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*The information included in this announcement is subject to amendment and finalisation and approval of the Prospectus. In addition, unless otherwise stated, the historical financial information in this announcement is unaudited and may differ from the audited financial information which will be included in the Prospectus. Shareholders of, and prospective investors in, the securities of the Company should therefore exercise extreme caution in interpreting this information and when dealing in such securities.*

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## KINGBOARD CHEMICAL HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

(stock code: 148)

### DISCLOSEABLE TRANSACTION IN RELATION TO THE SEPARATE LISTING OF KINGBOARD LAMINATES HOLDINGS LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED



**Goldman Sachs (Asia) L.L.C.**

Sole Sponsor to Kingboard Laminates

#### **PROPOSED SPIN-OFF**

Reference is made to the announcement of the Company made on 21 July 2006 that the Company had made a formal application on that date to the Stock Exchange for the Proposed Spin-off. In preparation for the Proposed Spin-off, the Group will implement the Restructuring. As part of the Restructuring, Kingboard Laminates was incorporated in the Cayman Islands on 10 May 2006. Following the incorporation of Kingboard Laminates, a number of steps have been or will be undertaken in order to form the Kingboard Laminates Group for the purpose of the Proposed Spin-off.

The Proposed Spin-off will be conditional on, among other things, the following:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, all the Kingboard Laminates Shares in issue and to be issued pursuant to the Global Offering; and
- (ii) the obligations of the underwriters under the underwriting agreements to be entered into among Kingboard Laminates, the Company and the underwriters in respect of the Global Offering becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein.

In connection with the Proposed Spin-off, 37,500,000 Reserved Shares will be available for subscription by the Qualifying Shareholders at the Offer Price under the Preferential Offer. The final assured entitlement will depend on the number of Shares held by Qualifying Shareholders on the Record Date. The Company will publish a press announcement after the Record Date confirming the Qualifying Shareholders' entitlement to the Reserved Shares.

The register of members of the Company will be closed from 9:00 am to 4:00 pm on Monday, 20 November 2006 (or such later date(s) as the Board may determine and announce) for the purpose of determining the entitlement of Qualifying Shareholders to the Preferential Offer. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offer, all transfer of Shares must be lodged with the Registrar no later than 4:00 pm on Friday, 17 November 2006 (or such later date(s) as the Board may determine and announce). Holders of the Warrants who wish to participate in the Preferential Offer must exercise their subscription rights no later than 4:00 pm on Friday, 17 November 2006 (or such later date(s) as the Board may determine and announce).

The Proposed Spin-off, if it proceeds, will not constitute a material dilution of the Company's interest in Kingboard Laminates, and Kingboard Laminates will continue to be a major subsidiary of the Company. The Proposed Spin-off will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Spin-off is subject to disclosure requirements under Chapter 14 of the Listing Rules. A circular containing further information on the Proposed Spin-off will be despatched to the Shareholders in due course.

For the period following completion of the Restructuring and before completion of the Global Offering, Jamplan (BVI), a wholly-owned subsidiary of the Company, will be the sole shareholder of Kingboard Laminates. During this period, the board of directors of Kingboard Laminates will declare a special dividend in the amount of HK\$2,000 million to Jamplan (BVI). Consequently, investors (including the Qualifying Shareholders) who purchase or subscribe for the Kingboard Laminates Shares under the Global Offering will not be entitled to the special dividend.

**Shareholders and potential investors should note that the Proposed Spin-off, which is subject to a number of conditions, may or may not proceed. In particular, there is no assurance that approval from the Stock Exchange will be granted or that the underwriters' obligations under the underwriting agreements will become unconditional or that the underwriting agreements will not be terminated. Accordingly, Shareholders and potential investors are urged to exercise extreme caution when dealing in the securities of the Company.**

## 1. PROPOSED SPIN-OFF

### Introduction

The Proposed Spin-off is expected to be effected by way of the Global Offering, which will comprise the Hong Kong Public Offer, the International Placing and the Preferential Offer. Goldman Sachs (Asia) L.L.C. has been appointed as the sole global coordinator, sole bookrunner and sole sponsor of the Global Offering.

