

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# 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 WITH THE KBC GROUP**

Reference is made to the announcement and the circular of the Company dated 7 November 2011 and 30 November 2011 respectively in relation to the Existing Agreements. On 5 November 2013, the Company and KBC entered into the New Agreements, and set out the proposed annual caps thereof for the three years commencing on 1 January 2014 and ending on 31 December 2016 as more particularly set out in this announcement.

As at the date of this announcement, KBC, directly or indirectly, owns approximately 73.35% of the issued share capital of the Company. Accordingly, KBC is a connected person of the Company and the transactions contemplated under the New Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the amount on an annual basis under each of the New Agreements for each of the three years ending 31 December 2014, 2015 and 2016 is/are equal to or greater than 5%, the transactions contemplated under each of the New Agreements are subject to compliance by the Company with the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further details of each of the New Agreements and transactions and the Proposed Annual Caps contemplated thereunder; (ii) the opinion from the independent financial adviser; (iii) the recommendation from the independent board committee (comprising the INEDs); and (iv) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched by the Company to the Shareholders within 15 business days after the publication of this announcement.

## **BACKGROUND**

Reference is made to the announcement and the circular of the Company dated 7 November 2011 and 30 November 2011 respectively in relation to the Existing Agreements. On 5 November 2013, the Company and KBC entered into the New Agreements, and set out the proposed annual caps thereof for the three years commencing on 1 January 2014 and ending on 31 December 2016 as more particularly set out in this announcement.

## **NEW MATERIALS PURCHASE FRAMEWORK AGREEMENT**

On 5 November 2013, KBC entered into the New Materials Purchase Framework Agreement with the Company in relation to the purchase of Chemicals by the Group from the KBC Group. Details of the New Materials Purchase Framework Agreement are set out below:

Date: 5 November 2013

Parties: (1) KBC  
(2) the Company

Nature of transaction: The Group will purchase Chemicals from the KBC Group.

The amount of Chemicals to be purchased is not fixed but is to be determined and agreed between the parties from time to time. The Group will not be obligated to purchase a minimum amount of materials from the KBC Group and the KBC Group will not be obligated to sell any set quantity of Chemicals to the Group during the term of the New Materials Purchase Framework Agreement.

The actual quantity, specification and price (with reference to the prevailing market price) of Chemicals under the New Materials Purchase Framework Agreement will be subject to the individual orders placed by the Group with the KBC Group.

Term: Three years from 1 January 2014 to 31 December 2016, both days inclusive.

Consideration: The price at which the Chemicals are to be purchased will be at a price which is not less favourable to the Group than the price at which the Group purchases, or would be able to purchase similar Chemicals from independent third parties having regard to the quantity and other conditions of the purchase.

The KBC Group will grant a credit period of 30 days to the Group. The consideration will be settled in cash.

## Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps (including, for the purpose of the table below, the annual cap for the year ended 31 December 2011) in relation to the amounts payable by the Group to the KBC Group under the Existing Materials Purchase Framework Agreement (and, for the year ended 31 December 2011, the relevant preceding agreement) and the Proposed Annual Caps under the New Materials Purchase Framework Agreement.

Year ended 31 December 2011		Year ended 31 December 2012		Year ending 31 December 2013			Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
Annual cap (HKD'000)	Actual amount (HKD'000)	Annual cap (HKD'000)	Actual amount (HKD'000)	Annual cap (HKD'000)	Actual	Estimated	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)
					amount (up to 30 September 2013) (HKD'000)	amount (up to 31 December 2013) (HKD'000)			
768,320 <sup>1</sup>	728,941	999,000	841,381	1,298,000	812,771	1,083,695	1,428,000 <sup>2</sup>	1,571,000	1,728,000

Notes:

- As disclosed in the announcement of the Company dated 16 December 2008 and 7 November 2011.
- The annual cap for the financial year ending 31 December 2014 under the Existing Materials Purchase Framework Agreement is HKD1,688,000,000 which, upon the independent Shareholders' approval at the EGM, will be superseded by the Proposed Annual Cap under the New Materials Purchase Framework Agreement for the financial year ending 31 December 2014, namely HKD1,428,000,000. Please see the section headed "Reasons for and benefits of entering into the New Agreements" for the reason in seeking the annual cap for the financial year ending 31 December 2014.

The Proposed Annual Caps under the New Materials Purchase Framework Agreement were determined with reference to the internal projection of the purchases to be incurred having regard to (i) the historical figures; (ii) the anticipated growth in demand; (iii) the prevailing market prices; and (iv) inflation.

Having considered the above and the 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 KBC Group for each of the financial years ending 31 December 2014, 2015 and 2016, and on the assumption that there will be an annual increase of approximately 10% in 2014, 2015 and 2016 in respect of the purchase of Chemicals from the KBC Group, the Directors (other than the INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the Proposed Annual Caps under the New Materials Purchase Framework Agreement are fair and reasonable.

