KB

KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團有限公司
(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)

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS WITH THE HALLGAIN GROUP

BACKGROUND

Reference is made to the joint announcement of KBC and KBL dated 5 November 2013, and the respective circulars of KBC and KBL, both dated 28 November 2013, in relation to the Existing Continuing Connected Transaction Agreements. The annual caps under the Existing Continuing Connected Transaction Agreements will expire on 31 December 2016. Hallgain and, as the case may be, KBC and KBL entered into the New Continuing Connected Transaction Agreements and set out the proposed annual caps thereof for the three years commencing on 1 January 2017 and ending on 31 December 2019 as more particularly described in this announcement.

KBC

As at the date of this announcement, Hallgain owns approximately 37% of the issued share capital of KBC and is therefore a connected person of KBC. KBC, directly or indirectly, owns approximately 74.52% of the issued share capital of KBL and therefore KBL is a non-wholly owned subsidiary of KBC. Accordingly, the transactions contemplated under the New Continuing Connected Transaction Agreements constitute continuing connected transactions of KBC under Chapter 14A of the Listing Rules.

As the highest applicable ratio (under Chapter 14A of the Listing Rules) of the aggregate amount on an annual basis under the New KBC Purchase Framework Agreement and New KBL Purchase Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New KBC Purchase Framework Agreement and New KBL Purchase Framework Agreement are subject to compliance with the annual review, reporting and announcement requirements by KBC under Chapter 14A of the Listing Rules but exempted from the circular and the independent shareholders' approval requirements.

As the highest applicable percentage ratio (under Chapter 14A of the Listing Rules) of the amount on an annual basis under the New KBL Supply Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New KBL Supply Framework Agreement are subject to compliance with the annual review, reporting and announcement requirements by KBC under Chapter 14A of the Listing Rules but exempted from the circular and the independent shareholders' approval requirements.

KBL

Hallgain is also a connected person of KBL. Accordingly, the transactions contemplated under the New KBL Supply Framework Agreement and the New KBL Purchase Framework Agreement constitute continuing connected transactions of KBL 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 the New KBL Supply Framework 5.6(traiD.

BACKGROUND

Reference is made to the joint announcement of KBC and KBL dated 5 November 2013, and the respective circulars of KBC and KBL, both dated 28 November 2013, in relation

Term: Three years from 1 January 2017 to 31 December 2019, both days inclusive.

Consideration: The price at which the materials are to be purchased will be 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. To facilitate the KBC Group in determining the prevailing market price, the KBC Group will consider the prices offered by independent third party suppliers of similar materials (based on similar amount and similar specifications). In particular, where appropriate, the relevant purchasing department of the KBC Group will obtain quotations from different suppliers (both the Hallgain Group and the independent third party suppliers) and monitor the movement of market price from time to time.

The Hallgain Group will grant a credit period of 60 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 under the Existing KBC Purchase Framework Agreement and the Proposed Annual Caps under the New KBC Purchase Framework Agreement.

Year ended 31 December 2014		Year ended 31 December 2015		Year ending 31 December 2016			Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount (up to 30 September 2016)	Estimated amount (up to 31 December 2016) *(Note)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(HKD'000)		*(HKD'000)*		*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*
700,000	493,396	805,000	430,046	926,000	326,731	435,641	520,000	572,000	629,000

Note: This is an estimated figure by straight-line multiplication from the actual purchase during the nine months ended 30 September 2016.

The Proposed Annual Caps under the New KBC Purchase Framework Agreement were determined with reference to the internal projection of the purchases having regard to (i) the historical amount of purchase of materials for the production of PCBs such as copper balls and drill bits by the KBC Group from the Hallgain Group; (ii) the anticipated growth in demand of such materials; (iii) the anticipated increase in market price of such materials; and (iv) inflation. The Proposed Annual Caps for the New KBC Purchase Framework Agreement for the years ending 31 December 2017, 2018 and 2019 are calculated based on: (i) for the year ending 31 December 2017, the estimated annualized amount in 2016 with an annual growth rate of 19%; and (ii) for the years ending 31 December 2018 and 2019, an annual growth rate of 10%. The KBC Directors (including the INEDs of KBC) are of the view that the Proposed Annual Caps under the New KBC Purchase Framework Agreement are fair and reasonable.