The listing of the Kingboard Laminates Shares on the main board of the Stock Exchange is conditional upon the fulfilment or waiver of the conditions as set out in the paragraph headed "Conditions precedent" of this section below. Immediately after completion of the Proposed Spin-off, Kingboard Laminates will have a public float of 25% (if the Over-allocation Option is not exercised) of the enlarged issued share capital. The Proposed Spin-off, if it proceeds, will not constitute a material dilution of the Company's interest in Kingboard Laminates, and Kingboard Laminates will continue to be a subsidiary of the Company. The Proposed Spin-off will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Spin-off is subject to the disclosure requirements under Chapter 14 of the Listing Rules.

An application was made to the Stock Exchange on 21 July 2006 for the listing of, and permission to deal in, the Kingboard Laminates Shares in issue and to be issued pursuant to the Global Offering.

Subject to the granting of approval for the listing of, and permission to deal in, the Kingboard Laminates Shares on the main board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Kingboard Laminates Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of listing of the Kingboard Laminates Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Business of the Group, the Kingboard Laminates Group and the Retained Group**

The Group is principally engaged in the production and sale of PCBs, laminates, certain upstream component materials used in the production of laminates and chemicals.

Upon completion of the Restructuring, the Kingboard Laminates Group will be principally engaged in the production and sale of laminates and certain upstream component materials used in the production of laminates, while the Retained Group will be principally engaged in the production and sale of PCBs and chemicals. As part of the Restructuring, the Group will also transfer its entire interests in Kingboard Copper Foil, which is principally engaged in the production and sale of copper foil (an upstream component material), to the Kingboard Laminates Group. Kingboard Copper Foil is currently a 62.15% subsidiary of the Company and its shares are listed on the SGX. EEIC, which produces some laminates (primarily as part of its production of PCBs), will continue to be a member of the Retained Group upon completion of the Restructuring. EEIC is currently a 70.89% subsidiary of the Company and its shares are listed on the SGX.

### **Directorship of the Kingboard Laminates Group**

The Board currently comprises a total of 12 Directors. The board of Kingboard Laminates is expected to be comprised of 13 directors. Save for Mr. Lo Ka Leong, a proposed non-executive director of Kingboard Laminates and the company secretary of the Company, who will remain in such positions following the listing of Kingboard Laminates, none of the directors or senior management of the Kingboard Laminates Group will assume any employment, role or function in any company that will form part of the Retained Group. Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping and Mr. Lam Ka Po, who are currently executive Directors, will cease their directorships in the Company with effect from the Listing Date and will focus on their roles as executive directors of Kingboard Laminates upon the listing of Kingboard Laminates. Please refer to the section headed “Directorship” below for further details.

### **Structure of the Proposed Spin-off**

The Company intends to effect the Proposed Spin-off by way of the Global Offering.

The final structure and price range of the Global Offering will be decided by the Board and the board of directors of Kingboard Laminates. At present, it is expected that the Global Offering will be comprised of an offering of Kingboard Laminates Shares to the public in Hong Kong for subscription as well as a placing of Kingboard Laminates Shares with certain professional, institutional and other investors. The Global Offering will also include an offer of assured entitlements to the Qualifying Shareholders to subscribe for Kingboard Laminates Shares by way of preferred application under the Preferential Offer.

On the assumption that the Over-allocation Option will not be exercised, it is currently expected that: (i) 25% of the enlarged issued share capital of Kingboard Laminates will be offered pursuant to the Global Offering and 75% of the enlarged issued share capital of Kingboard Laminates will be retained by Jamplan (BVI); and (ii) of the Kingboard Laminates Shares to be offered under the Global Offering, 20% will be new Kingboard Laminates Shares to be issued and allotted by Kingboard Laminates and 80% will be existing Kingboard Laminates Shares to be offered by Jamplan (BVI).

