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)

DISCLOSEABLE TRANSACTION

DISPOSAL OF INTERESTS IN A COMPANY

The Board announces that on 18 December 2017 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company), the Buyer, the Company (as the Seller's Guarantor) and the Buyer's Guarantor entered into the Share Purchase Agreement in relation to the sale and purchase of the Sale Share in the Target Company, at a consideration of RMB3,200 million (equivalent to approximately HK$3,776 million) in cash. The Target Company has an indirect equity interest of 49% in the PRC Company.

As one or more of the relevant applicable percentage ratios in respect of the Disposal 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 Disposal 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.

The Company's shareholders and respective potential investors should note that the Share Purchase Agreement is subject to conditions and therefore the Disposal may or may not proceed. The Company's shareholders and respective potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board announces that on 18 December 2017 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company), the Buyer, the Company (as the Seller's Guarantor) and the Buyer's Guarantor entered into the Share Purchase Agreement in relation to the sale and purchase of the Sale Share in the Target Company, at a consideration of RMB3,200 million (equivalent to approximately HK$3,776 million) in cash. The Target Company has an indirect equity interest of 49% in the PRC Company.

THE SHARE PURCHASE AGREEMENT

Date

18 December 2017 (after trading hours).

Parties

The Seller, the Buyer, the Seller's Guarantor and the Buyer's Guarantor.

To the best of the Directors' knowledge, information and beliefs having made all reasonable enquiry, the Buyer and the Buyer's Guarantor and their ultimate beneficial owners are third parties independent from the Company and its connected persons.

Subject matter of the Disposal

Pursuant to the Share Purchase Agreement, the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to purchase, the Sale Share. The Sale Share represents the entire issued share capital in the Target Company owned by the Seller.

Consideration

The Consideration for the Disposal is RMB3,200 million (equivalent to approximately HK$3,776 million) to be satisfied by the Buyer in the following manner:

(i) RMB960 million (equivalent to approximately HK$1,133 million), which as of the date of the Share Purchase Agreement has been paid by the Buyer in cash in Hong Kong dollars to the Seller;

(ii) RMB1,280 million (equivalent to approximately HK$1,510 million), to be paid by the Buyer in cash in Hong Kong dollars to the Seller on the date of the Share Purchase Agreement; and

(iii) the remaining balance of RMB960 million (equivalent to approximately HK$1,133 million), to be paid by the Buyer in cash in Hong Kong dollars to the Seller on or before 10 January 2018.

The Consideration for the Disposal was arrived at after arm's length negotiations between the Seller and the Buyer with reference to the financial information of the Target Company and taking into account the assets held by the Target Company. For further details of the reasons and benefits for the Disposal, please refer to the section headed "Reasons and Benefits of the Disposal" below.

Conditions Precedent

Completion of the Disposal is conditional upon the satisfaction or waiver of the following Conditions after the date of the Share Purchase Agreement and in any event no later than the Long Stop Date:

(i) obtaining of all necessary consents and approvals with regard to the Disposal (including but not limited to all requirements under laws, regulations and the Listing Rules) by each of the Seller and the Buyer; and

(ii) the Target Company having approved the transfer of the Sale Share and the matters contemplated under the Share Purchase Agreement in accordance with all applicable laws and regulations.

Each of the Seller and the Buyer shall use its reasonable efforts to procure satisfaction of the Conditions as soon as reasonably practicable (and in any event no later than the Long Stop Date). Each of the Seller and the Buyer may waive any Condition which is applicable to the other party.

If the Share Purchase Agreement is terminated by the Buyer due to the non-satisfaction of any Condition (which has not been waived), the Seller shall return the total amount of Consideration paid by the Buyer within 3 Business Days after such termination.

Completion

Subject to satisfaction of the Conditions, Completion shall take place on the fifth Business Day after receipt of payment of the Consideration in full by the Seller, and the actual date of Completion shall be agreed by the Seller and the Buyer provided that such date shall not be later than the Long Stop Date.

Obligations of the Seller's Guarantor and the Buyer's Guarantor

The Seller's Guarantor and the Buyer's Guarantor have each joined as a party to the Share Purchase Agreement to guarantee the performance of, and observance by, the Seller and the Buyer of all of their respective obligations under the Share Purchase Agreement.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company established in the British Virgin Islands and is principally engaged in investment holding. The Target Company holds 49% equity interest of the PRC Company and the remaining 51% equity interest of the PRC Company is owned by Shanghai Shimao. The PRC Company is the project company of a commercial property project located at Nanshan District, Shenzhen, Guangdong Province, PRC.

