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KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(stock code: 148)

ANNOUNCEMENT

PROPOSED SPIN-OFF AND SEPARATE LISTING OF KINGBOARD LAMINATES HOLDINGS LIMITED

ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor to Kingboard Laminates

**Goldman
Sachs**

Goldman Sachs (Asia) L.L.C.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 21 July 2006, Kingboard Laminates submitted an advance booking form for an application for the listing of, and permission to deal in, the Shares on the main board of the Stock Exchange.

Following the completion of the Restructuring, Kingboard Laminates Group will be principally engaged in the production and sale of laminates, a fundamental component used in the production of electronics products, and the upstream component materials required in the production of laminates.

It is intended that assured entitlement to certain Shares will be provided to the Qualifying Shareholders, subject to certain conditions. The details of such assured entitlement have not yet been finalised and will be announced in due course.

Pursuant to the Listing Rules and Practice Note 15 of the Listing Rules, the Proposed Spin-off will not require the approval of the Shareholders as (i) even though Kingboard Laminates will be a major subsidiary of the Company within the meaning of Rule 13.25(2) of the Listing Rules, there will not be a material dilution as a result of the Proposed Spin-off under Rule 13.36(1)(a)(ii) of the Listing Rules; and (ii) the Proposed Spin-off will only constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement will be made by the Company in compliance with the requirements of the Listing Rules for discloseable transactions as and when necessary.

Investors are reminded that no final decision has been made by the Company yet as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee for the Proposed Spin-off and the listing of, and permission to deal in, the Shares on the main board of the Stock Exchange will be granted. Further announcement in relation to the Proposed Spin-off will be made by the Company if and when appropriate.

As the listing of the Shares pursuant to the Proposed Spin-off is subject to, among others, the approval of the Listing Committee, the final decision of the Board and the board of directors of Kingboard Laminates, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

This announcement is made pursuant to Rule 13.09 of the Listing Rules. The Board wishes to announce that on 21 July 2006, Kingboard Laminates submitted an advance booking form for an application for the listing of, and permission to deal in, the Shares on the main board of the Stock Exchange.

INFORMATION ON KINGBOARD LAMINATES

Kingboard Laminates is currently a wholly owned subsidiary of the Company. Pursuant to the Proposed Spin-off, the Group will undergo a restructuring whereby all the subsidiaries of the Group which are engaged in the laminate business (with the exception of EEIC) will be acquired by Kingboard Laminates (the "Restructuring"). Upon completion of the Restructuring, the Kingboard Laminates Group will be principally engaged in the production and sale of laminates, a fundamental component used in the production of electronics products, and upstream component materials required in the production of laminates.

As part of the Restructuring, the Group will transfer its entire interests in Kingboard Copper Foil to the Kingboard Laminates Group. In connection with the Proposed Spin-off, the Company sought, and has been granted, a waiver from the Securities Industries Council of Singapore, from the obligation by Kingboard Laminates to make a general offer for Kingboard Copper Foil as a result of the Proposed Spin-off.

INFORMATION ON THE PROPOSED SPIN-OFF

It is currently proposed that, pursuant to the Share Offer, Shares will be offered to the public in Hong Kong for subscription and for placing with certain professional, institutional and other investors, including the Qualifying Shareholders. It is expected that the Group's percentage interest in the share capital of Kingboard Laminates will be reduced to approximately 75% immediately following the Share Offer.

RATIONALE AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board proposes the separate listing of Kingboard Laminates as it believes that the separate listing of Kingboard Laminates will be beneficial to the Group for the following reasons:

- (a) Under the present structure of the Share Offer, the Share Offer will include a sale of existing Shares by the Group, the proceeds of which will be used by the Group for the development of the printed circuit boards and chemicals businesses and repayment of bank borrowings. The proceeds will also provide the Group with additional funding to reduce its level of indebtedness and increase its liquidity.
- (b) The separate listing of Kingboard Laminates will enable investors to appraise and assess the potential and performance of the Group separately and distinctly from the laminates business. At the same time, the Company will remain the majority shareholder of Kingboard Laminates after the Proposed Spin-off and will be able to enjoy the benefits of the development of the laminates business.
- (c) The Proposed Spin-off will give a clearer operational focus to the Group.

The laminate business of the Group has grown to a size sufficient to command a separate listing and the Board considers that such listing will also be beneficial to the Kingboard Laminates Group for the following reasons:

- (a) It provides flexibility to the Kingboard Laminates Group to raise future funds from the capital markets to support its growth through continuing organic expansion as well as acquisitions.

- (b) It enables the Kingboard Laminates Group to take advantage of the significant growth potential both globally and within the PRC by:
- facilitating dedicated management focus on the specific opportunities arising in the developing laminates markets;
 - attracting new investors who are seeking investments in a pure-play laminate company by providing greater transparency; and
 - providing greater clarity for credit profiling purposes to financial institutions who wish to lend against the credit of a pure-play laminate company.
- (c) It provides separate incentives to the management dedicated to the laminate business.