## NEW SUPPLY AND SERVICE FRAMEWORK AGREEMENT

On 5 November 2013, KBC entered into the New Supply and Service Framework Agreement with the Company in relation to the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBC Group. Details of the New Supply and Service Framework Agreement are set out below:

Date: 5 November 2013

Parties: (1) KBC  
(2) the Company

Nature of transaction: The Group will supply laminates and related upstream component materials and provide drilling services to the KBC Group.

The amount of laminates and related upstream component materials to be supplied 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 KBC Group and the KBC Group will not be obligated to purchase any set quantity of laminates and related upstream component materials or to provide drilling services from the Group during the term of the New Supply and Service Framework Agreement.

The actual quantity, specification and price (with reference to the prevailing market price) of laminates and related upstream component materials and the drilling services to be provided under the New Supply and Service Framework Agreement will be subject to the individual orders placed by the KBC Group with the Group.

Term: Three years from 1 January 2014 to 31 December 2016, both days inclusive.

Consideration: The materials will be supplied and drilling services will be provided at the then-prevailing market prices, but in no event will the terms be more favourable to the KBC Group than the prices at which the Group sells similar materials or provide similar services to independent third parties having regard to the quantity and other conditions of the sale and services.

The Group will grant a credit period of 90 days to the KBC Group. The consideration will be settled in cash.

## Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps (including, for the purpose of the table below, the annual cap for the year ended 31 December 2011) and Proposed Annual Caps in relation to the amounts payable by the KBC Group to the Group under the Existing Supply and Service Framework Agreement (and, for the year ended 31 December 2011, the relevant preceding agreements) and the New Supply and Service Framework Agreement:

Year ended 31 December 2011		Year ended 31 December 2012		Year ending 31 December 2013			Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
Annual cap (HKD'000)	Actual amount (HKD'000)	Annual cap (HKD'000)	Actual amount (HKD'000)	Annual cap (HKD'000)	Actual amount (up to 30 September 2013) (HKD'000)	Estimated amount (up to 31 December 2013) (HKD'000)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)
<u>3,834,000<sup>1</sup></u>	<u>2,026,694</u>	<u>3,000,000</u>	<u>1,618,568</u>	<u>3,000,000</u>	<u>1,217,874</u>	<u>1,623,832</u>	<u>2,400,000<sup>2</sup></u>	<u>2,400,000</u>	<u>2,400,000</u>

Notes:

- As disclosed in the announcement of the Company dated 16 December 2008 and 7 November 2011.
- The annual cap for the financial year ending 31 December 2014 under the Existing Supply and Service Framework Agreement is HKD3,000,000,000 which, upon the independent Shareholders' approval at the EGM, will be superseded by the Proposed Annual Cap under the New Supply and Service Framework Agreement for the financial year ending 31 December 2014, namely HKD2,400,000,000. Please see the section headed "Reasons for and benefits of entering into the New Agreements" for the reason in seeking the annual cap for the financial year ending 31 December 2014.

The Proposed Annual Caps under the New Supply and Service Framework Agreement were determined with reference to the internal projection of the transactions to be made having regard to (i) the historical figures; (ii) the anticipated demand; (iii) the prevailing market prices; and (iv) inflation.

It is estimated that the actual amount under the New Supply and Service Framework Agreement for the financial years ending 31 December 2014, 2015 and 2016 will be stabilized as a result of the stable demand by the KBC Group for laminates and related upstream component materials and drilling services. Accordingly, lower and consistent Proposed Annual Caps for the New Supply and Service Framework Agreement are proposed for the financial years ending 31 December 2014, 2015 and 2016.

Having considered the above and the estimated demand for laminates and related upstream component materials and drilling services by the KBC Group for each of the financial years ending 31 December 2014, 2015 and 2016, the Directors (other than the INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the Proposed Annual Caps for the New Supply and Service Framework Agreement are fair and reasonable.

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

The Group is engaged in, among other things, the manufacturing and sale of laminates and related products, which require materials such as the Chemicals for its production.

The New Supply and Service Framework Agreement provides flexibility for the Group to supply laminates and related upstream component materials and provide drilling services to the KBC Group. While the Group does not rely on the KBC 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 KBC Group, the Company believes that transactions under the New 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.

The Group has to purchase materials such as the Chemicals for the production of laminates. The purchase of the Chemicals by the Group from the KBC Group under the New Materials Purchase Framework Agreement secures a steady supply of the materials from the KBC Group, which facilitates the Group's production of laminates. Although the Group does not rely on the KBC 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 KBC Group allows the Group to benefit from the economies of scale of the KBC Group. Further, the Group considers that the KBC Group is a reliable business co-operation partner and such co-operation is beneficial to the business of the KBC Group.

The Group has been continuously expanding its laminates business. The Group anticipates that more materials such as the Chemicals 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 Chemicals supplied by the KBC Group for the production of laminates, the Group considers that the purchase of materials under the New Materials Purchase Framework Agreement is necessary to facilitate its expansion plan and will improve the competitiveness and the quality of the laminates manufactured by the Group.