Further announcement(s) will be made to update the Shareholders and investors of any significant development related to the Proposed Spin-off and the Global Offering (including its size and the indicative price range for the Global Offering) as and when appropriate.

Further, 37,500,000 Reserved Shares will be available for subscription by the Qualifying Shareholders at the Offer Price under the Preferential Offer (please refer to the section headed “Preferential Offer” below for further details).

The Kingboard Laminates Shares to be offered pursuant to the Global Offering will rank pari passu in all respects with other Kingboard Laminates Shares then in issue.

The Shares will continue to be listed on the main board of the Stock Exchange after the implementation of the Proposed Spin-off.

### **Conditions precedent**

It is currently expected that the Proposed Spin-off will be conditional on, among other things, the following:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, all the Kingboard Laminates Shares in issue and to be issued pursuant to the Global Offering; and
- (ii) the obligations of the underwriters under the underwriting agreements to be entered into among Kingboard Laminates, the Company and the underwriters in respect of the Global Offering becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein.

If any of these and other applicable conditions are not fulfilled or, save for condition precedent (i) above, waived prior to the dates and times to be specified, the Proposed Spin-off will lapse, and the Stock Exchange will be notified immediately and an announcement will be published by the Company and/or Kingboard Laminates as soon as practicable following such lapse.

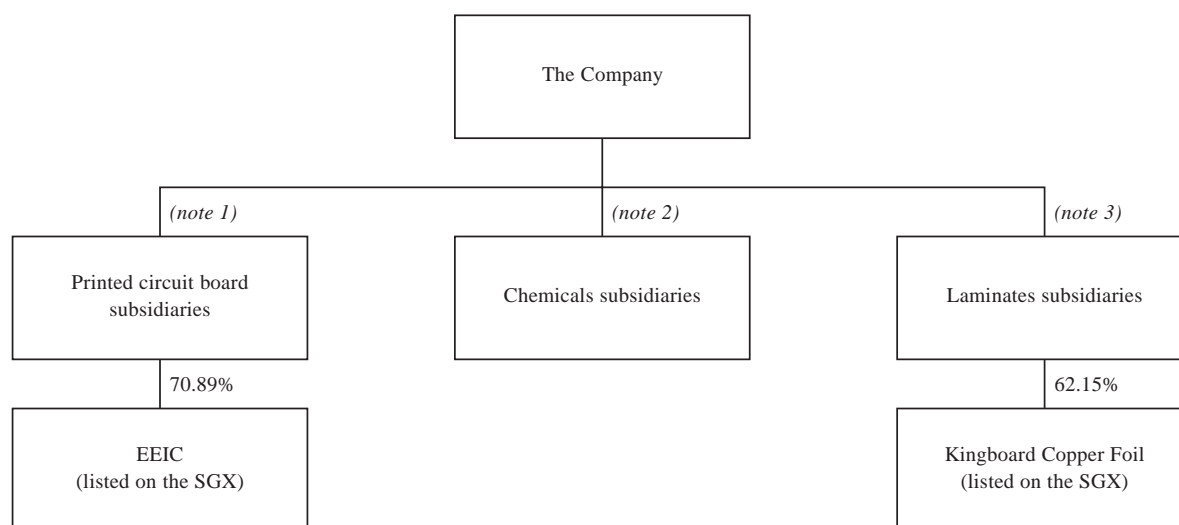
### **The Restructuring**

#### *Background*

Prior to the Global Offering, a number of restructuring steps have been undertaken or will be undertaken with a view to transferring certain companies within the Group to the Kingboard Laminates Group in preparation for the Proposed Spin-off. The objective of the Restructuring is to establish Kingboard Laminates as the holding company for the laminate and laminate-related operations of the Group (save and except for the laminate operations of EEIC, as more particularly set forth in the sub-paragraph headed “Non-compete undertaking and indemnity” below) for the purpose of the Proposed Spin-off.