NEW KBL SUPPLY FRAMEWORK AGREEMENT

Background

On 26 October 2016, KBL entered into a supply framework agreement with Hallgain (the "**New KBL Supply Framework Agreement**") in relation to the supply of copper and laminates by the KBL Group to the Hallgain Group. Details of the New KBL Supply Framework Agreement are set out below:

Date:	26 October 2016
Parties:	(1) Hallgain (2) KBL
Nature of transaction:	Pursuant to the New KBL Supply Framework Agreement, the KBL Group agrees to supply copper and laminates to the Hallgain Group. The amount of copper and laminates to be supplied is not fixed but is to be determined and agreed between the parties from time to time. The KBL Group will not be obligated to supply a minimum amount of copper and laminates to the Hallgain Group and the Hallgain Group will not be obligated to purchase any set quantity of copper and laminates from the KBL Group during the term of the New KBL Supply Framework Agreement. The actual quantity, specification and price (with reference to the prevailing market price) of the copper and laminates under the New KBL Supply Framework Agreement will be subject to the individual orders placaegyd the Hallgain Group

Term:	Three years from 1 January 2017 to 31 December 2019, both days inclusive.
Consideration:	The price at which the materials are to be supplied will be at a price which is not more favourable to the Hallgain Group than the price at which the KBL Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale. To facilitate the KBL Group

The amount of materials 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 materials from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of materials to the KBL Group during the term of the New KBL Purchase Framework Agreement.

	Year ended 31 December 2014		Year ended 31 December 2015		Year ending 31 December 2016			Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
	Annual cap	**Actual amount**	**Annual cap**	**Actual amount**	**Annual cap**	**Actual amount (up to 30 September 2016)**	**Estimated amount (up to 31 December 2016)** *(Note)*	**Proposed annual cap**	**Proposed annual cap**	**Proposed annual cap**
	(HKD'000)		*(HKD'000)*		*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*
(i) The Existing KBL Supply Framework Agreement and the New KBL Supply Framework Agreement	1,200,000	715,918	1,320,000	681,947	1,452,000	426,526	568,702	700,000	770,000	847,000
(ii) The Existing KBL Purchase Framework Agreement and the New KBL Purchase Framework										

New KBL Purchase Framework Agreement

The Proposed Annual Caps under the New KBL Purchase Framework Agreement were determined with reference to the internal projection of the purchases to be incurred having regard to (i) the technical advancement of the machineries provided by the Hallgain Group; (ii) the anticipated growth in demand of drill bits and machineries; (iii) the anticipated increase in production of machineries by the Hallgain Group; and (iv) inflation.

Certain machineries for production of laminates have been in use for more than 10 years and have started to be aging. The KBL Group expects to replace the current machineries by the new models in the next three years and therefore the demand on machineries in 2017 is expected to increase by approximately 50% as compared with 2016. The Proposed Annual Caps for the New KBL Purchase Framework Agreement for the years ending 31 December 2017, 2018 and 2019 are calculated based on: (i) for the year ending 31 December 2017, the estimated annualized amount in 2016 with an annual growth rate of approximately 53%; (ii) for the years ending 31 December 2018 and 2019, an annual growth rate of 10%. The KBC Directors and KBL Directors (including the respective INEDs of KBC and KBL) are of the view that the Proposed Annual Caps under the New KBL Purchase Framework Agreement are fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW CONTINUING CONNECTED TRANSACTION AGREEMENTS

The KBC Group is engaged in, among other things, the manufacturing and sale of PCBs, which require materials such as copper balls and drill bits as a component for its production. The KBL Group is engaged in, among other things, the manufacturing and sale of laminates and related products and the provision of drilling services of laminates, which require materials such as drill bits and specific machineries as a component for its production. The Hallgain Group is engaged in, among other things, the manufacturing and sale of copper balls, drill bits and machineries.

Pursuant to the New KBC Purchase Framework Agreement, the Hallgain Group shall produce and supply materials such as copper balls and drill bits to the KBC Group. In order to satisfy the fo0754a[(material0754a(suc0754aaal0754as coppl0754ar ball manufaN0ul4amoe Hallga.0754amo

LISTING RULES IMPLICATIONS

KBC

As at the date of this announcement, Hallgain owns approximately 37% of the issued share capital of KBC and is therefore a connected person of KBC. KBC, directly or indirectly, owns approximately 74.52% of the issued share capital of KBL and therefore KBL is a non-wholly owned subsidiary of KBC. Accordingly, the transactions contemplated under the New Continuing Connected Transaction Agreements constitute continuing connected transactions of KBC under Chapter 14A of the Listing Rules.

