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KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團*

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(Stock Code: 148)

CONNECTED TRANSACTION

The Board wishes to announce that on 21 September 2010, the Company and Jamplan (BVI), a wholly-owned subsidiary of the Company, entered into the Agreement with the Placing Agent pursuant to which Jamplan (BVI) appointed the Placing Agent to procure purchasers, on a best effort basis, to purchase the Placing Shares at the Placing Price. As a result of the Placing, a total of 225 million Kingboard Laminates Shares were actually placed to placees at an aggregate consideration of HK$1,710 million. The net proceeds from the Placing, after deducting all applicable costs and expenses, including commission, stamp duty and levies, will be approximately HK$1,665 million. As one of the placees, Capital Research, is a substantial shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.11(1) of the Listing Rules. Accordingly, the Placing to Capital Research constitutes a connected transaction for the Company under Rule 14A.13 of the Listing Rules. However, as each of the applicable percentage ratios is less than 5%, the Connected Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32(1) of the Listing Rules.

Reference is made to the joint announcement issued by the Company and Kingboard Laminates dated 21 September 2010 in relation to the Placing.

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As a result of the Placing, a total of 225 million Kingboard Laminates Shares were actually placed to placees at an aggregate consideration of HK$1,710 million. The net proceeds from the Placing, after deducting all applicable costs and expenses, including commission, stamp duty and levies, will be approximately HK$1,665 million.

The major terms of the Agreement are set out below.

THE AGREEMENT

Date

21 September 2010

Parties

(1)	Vendor	:	Jamplan (BVI), a wholly-owned subsidiary of the Company
(2)	Warrantor	:	the Company
(3)	Placing Agent	:	CLSA Limited

Placing Shares

Up to 225 million Kingboard Laminates Shares to be sold by Jamplan (BVI) pursuant to the Agreement, representing up to 7.5% of the existing issued share capital of Kingboard Laminates.

Placing Price

The Placing Agent has agreed to procure purchasers, on a best effort basis, to purchase the Placing Shares at HK$7.60 per Placing Share.

Commission to Placing Agent

In consideration of the services of the Placing Agent in relation to the Placing, the Placing Agent will receive a commission equal to 2.5% of the aggregate Placing Price, which is determined by multiplying the number of the Placing Shares sold by the Placing Price.

The Placing Price was determined with reference to the prevailing market price and was negotiated on an arm's length basis between Jamplan (BVI) and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable and that the Placing is in the interest of the Company and the Shareholders as a whole.

Settlement

The settlement of the Placing Shares is expected to take place on 27 September 2010.

Lock-up

Jamplan (BVI) and the Company jointly and severally undertake to the Placing Agent that (except for the sale of the Placing Shares) for the period commencing from the date of the Agreement and ending upon the expiration of three months from the completion of the Placing, Jamplan (BVI) and the Company will not, and Jamplan (BVI) and the Company shall procure that none of their respective associates (as defined in the Listing Rules) shall, sell, transfer, offer for sale, contract to sell, grant options for the disposal of or otherwise dispose of (including without limitation by the creation of any option, rights, interests, warrant to purchase or otherwise transfer or dispose of, or any Encumbrance over), either conditionally or unconditionally, directly or indirectly, any of its or their respective Kingboard Laminates Shares or interests therein (including any interest in a company which, directly or indirectly, holds any such Kingboard Laminates Shares or other securities of Kingboard Laminates) unless with the prior written consent of the Placing Agent.

Shareholding Structure

The following table sets out the shareholding structure of Kingboard Laminates (1) as at the date of this announcement and before completion of the Placing; and (2) after completion of the Placing and assuming all the Placing Shares are placed:

	As at the date of this announcement and before completion of the Placing .		**Immediately after completion of the Placing and assuming all the Placing Shares are placed** .	
	A	*%*	*A*	*%*
The Company	2,205,622,500	73.52	1,980,622,500	66.02
Capital Research	178,573,351	5.95	214,073,351	7.13
Public (excluding placees)	615,804,149	20.53	615,804,149	20.53
Placees	–	–	189,500,000	6.32
Total:	3,000,000,000	100	3,000,000,000	100

The Placing Shares represent up to 7.5% of the existing issued share capital of Kingboard Laminates. Prior to the Placing, the Company was directly and indirectly interested in 2,205,622,500 Kingboard Laminates Shares, representing approximately 73.52% of the existing issued share capital of Kingboard Laminates. Immediately upon completion of the Placing, assuming all the Placing Shares are placed, the Company will hold 1,980,622,500 Kingboard Laminates Shares, representing approximately 66.02% of the issued share capital of Kingboard Laminates.