*Structure chart*

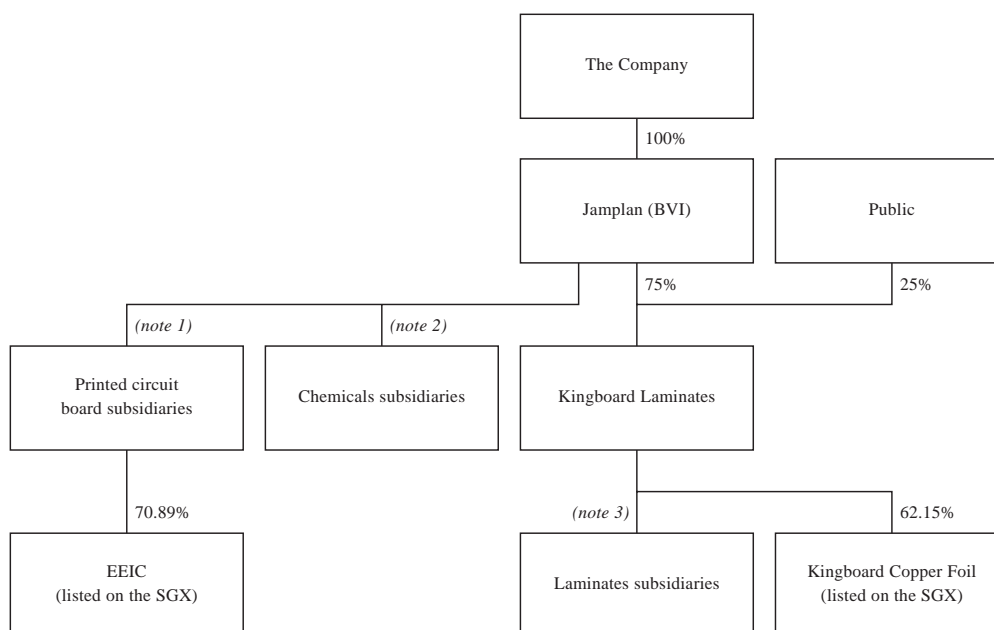
Set forth below is the simplified shareholding structure of the Group immediately before the Proposed Spin-off:



*Note:*

1. The printed circuit board subsidiaries are either wholly-owned or majority owned by the Company.
2. The chemicals subsidiaries are either wholly-owned or majority owned by the Company.
3. The laminates subsidiaries are either wholly-owned or majority owned by the Company.

Set forth below is the simplified shareholding structure of the Retained Group and the Kingboard Laminates Group immediately after the Proposed Spin-off (on the assumption that the Over-allocation Option is not exercised):



*Notes:*

1. The printed circuit board subsidiaries are either wholly-owned or majority owned by the Company.
2. The chemicals subsidiaries are either wholly-owned or majority owned by the Company.
3. There is one subsidiary of Kingboard Laminates which is only 75% owned, namely Tat Ko Technology Limited.

### *Non-compete undertaking and indemnity*

In order to maintain a clear delineation of the respective businesses going forward, subject to the exceptions set forth below, the Company will undertake (“**Non-compete Undertaking**”) to Kingboard Laminates that, at any time during which the Kingboard Laminates Shares are listed on the Stock Exchange and for so long as the Company and its associates (as defined under the Listing Rules) together hold, whether directly or indirectly, 30% or more of Kingboard Laminates issued share capital or are otherwise regarded as a controlling shareholder of Kingboard Laminates under the Listing Rules, the Company will not, and will procure that its associates (as defined under the Listing Rules) (excluding the Kingboard Laminates Group) will not, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of the Kingboard Laminates Group or its associated companies), partner, agent or otherwise, in the manufacture and sale of laminates, or in any other business that may compete, directly or indirectly, with any business carried on from time to time by any member of the Kingboard Laminates Group (“**Restricted Activity**”).