The transactions contemplated under the New Agreements are to be of a recurrent revenue nature to be occurred on a regular and continuing basis in the ordinary and usual course of business of the Group. The New Agreements provide a framework for purchases and supplies (as the case may be) from time to time on a non-exclusive basis and regulate the business relationship among the Group and the KBC Group in relation to the transactions thereunder.

As disclosed in the joint announcement of the Company and KBC dated 5 November 2013, the Company entered into the Hallgain Agreements with Hallgain, a connected person of the Company. The term of, and the proposed annual caps for, the Hallgain Agreements will cover the three financial years from 1 January 2014 to 31 December 2016. Although the term of the Existing Agreements is up to 31 December 2014, to facilitate the Company's management of the various continuing connected transactions and for the Shareholders' ease of understanding of such transactions, the Company intends to align the respective term and period covered by the proposed annual caps for the New Agreements and the Hallgain Agreements, and to seek independent Shareholders' approval for the New Agreements, the Hallgain Agreements

and the respective proposed annual caps contemplated thereunder altogether at the EGM. Accordingly, subject to the relevant independent Shareholders' having approved the New Agreements and the Proposed Annual Caps at the EGM, the Existing Agreements will be terminated on 31 December 2013.

In light of the above, the Directors (other than the INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the New Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the New Agreements were arrived at after arm's length negotiation between the relevant parties.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, KBC, directly or indirectly, owns approximately 73.35% of the issued share capital of the Company. Accordingly, KBC is a connected person of the Company and the transactions contemplated under the New Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the amount on an annual basis under each of the New Agreements for each of the three years ending 31 December 2014, 2015 and 2016 is/are equal to or greater than 5%, the transactions contemplated under each of the New Agreements are subject to compliance by the Company with the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **APPROVAL BY INDEPENDENT SHAREHOLDERS**

The Company will seek independent Shareholders' approval at the EGM for the New Agreements and the transactions and the Proposed Annual Caps contemplated thereunder. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee (comprising the INEDs) and the independent Shareholders in relation to the relevant transactions.

A circular containing, among other things, (i) further details of each of the New Agreements and transactions and the Proposed Annual Caps contemplated thereunder; (ii) the opinion from the independent financial adviser; (iii) the recommendation from the independent board committee (comprising the INEDs); and (iv) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched by the Company to the Shareholders within 15 business days after the publication of this announcement.

## **GENERAL**

KBC is an investment holding company. The KBC Group is principally engaged in the manufacture and sale of, among other things, PCBs, chemicals, liquid crystal displays and magnetic products, and property development and investment.

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of laminates and related upstream component materials.

## DEFINITIONS

In this announcement, unless otherwise indicated or the context otherwise requires, the following expressions shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“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”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to approve, among other things, the New Agreements and the Proposed Annual Caps contemplated thereunder
“Existing Agreements”	the Existing Materials Purchase Framework Agreement and Existing Supply and Service Framework Agreement
“Existing Annual Caps”	the annual caps for the Existing Agreements for the three years ending 31 December 2014
“Existing Materials Purchase Framework Agreement”	the agreement dated 7 November 2011 entered into between KBC and the Company for the purchase of Chemicals by the Group from the KBC Group, details of which were disclosed in the announcement and the circular of the Company dated 7 November 2011 and 30 November 2011, respectively
“Existing Supply and Service Framework Agreement”	the agreement dated 7 November 2011 entered into between KBC and the Company for the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBC Group, details of which were disclosed in the announcement and the circular of the Company dated 7 November 2011 and 30 November 2011, respectively
“Group”	the Company and its subsidiaries

“Hallgain”	Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability
“Hallgain Agreements”	the supply framework agreement and the purchase framework agreement entered into between the Company and Hallgain in relation to certain continuing connected transactions between the Group and Hallgain and its subsidiaries for a term of three years from 1 January 2014 to 31 December 2016, details of which are disclosed in the joint announcement of the Company and KBC dated 5 November 2013
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“INEDs”	the independent non-executive Directors
“KBC”	Kingboard Chemical Holdings Limited (stock code: 148), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“KBC Group”	KBC and its subsidiaries, excluding the Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Agreements”	the New Materials Purchase Framework Agreement and the New Supply and Service Framework Agreement
“New Materials Purchase Framework Agreement”	the agreement dated 5 November 2013 entered into between the Company and KBC for the purchase of Chemicals by the Group from the KBC Group for a term of three years from 1 January 2014 to 31 December 2016
“New Supply and Service Framework Agreement”	the agreement dated 5 November 2013 entered into between the Company and KBC for the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBC Group for a term of three years from 1 January 2014 to 31 December 2016
“PCB(s)”	acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system

“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under each of the New Agreements
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the board of directors  
**Kingboard Laminates Holdings Limited**  
**Tsoi Kin Lung**  
*Company Secretary*

Hong Kong, 5 November 2013

*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, 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.*