Of the Placing Shares, 35,500,000 Kingboard Laminates Shares will be sold by Jamplan (BVI) to Capital Research at the Placing Price upon completion of the Placing at an aggregate consideration of HK$269.8 million. The Placing Price was determined as a result of a bookbuilding process based on indications of interest received from potential purchasers for the Placing Shares of the highest price per Placing Share at which all the Placing Shares can be sold, and agreed to by Jamplan (BVI), the Company and the Placing Agent. The Placing Price is at a discount of 3.9% to the closing price of Kingboard Laminates Shares on the Stock Exchange on 20 September 2010.

REASONS FOR THE CONNECTED TRANSACTION AND PROPOSED USE OF PROCEEDS

The Directors consider the Connected Transaction represents an opportunity to realize a part of the Company's investment in Kingboard Laminates. The Company expects to recognize an unaudited gain of approximately HK$144 million upon completion of the Connected Transaction, being the difference between the net proceeds and the carrying value of the Kingboard Laminates Shares placed to Capital Research as at completion. Furthermore, the net proceeds raised from the Placing, approximately HK$1,665 million, will be used by the Company to expand its production capabilities and as general working capital of the Group.

For the Company, the carrying amount of the Kingboard Laminates Shares placed to Capital Research as at 30 June 2010 was approximately HK$119 million. The profit before taxation of Kingboard Laminates for the financial year ended 31 December 2008 and 2009 was HK$1,321 million and HK$1,794 million, respectively and the net profit of Kingboard Laminates for the financial year ended 31 December 2008 and 2009 was HK$1,204 million and HK$1,648 million, respectively.

The Directors consider that the Connected Transaction is on normal commercial terms and the terms of the Connected Transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan are each a director of Jamplan (BVI) and a Director, they have abstained from voting on the resolution proposed at the meeting of the Board.

INFORMATION OF THE COMPANY, KINGBOARD LAMINATES AND CAPITAL RESEARCH

The principal business of the Company is investment holding. The Company and its subsidiaries are engaged principally in the manufacturing and sale of PCBs, laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, caustic soda, formalin, epoxy resin, phenol, acetone, PVC, acetic acid, coke and methanol, and property developments.

The principal business of Kingboard Laminates is investment holding. Kingboard Laminates and its subsidiaries are engaged principally in the manufacturing and sale of laminates and related upstream component materials.

The principal business of Capital Research is financial advisory. It is the investment adviser of The American Funds.

LISTING RULES IMPLICATIONS

As one of the placees, Capital Research, is a substantial shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.11(1) of the Listing Rules. Accordingly, the Placing to Capital Research constitutes a connected transaction for the Company under Rule 14A.13 of the Listing Rules. However, as each of the applicable percentage ratios is less than 5%, the Connected Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32(1) of the Listing Rules.

DEFINITIONS

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

"Agreement"	an agreement entered into between the Company and Jamplan (BVI) and the Placing Agent dated 21 September 2010 pursuant to which Jamplan (BVI) appointed the Placing Agent to procure purchasers, on a best efforts basis, to purchase the Placing Shares
"Board"	the board of Directors
"Capital Research"	Capital Research and Management Company
"Company"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange, is the ultimate holding company of Kingboard Laminates
"Connected Transaction"	the Placing to Capital Research
"Director(s)"	director(s) of the Company
"Encumbrance"	any right of pre-emption, charge, lien, security interest, encumbrance or other third party right or interest whatsoever
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China

"Jamplan (BVI)"	Jamplan (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"Kingboard Laminates"	Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Kingboard Laminates Share(s)"	ordinary share(s) of HK$0.10 each in the capital of Kingboard Laminates
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PCBs"	printed circuit boards
"Placing"	placing of the Placing Shares by the Placing Agent pursuant to the Agreement
"Placing Agent"	CLSA Limited
"Placing Price"	HK$7.60 per Placing Share
"Placing Share(s)"	up to 225 million Kingboard Laminates Shares to be sold by Jamplan (BVI) pursuant to the Agreement, representing up to 7.5% of the issued share capital of Kingboard Laminates
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	percentage

By Order of the Board
Kingboard Chemical Holdings Limited
Cheung Kwok Wing
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Hong Kong, 24 September 2010

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