The restrictions which the Company will agree to undertake in the above do not apply in any of the following circumstances:

1. Restricted Activity conducted by EEIC and its subsidiaries; and
2. the Company or its associates holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activity (“**Subject Company**”); provided that (i) such shares or securities are listed on a recognized stock exchange, (ii) the aggregate number of shares held by the Company and its associates do not exceed 30% of the issued shares of the Subject Company and (iii) the Company and its associates do not have board or management control of the Subject Company.

The Company will also undertake to provide an annual confirmation from the Directors (excluding those Directors who then hold directorships in Kingboard Laminates) to Kingboard Laminates confirming that the Company has not breached the terms of the Non-compete Undertaking.

EEIC, an indirect subsidiary of the Company listed on the SGX, which will remain in the Retained Group after the Proposed Spin-off, has since 1987 produced a small quantity of laminates, mostly for internal operations. The Directors and the directors of Kingboard Laminates, having considered the following factors, have taken the view that the existence of the laminate production operations of EEIC will not affect the delineation of businesses of the Kingboard Laminates Group and the Retained Group due to the following:

- EEIC’s core business is the manufacture and distribution of PCBs and not the manufacture and sale of laminates.
- A vast majority of the laminates produced by EEIC in the year ended 31 December 2005 were consumed internally for the manufacture of PCBs. Contribution from the sale of laminates to third parties is immaterial when compared to the consolidated revenue of EEIC.
- Revenue attributable to the sale of EEIC’s laminates to third parties in the year ended 31 December 2005 is also immaterial when compared to consolidated revenue attributable to the sale of laminates by the Kingboard Laminates Group.

As the scale of the existing laminate business of EEIC is minimal as compared to the Kingboard Laminates Group’s laminate business and the laminates produced by EEIC are predominantly consumed internally, the Directors and the directors of Kingboard Laminates are of the view that the existing laminate business of EEIC does not constitute material competition with Kingboard Laminates’ business operations and the potential competition between EEIC and the Kingboard

Laminates Group is not and is not likely to be material in the future. The laminate business of EEIC has not been included in the Kingboard Laminates Group through the Restructuring, and Kingboard Laminates has no intention to seek the purchase of EEIC's laminate business in the future.

### *Indemnities*

In connection with the Proposed Spin-off, the Company will provide certain indemnities to the Kingboard Laminates Group in relation to certain tax liabilities of the Kingboard Laminates Group. In addition, the Company will also indemnify the Kingboard Laminates Group in respect of the losses, if any, arising from (i) title defects related to the land and buildings which are owned or leased or occupied by the Kingboard Laminates Group and set out in the property valuation report contained in the Prospectus; (ii) non-compliance with the PRC environmental laws and regulations prior to the Listing Date; and (iii) non-compliance with PRC social insurance contribution laws and regulations prior to the Listing Date.

### *Debt restructuring, intra-Group loans and term loan*

Historically, Kingboard Laminates' finances were closely linked to those of the Retained Group. The Retained Group acted as guarantor with respect to the Kingboard Laminates Group's bank borrowings, and the Kingboard Laminates Group acted as a guarantor with respect to the Retained Group's bank borrowings. The Kingboard Laminates Group also borrowed amounts from the Retained Group and the Retained Group borrowed amounts from the Kingboard Laminates Group. In order to ensure the financial independence of the Kingboard Laminates Group from the Retained Group, all loans and cross-guarantees between the Kingboard Laminates Group and the Retained Group will be fully settled on the Listing Date. Consequently, (i) all guarantees provided by the Kingboard Laminates Group of the Retained Group's obligations to repay borrowings will be released or, to the extent such guarantees cannot be released, the borrowings to which such guarantees relate (which amounted to HK\$3,576.0 million as of 30 June 2006 ("**Syndicated Loans**")) will be repaid by the Retained Group; (ii) all guarantees provided by the Retained Group of the Kingboard Laminates Group's obligations to repay borrowings will be released; and (iii) all borrowings of the Retained Group from the Kingboard Laminates Group (which amounted to HK\$4,638.4 million as of 30 June 2006) will be offset against amounts owed by the Kingboard Laminates Group to the Retained Group (which amounted to HK\$5,173.5 million as of 30 June 2006). The net amounts of such borrowings owed by the Kingboard Laminates Group to the Retained Group as a result of the above (which amounted to HK\$535.1 million as of 30 June 2006) will be repaid on the Listing Date.