As the highest applicable ratio (under Chapter 14A of the Listing Rules) of the aggregate amount on an annual basis under the New KBC Purchase Framework Agreement and New KBL Purchase Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New KBC Purchase Framework Agreement and New KBL Purchase Framework Agreement are subject to compliance with the annual review, reporting and announcement requirements by KBC under Chapter 14A of the Listing Rules but exempted from the circular and the independent shareholders' approval requirements.

As the highest applicable percentage ratio (under Chapter 14A of the Listing Rules) of the amount on an annual basis under the New KBL Supply Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New KBL Supply Framework Agreement are subject to compliance with the annual review, reporting and announcement requirements by KBC under Chapter 14A of the Listing Rules but exempted from the circular and the independent shareholders' approval requirements.

KBL

Hallgain is also a connected person of KBL. Accordingly, the transactions contemplated under the New KBL Purchase Framework Agreement and the New KBL Supply Framework Agreement constitute continuing connected transactions of KBL 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 aggregate amount on an annual basis under each of the New KBL Supply Framework Agreement for each of the three years ending 31 December 2017, 2018 and 2019 is/are equal to or greater than 5%, the transactions contemplated under the New KBL Supply Framework Agreement are subject to compliance with the annual review, reporting, announcement, circular and independent shareholders' approval requirements by KBL under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (under Chapter 14A of the Listing Rules) of the amount on an annual basis under the New KBL Purchase Agreement for each of the three years ending 31 December 2017, 2018 and 2019 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New KBL Purchase Agreement are subject to compliance with the annual review, reporting and announcement requirements by KBL under Chapter 14A of the Listing Rules but exempted from the circular and the independent shareholders' approval requirements.

APPROVAL BY INDEPENDENT SHAREHOLDERS

KBL

KBL will seek independent KBL Shareholders' approval at an extraordinary general meeting (the "**KBL EGM**") for the New KBL Supply Framework Agreement 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 KBL Shareholders in relation to the relevant transactions.

A circular containing, among other things, (i) further details of the New KBL Supply Framework Agreement 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 KBL EGM and other information as required under the Listing Rules is expected to be despatched by KBL to the KBL Shareholders within 15 business days after the publication of this announcement.

GENERAL

The KBC Group

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 KBL Group

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

The Hallgain Group

Hallgain is an investment holding company. The Hallgain Group is principally engaged in the manufacture and sale of electronic component parts, raw materials and machineries for the production of laminates and PCBs.

DEFINITIONS

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

"connected person"	has the meaning ascribed to it under the Listing Rules
"Existing Annual Caps"	the annual caps for the Existing Continuing Connected Transaction Agreements for the three years ending 31 December 2016
"Existing Continuing Connected Transaction Agreements"	the Existing KBC Purchase Framework Agreement, Existing KBL Purchase Framework Agreement and Existing KBL Supply Framework Agreement
"Existing KBC Purchase Framework Agreement"	the agreement dated 5 November 2013 entered into between KBC and Hallgain for the purchase of certain materials for the production of PCBs, details of which are described in the joint announcement of KBC and KBL dated 5 November 2013
"Existing KBL Purchase Framework Agreement"	the agreement dated 5 November 2013 entered into between KBL and Hallgain for the purchase of certain materials for the production of laminates, details of which are described in the joint announcement of KBC and KBL dated 5 November 2013
"Existing KBL Supply Framework Agreement"	the agreement dated 5 November 2013 entered into between KBL and Hallgain for the supply of copper and laminates, details of which are described in the joint announcement of KBC and KBL dated 5 November 2013
"Hallgain"	Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability
"Hallgain Group"	Hallgain and its subsidiaries
"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 of KBC or KBL, as the case may be
"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 Director(s)"	the director(s) of KBC
"KBC Group"	KBC and its subsidiaries, excluding the KBL Group
"KBC Share(s)"	ordinary share(s) of

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"New KBL Supply Framework Agreement"	the agreement dated 26 October 2016 entered into between KBL and Hallgain in relation to the supply of copper and laminates by the KBL Group to the Hallgain Group for a term of three years from 1 January 2017 to 31 December 2019
"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 Continuing Connected Transaction Agreements
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

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

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

Hong Kong, 26 October 2016

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, Cheung Ka Shing and Chen Maosheng, being the executive directors and Messrs. Cheng Wai Chee, Christopher, Tang King Shing, Cheung Ming Man, Chong Kin Ki and Leung Tai Chiu, 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, Liu Min and Zhou Pei Feng, being the executive directors, Mr. Lo Ka Leong, being the non-executive director, and Messrs. Leung Tai Chiu, Ip Shu Kwan, Stephen, Zhang Lu Fu and Lau Ping Cheung, Kaizer, being the independent non-executive directors.