The unaudited consolidated total assets value and the net assets value of the Target Group as at 30 September 2017 were approximately HK$1,679 million and approximately HK$1,679 million respectively. Set out below is certain consolidated financial information of the Target Group for the two years ended 31 December 2015 and 2016:

	For the years ended 31 December (unaudited)	
	2015	**2016**
	(HK$'000)	*(HK$'000)*
Revenue	0	0
Net loss before tax	137	6,566
Net loss after tax	137	6,566

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the results, assets and liabilities of the Target Company will cease to be consolidated into the accounts of the Company.

EXPECTED GAIN FROM THE DISPOSAL

Upon completion of the Disposal, it is estimated that the Company would realise a gain on the Disposal before taxation of approximately RMB1,777 million (equivalent to approximately HK$2,097 million), taking into account its 100% interest in the issued share capital in the Target Company, being the difference between the consideration and the net asset value of the Target Company as at 30 September 2017.

The exact amount of the gain of the Disposal to the Company is subject to adjustments and audit and may therefore be different from the amounts mentioned above as the actual gain or loss will depend on, among other things, the actual net asset value of the Target Company as at the date of Completion.

INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sale of laminates, printed circuit boards, chemicals, magnetic products and property development and investments. The Seller is an indirect wholly-owned subsidiary of the Company and its principal activity is investment holding.

To the best of the knowledge of the Board, the Buyer's Guarantor and its subsidiaries are principally engaged in property development, property investment and hotel operation in the PRC and the Buyer is a wholly-owned subsidiary of the Buyer's Guarantor.

To the best of the Directors' knowledge, information and beliefs having made all reasonable enquiry, the Buyer and the Buyer's Guarantor and their ultimate beneficial owners are third parties independent from the Company and its connected persons.

REASONS AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal represents an opportunity to realise the Company's investment in the Target Company so as to enhance the cash flow of the Group, which in turn enables the Group to free up capital for its operations and investment purposes when such opportunities arise.

The Board intends to apply the net proceeds from the Disposal for the general working capital of the Group, and also to invest in potential investment opportunities and to operate current principal business of the Group.

The Directors (including the independent non-executive Directors) consider that the Disposal, and the terms of the Share Purchase Agreement, have been agreed upon an arm's length basis, are on normal commercial terms, fair and reasonable and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios in respect of the Disposal 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 Disposal 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.

The Company's shareholders and respective potential investors should note that the Share Purchase Agreement is subject to conditions and therefore the Disposal may or may not proceed. The Company's shareholders and respective potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"**Board**"	the board of Directors
"**Business Day**"	a day (excluding Saturday) on which licensed banks in Hong Kong are generally open for business
"**Buyer**"	Shimao Property Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Buyer's Guarantor

"**Buyer's Guarantor**"	Shimao Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 813)
"**Company**" or "**Seller's Guarantor**", as the case may be	Kingboard Chemical Holdings Limited (建滔化工集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 148)
"**Completion**"	completion of the Disposal
"**Conditions**"	the conditions precedent to Completion as set out in the Share Purchase Agreement
"**Consideration**"	RMB3,200 million (equivalent to approximately HK$3,776 million)
"**Director(s)**"	director(s) of the Company
"**Disposal**"	the disposal of the Sale Share by the Seller to the Buyer pursuant to the Share Purchase Agreement
"**Group**"	the Company and its subsidiaries
"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange
"**Long Stop Date**"	15 January 2018 (or a later date as may be agreed between the Seller and the Buyer in writing)
"**PRC**"	the People's Republic of China
"**PRC Company**"	a company established in the PRC and directly owned as to 51% by Shanghai Shimao and 49% by a wholly-owned subsidiary of the Target Company
"**Sale Share**"	1 ordinary share of US$1.00 in the issued share capital of the Target Company, which represents the entire issued share capital of the Target Company as at Completion
"**Seller**"	Good Dream Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"**Shanghai Shimao**"	Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a company established in the PRC with its shares listed on the Shanghai Stock Exchange (Stock Code: 600823) and a subsidiary of the Buyer's Guarantor

"**Share Purchase Agreement**"	the share purchase agreement dated 18 December 2017 entered into between the Seller, the Buyer, the Seller's Guarantor and the Buyer's Guarantor in relation to the Disposal
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Target Company**"	Win Real Group Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 100% by the Seller prior to the Disposal
"**Target Group**"	the Target Company and the PRC Company
"**HKD**"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
"**RMB**"	Renminbi, the lawful currency of the PRC

Note: For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1 = HKD1.18 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged.

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

Hong Kong, 18 December 2017

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, Cheung Ka Shing and Chen Maosheng, being the executive directors, Messrs. Cheung Ming Man, Chong Kin Ki, Leung Tai Chiu and Chan Wing Kee being the independent non-executive directors.