Kingboard Laminates has arranged for a HK\$2,800 million term loan and revolving credit facility from a financial institution and currently expects to draw such available funds for settling the net intra-group loans (which amounted to HK\$535.1 million as of 30 June 2006 as mentioned above) and paying Jamplan (BVI) the special dividend (as more particularly disclosed in the sub-paragraph headed "Special dividend" below) on the Listing Date.

Regarding the guarantees provided by the Kingboard Laminates Group to secure the Retained Group's payment obligations under the Syndicated Loans, the Company currently expects to fully repay the amount then outstanding pursuant to the Syndicated Loans on the Listing Date through the following sources of funds:

- (a) a special dividend in the amount of HK\$2,000 million to be received from the Kingboard Laminates Group (as more particularly disclosed in the sub-paragraph headed "Special dividend" below);
- (b) payment to be received from the Kingboard Laminates Group (in settlement of the net amounts then owed by the Kingboard Laminates Group to the Retained Group which amounted to HK\$535.1 million as of 30 June 2006 as mentioned above); and

- (c) a portion of the proceeds from the sale of existing Kingboard Laminates Shares by the Retained Group under the Global Offering.

#### *Special dividend*

For the period following completion of the Restructuring and before completion of the Global Offering, Jamplan (BVI) will be the sole shareholder of Kingboard Laminates. During this period, the board of directors of Kingboard Laminates will declare a special dividend in the amount of HK\$2,000 million to Jamplan (BVI). Consequently, investors (including the Qualifying Shareholders) who purchase or subscribe for the Kingboard Laminates Shares under the Global Offering will not be entitled to the special dividend.

#### **Intended use of proceeds**

##### *Net proceeds from the subscription of new Kingboard Laminates Shares*

Kingboard Laminates presently intends that the anticipated net proceeds from the issue of new Kingboard Laminates Shares under the Global Offering will be applied as follows:

- (a) as to approximately 60% of the net proceeds, for the expansion plans of the Kingboard Laminates Group;
- (b) as to approximately 30% of the net proceeds, for repayment of bank borrowings; and
- (c) as to approximately 10% of the net proceeds, for general working capital.

##### *Net proceeds from the sale of existing Kingboard Laminates Shares*

The Company presently intends to use the anticipated net proceeds from the sale of existing Kingboard Laminates Shares under the Global Offering (on the assumption that the Over-allocation Option will not be exercised) for the development of PCB and chemical businesses of the Retained Group and repayment of bank borrowings of the Retained Group.

## **2. REASONS AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Board proposes a 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 Global Offering, the Global Offering will include a sale of existing Kingboard Laminates Shares by the Group, the proceeds of which will be used by the Group for the development of the PCB and chemical 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 laminate 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 will provide 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 will enable 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 laminates 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 laminates company.
- (c) It will provide 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 laminates business after its listing due to the following:

- (a) **Market leadership with strong revenue growth:** Kingboard Laminates 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 laminate manufacturers worldwide, Kingboard Laminates 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 Kingboard Laminates' manufacturing facilities are located in the PRC, which has emerged as the world's major center for the production of electronics products.
- (d) **Low cost structure:** Kingboard Laminates 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:** Kingboard Laminates 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:** Kingboard Laminates 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 in the world, Kingboard Laminates is one of the few companies that is predominantly focused on the manufacture and sale of laminate and laminate-related products.

