stimulate the demand for laminate products and related upstream component materials and drilling services by the Retained Group in the three financial years ending 31 December 2012, 2013 and 2014.

Having considered the historical transaction amount and the estimated demand for laminate products and related upstream component materials and drilling services by the Retained Group for the three financial years ending 31 December 2012, 2013 and 2014, the Directors (other than the independent non-executive Directors) are of the view that the above proposed annual caps in respect of the sale of laminate products and related upstream component materials and provision of drilling services by the Group to the Retained Group under the New Material Supply and Service Agreement are fair and reasonable. The view of the independent non-executive Directors will be set out in the Company's circular in relation to the Continuing Connected Transactions to be despatched to the Shareholders.

LISTING RULES IMPLICATIONS

The Continuing Connected Transactions, taking into account the proposed annual caps thereof, constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules. Accordingly, the Continuing Connected Transactions (and the proposed annual caps thereof) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

The Directors (other than the independent non-executive Directors) consider that the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the Continuing Connected Transactions are fair and reasonable. The view of the independent non-executive Directors will be set out in the Company's circular in relation to the Continuing Connected Transactions to be despatched to the Shareholders.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether (i) the terms of the New Material Purchase Agreement and the New Material Supply and Service Agreement; and (ii) the proposed annual caps for the Continuing Connected Transactions for each of the three financial years ending 31 December 2012, 2013 and 2014 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) details of the Continuing Connected Transactions and the proposed annual caps for the Continuing Connected Transactions for each of the three financial years ending 31 December 2012, 2013 and 2014; (ii) a letter from Karl Thomson Financial Advisory Limited to the Independent Board Committee and the Independent Shareholders containing its advice on the Continuing Connected Transactions and the proposed annual caps for the Continuing Connected Transactions for each of the three financial years ending 31 December 2012, 2013 and 2014; (iii) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions and the proposed annual caps for the Continuing Connected Transactions for each of the three financial years ending 31 December 2012, 2013 and 2014; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 28 November 2011.

GENERAL

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

The principal business of Kingboard is investment holding. The Retained Group is engaged principally in the production and sale of printed circuit boards and chemicals and property development.

DEFINITIONS

In this announcement, the following expressions have the meanings as set out below unless the context requires otherwise:

| | |
|--|--|
| “2008 Copper Foil Supply Agreement” | an agreement dated 13 December 2008 made between Kingboard Copper Foil and Kingboard to supplement the original agreement dated 29 November 1999 and the supplemental agreement dated 5 November 2006, both between the same parties, in relation to the supply of copper foil by Kingboard Copper Foil Group to Kingboard Group (other than Kingboard Copper Foil Group itself) for a term from 1 January 2009 to 31 December 2011; |
| “2008 Material Purchase Agreement” | an agreement dated 13 December 2008 made between the Company and Kingboard in relation to the purchase of Chemicals and drill bits from the Retained Group for a term from 1 January 2009 to 31 December 2011; |
| “2008 Material Supply and Service Agreement” | an agreement dated 13 December 2008 made between the Company and Kingboard in relation to the supply of laminate products and related upstream component materials (other than copper foil) and the provision of drilling services by the Group to the Retained Group for a term from 1 January 2009 to 31 December 2011; |
| “associate(s)” | the meaning ascribed to it under the Listing Rules; |
| “Board” | the board of Directors; |
| “Chemicals” | chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda; |
| “Company” | Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange; |
| “connected person(s)” | the meaning ascribed to it under the Listing Rules; |
| “Continuing Connected Transactions” | the transactions under the New Material Purchase Agreement and the New Material Supply and Service Agreement; |
| “Director(s)” | Director(s) of the Company; |

| | |
|-----------------------------------|--|
| “EGM” | extraordinary general meeting to be held by the Company to approve, among other things, the Continuing Connected Transactions and the proposed annual caps for the Continuing Connected Transactions; |
| “Group” | the Company 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 Board Committee” | an independent committee of the Board composed of all independent non-executive Directors, namely Mr. Chan Yue Kwong, Michael, Mr. Leung Tai Chiu, Mr. Mok Yiu Keung, Peter and Mr. Ip Shu Kwan, Stephen; |
| “Independent Shareholder(s)” | has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the Shareholders other than Kingboard and its associates; |
| “Independent Third Party(ies)” | a person(s) or company(ies) who/which is or are independent of and not connected with the Company and its connected person(s); |
| “Kingboard” | Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, being the ultimate holding company of the Company; |
| “Kingboard Copper Foil” | Kingboard Copper Foil Holdings Limited, a company incorporated in Bermuda with limited liability and a 64.57% non-wholly owned subsidiary of the Company and whose shares are listed on SGX-ST; |
| “Kingboard Copper Foil Group” | Kingboard Copper Foil and its subsidiaries; |
| “Kingboard Group” | Kingboard and, as the context may require, its subsidiaries including the Group; |
| “Listing Rules” | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “New Material Purchase Agreement” | an agreement dated 7 November 2011 made between the Company and Kingboard in relation to the purchase of Chemicals by the Group from the Retained Group for a term from 1 January 2012 to 31 December 2014; |

| | |
|---|---|
| “New Material Supply and Service Agreement” | an agreement dated 7 November 2011 made between the Company and Kingboard in relation to the supply of laminate products and related upstream component materials (including copper foil) and provision of drilling services by the Group to the Retained Group for a term from 1 January 2012 to 31 December 2014; |
| “Retained Group” | Kingboard and its subsidiaries (excluding the Group); |
| “SGX-ST” | the Singapore Exchange Securities Trading Limited; |
| “SGX-ST Listing Manual” | the listing manual of SGX-ST; |
| “Shareholder(s)” | the shareholder(s) of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “subsidiary(ies)” | the meaning ascribed to it under the Listing Rules. |

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

Hong Kong, 7 November 2011

As at the date of this announcement, the Board 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.