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**KINGBOARD CHEMICAL HOLDINGS LIMITED**

\* *For identification purposes only*

## **TERMS OF THE PRELIMINARY AGREEMENT**

The Purchaser has paid HKD50,000,000 in cash to the Vendor upon signing of the Preliminary Agreement as initial deposit (the “**I a D**”). Pursuant to the Preliminary Agreement, a further deposit of HKD77,880,000 in cash (the “**F D**”) will be paid by the Purchaser on 19 March 2012 and balance of the purchase price of HKD1,150,920,000 in cash will be paid at completion on or before 31 May 2012. A formal sale and purchase agreement (the “**F a A**”) shall be signed by the Parties on or before 19 March 2012.

If the Purchaser fails to sign the Formal Agreement in accordance with the terms of the Preliminary Agreement, or fails to pay the Further Deposit or is in breach of any term, condition, representation or warranty of the Preliminary Agreement, the Vendor shall be entitled to forfeit the Initial Deposit and the Further Deposit (if paid) and the Vendor shall then be entitled to retain the Property or resell it to anyone it thinks fit.

If the Vendor fails to sign the Formal Agreement in accordance with the terms of the Preliminary Agreement, the Vendor shall forthwith return the Initial Deposit to the Purchaser with a sum equivalent to the Initial Deposit in which event the Purchaser shall not then be entitled to sue the Vendor for any additional loss or damage arising from the Vendor’s breach of the Preliminary Agreement.

## **CONSIDERATION**

The total consideration of HKD1,278,800,000 (the “**C a**”) was arrived at after arm’s length negotiations between the parties by taking into account, among other things, market values of comparable properties.

The Board intends to finance the Consideration by the Group’s internal resources.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the manufacture and sale of laminates and related upstream component materials, printed circuit boards, chemicals, liquid crystal displays and magnetic products and property development and investment. The Company intends to occupy part of the Property in the future as the Group’s headquarters in Hong Kong and to retain the remaining part of the Property for investment purposes. The Board considers that the Acquisition is in line with the Group’s development strategies and is in the interests of the Company and its shareholders as a whole.

The directors of the Company (the “**D (A)**”) (including the independent non-executive Directors) consider that the terms of the Acquisition have been agreed upon an arm’s length basis which are fair and reasonable.

## INFORMATION OF THE VENDOR

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is a company incorporated in Hong Kong with limited liabilities whose principal activity is property investment and is a subsidiary of The Wharf (Holdings) Limited, a listed company on main board of The Stock Exchange of Hong Kong Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and The Wharf (Holdings) Limited are third parties independent of the Company and its connected persons.

## LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios in respect of the Acquisition calculated pursuant to Rule 14.07 of the Listing Rules is equal to or exceeds 5% and none of such percentage ratios is equal to or exceeds 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements but is exempt from shareholders' approval requirement under the Listing Rules.

By Order of the Board  
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Company Secretary

Hong Kong, 6 March 2012

*As at the date of this announcement, the Board 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. Lai Chung Wing, Robert, Cheng Wai Chee, Christopher, Tse Kam Hung and Henry Tan, being the independent non-executive Directors.*