### 3. PREFERENTIAL OFFER

Subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Kingboard Laminates Shares on the Stock Exchange, 37,500,000 Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. The Reserved Shares will be offered under the International Placing. Qualifying Shareholders will be entitled to subscribe on an assured basis. Based on the existing share capital structure of the Company, it is currently estimated that the Qualifying Shareholders will be entitled to subscribe on an assured basis at the Offer Price for one Reserved Share for every whole multiple of approximately 22 Shares, or 22 Reserved Shares for every full board lot of 500 Shares, held by them on the Record Date. However, the aforesaid is only an estimate and the final assured entitlement will depend on the number of Shares held by Qualifying Shareholders on the Record Date. The Company will publish a press announcement after the Record Date confirming Qualifying Shareholders' entitlement to the Reserved Shares.

With a view to maintaining at least the minimum prescribed percentage of Kingboard Laminates Shares in the hands of the public in compliance with the Listing Rules immediately after the Global Offering and to maximising the opportunity of the public Shareholders to participate in the Global Offering, no Reserved Shares will be offered to connected persons (as defined under the Listing Rules) of Kingboard Laminates to the extent that they are Qualifying Shareholders. Instead, Reserved Shares to which such Shareholders would have been entitled will be reallocated and offered to the other Qualifying Shareholders under the Preferential Offer on a pro rata basis.

A blue application form, together with a copy of the Prospectus, will be despatched to each Qualifying Shareholder who is entitled to apply for the Reserved Shares. Qualifying Shareholders will be permitted to apply for a number of Reserved Shares which is less than, or equal to, their assured entitlements under the Preferential Offer. Where a Qualifying Shareholder applies for a number of Reserved Shares which is greater than his or her assured entitlement, his or her assured entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all of their assured entitlements. Qualifying Shareholders may, in addition to applying for Reserved Shares, also apply for Kingboard Laminates Shares under the Hong Kong Public Offer. Any assured entitlements not taken up by the Qualifying Shareholders will first be allocated to satisfy the excess applications for the Reserved Shares from Qualifying Shareholders on a fair and reasonable basis, and thereafter, at the discretion of the Global Coordinator, to the international placing under the International Placing.

**Shareholders should note that assured entitlements to Reserved Shares may not represent a multiple of a full board lot of 500 Kingboard Laminates Shares and will be rounded down to the closest whole number if required, and that dealings in odd lots of the Kingboard Laminates Shares may be at a price below the prevailing market price for full board lots.**

Entitlements to the Reserved Shares will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any Kingboard Laminates Shares issued pursuant to the Preferential Offer will be deemed fully paid, ranking pari passu in all respects with other Kingboard Laminates Shares then in issue.

#### **4. CLOSURE OF REGISTER**

The register of members of the Company will be closed from 9:00 a.m. to 4:00 p.m. on Monday, 20 November 2006 (or such later date(s) as the Board may determine and announce) for the purpose of determining the entitlement of the Qualifying Shareholders to the Preferential Offer. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offer, all transfers of Shares must be lodged with the Registrar no later than 4:00 p.m. on Friday, 17 November 2006 (or such later date as the Board may determine and announce). Holders of the Warrants who wish to participate in the Preferential Offer must exercise their subscription rights no later than 4:00 pm on Friday, 17 November 2006 (or such later date(s) as the Board may determine and announce).