The Board believes that the Kingboard Laminates Group will be able to further strengthen the development of its laminate business after its listing due to the following:

- (a) **Market leadership with strong revenue growth:** the Kingboard Laminates Group is one of the largest laminate manufacturers globally. It has also recorded growth in sales volume for each of its 18 years of operations.
- (b) **Highly vertically-integrated production process:** Among the major laminate manufacturers worldwide, the Kingboard Laminates Group is one of the few that possesses a vertically-integrated production process, manufacturing a wide variety of upstream component materials, including copper foil, glass yarn, glass fabric, bleached kraft paper and epoxy resin.
- (c) **Strategic presence in the PRC:** All of the Kingboard Laminates Group's manufacturing facilities are located in the PRC, which has emerged as the world's major centre for the production of electronics products.
- (d) **Low cost structure:** the Kingboard Laminates Group is able to maintain cost competitiveness given its scale of production, its vertical integration and the location of its manufacturing facilities.
- (e) **Broad customer base:** the Kingboard Laminates Group maintains a broad customer base, with over 1,000 customers, which limits its dependence on any single customer or customer group.
- (f) **Diversified product portfolio:** the Kingboard Laminates Group has a diverse product mix with significant market share in both glass epoxy and paper laminates.
- (g) **Operational focus on laminate industry:** Among the major laminate manufacturers worldwide, the Kingboard Laminates Group is one of the few that is predominantly focused on the manufacture and sale of laminate and laminate-related products.

ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT

The Board will give due regard to the interests of the Shareholders by providing the Qualifying Shareholders with assured entitlement to a certain number of Shares (subject to certain conditions), if the Board decides to proceed with the Proposed Spin-off and the Share Offer and the Listing Committee has given its approval of the Proposed Spin-off and Share Offer. The details of such assured entitlement have not yet been finalised. Further announcement will be made by the Company in due course setting out the details of the assured entitlement to be made to the Qualifying Shareholders.

NO APPROVAL REQUIRED FROM THE SHAREHOLDERS

Pursuant to the Listing Rules and Practice Note 15 of the Listing Rules, the Proposed Spin-off will not require the approval of the Shareholders as (i) even though Kingboard Laminates will be a major subsidiary of the Company within the meaning of Rule 13.25(2) of the Listing Rules, there will not be a material dilution as a result of the Proposed Spin-off under Rule 13.36(1)(a)(ii) of the Listing Rules; and (ii) the

Proposed Spin-off will only constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement will be made by the Company in compliance with the requirements of the Listing Rules for discloseable transactions as and when necessary.

GENERAL

The Group is principally engaged in the production and sale of printed circuit boards, laminates and chemicals.

Investors are reminded that no final decision has been made by the Company yet as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee for the Proposed Spin-off and the listing of, and permission to deal in, the Shares on the main board of the Stock Exchange will be granted. Further announcement in relation to the Proposed Spin-off will be made by the Company if and when appropriate.

As the listing of the Shares pursuant to the Proposed Spin-off are subject to, among others, the approval of the Listing Committee, the final decision of the Board and the board of directors of Kingboard Laminates, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Board”	the board of directors of the Company
“Company”	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“EEIC”	Elec & Eltek International Company Limited, a company incorporated in Singapore and whose shares are listed on the SGX. As at the date of this announcement, the Group is interested in approximately 70.64% of the issued share capital of EEIC. The core business of EEIC is the manufacture and distribution of printed circuit boards
“Group”	the Company and its subsidiaries
“Kingboard Copper Foil”	Kingboard Copper Foil Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the SGX. As at the date of this announcement, the Group is interested in approximately 62.15% of the issued share capital of Kingboard Copper Foil. The core business of Kingboard Copper Foil is the manufacture and sale of copper foil.
“Kingboard Laminates”	Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands and a wholly owned subsidiary of the Company as at the date of this announcement
“Kingboard Laminates Group”	Kingboard Laminates and its subsidiaries (assuming that the Restructuring is completed)
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Proposed Spin-off”	the proposed spin-off of the interests in the laminate and laminate-related operations currently held by the Group for the separate listing on the main board of the Stock Exchange
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date (excluding certain overseas Shareholders, if any, subject to compliance with rule 13.36(2) of the Listing Rules)
“Record Date”	the record date, to be determined by the Company, for ascertaining the Qualifying Shareholders who shall be entitled to assured entitlements
“Restructuring”	the restructuring to be undergone by the Group whereby all the subsidiaries of the Group which are engaged in the laminates business (with the exception of EEIC) will be acquired by Kingboard Laminates
“SGX”	Singapore Exchange Securities Trading Limited
“Shares”	ordinary shares in the capital of Kingboard Laminates
“Share Offer”	the offer of the Shares to the public in Hong Kong for subscription, the potential offer of the Shares to the Qualifying Shareholders, and the placing of the Shares with certain professional, institutional and other investors pursuant to the listing of the Shares on the main board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholders”	the shareholders of the Company

By order of the board of
Kingboard Chemical Holdings Limited
Cheung Kwok Wing
Chairman

Hong Kong, 21 July 2006

As at the date of this announcement, the Board consists of Messrs Cheung Kwok Wing, Chan Wing Kwan, Lam Ka Po, Cheung Kwong Kwan, Cheung Kwong Wa, Cheung Kwok Ping, Cheung Kwok Keung, Chang Wing Yiu and Mok Cham Hung, Chadwick being the executive Directors, Messrs Cheng Ming Fun, Paul, Tse Kam Hung and Mr. Henry Tan being the independent non-executive Directors.

*Please also refer to the published version of this announcement in **South China Morning Post**.*