## 5. TENTATIVE TIMETABLE

Set out below is the tentative timetable of the Proposed Spin-off:

Last day of dealings in Shares on cum-entitlement basis	Wednesday, 15 November 2006
First day of dealings in Shares on ex-entitlement basis	Thursday, 16 November 2006
Latest time for lodging transfer of the Shares cum-entitlement pursuant to the Preferential Offer	4:00 p.m., Friday, 17 November 2006
Latest time for exercising the subscription rights under the Warrants to subscribe for the Shares cum-entitlement pursuant to the Preferential Offer	4:00 p.m., Friday, 17 November 2006
Register of members of the Company closes on	Monday, 20 November 2006
Record Date	5:00 p.m., Monday, 20 November 2006
Hong Kong Public Offer opens	from Friday, 24 November 2006 to Wednesday, 29 November 2006
Despatch of the Prospectus and the blue application forms for the Preferential Offer to the Qualifying Shareholders and the circular in relation to the Proposed Spin-off to the Shareholders	Friday, 24 November 2006
First day on which the Kingboard Laminates Shares are traded on the Stock Exchange	Thursday, 7 December 2006

All times above refer to Hong Kong local time. Please note that the above tentative timetable depends largely on the final timetable of the Proposed Spin-off and thus it may be subject to further changes. Further announcement(s) will be made as and when necessary.

## 6. CONTINUING CONNECTED TRANSACTIONS OF KINGBOARD LAMINATES

Upon completion of the Proposed Spin-off, the Company will become a controlling shareholder of Kingboard Laminates as defined in the Listing Rules. As such, members of the Retained Group will constitute connected persons (as defined under the Listing Rules) of Kingboard Laminates.

It is anticipated that, upon completion of the Proposed Spin-off, certain transactions between members of the Kingboard Laminates Group and members of the Retained Group will constitute non-exempt continuing connected transactions of Kingboard Laminates for the purposes of the Listing Rules, namely (i) the purchase of chemicals and drilling bits from the Retained Group; and (ii) the sale of laminates and related upstream component materials and the provision of drilling services to the Retained Group. These transactions will constitute connected transactions of Kingboard Laminates but will not constitute connected transactions of the Company pursuant to the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, these non-exempt continuing connected transactions of Kingboard Laminates shall be subject to reporting, announcement and independent shareholders' approval requirements. An application has been made by Kingboard Laminates to the Stock Exchange for a waiver from strict compliance with the aforesaid requirements. In addition to the aforesaid, certain transactions between members of the Kingboard Laminates Group and members of the Retained Group will also constitute exempt continuing connected transactions of Kingboard Laminates for the purposes of the Listing Rules, namely (i) leases of properties between the Retained Group and the Kingboard Laminates Group; and (ii) the license of trademarks by the Company to the Kingboard Laminates Group. Details of the aforesaid exempt and non-exempt continuing connected transactions of Kingboard Laminates will be disclosed in the Prospectus.

## 7. FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

### The Group, the Kingboard Laminates Group and the Retained Group

The selected financial information of the Group, the Kingboard Laminates Group and the Retained Group for the three years ended 31 December 2005 and the six months ended 30 June 2006 are as follow:

	The Group				The Kingboard Laminates Group				The Retained Group			
	Year ended			Six months	Year ended			Six months	Year ended			Six months
	31 December (note 3)			30 June	31 December (note 1)			30 June	31 December (note 2)			30 June
	2003	2004	2005	(note 4)	2003	2004	2005	(note 1)	2003	2004	2005	(note 2)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4,435,503	7,082,390	13,098,354	7,464,958	2,972,959	4,660,178	6,131,169	3,838,680	1,763,754	2,878,060	8,014,726	4,464,962
Profit before tax	559,994	1,257,497	1,788,802	1,287,247	459,857	1,140,257	1,233,100	913,283	109,243	127,651	570,249	388,673
Profit attributable to equity holders for the year/period	472,366	1,103,845	1,435,809	1,068,807	388,364	1,036,737	1,078,235	803,936	93,108	77,519	372,121	279,580
				As at				As at				As at
				30 June				30 June				30 June
	As at 31 December (note 3)			2006	As at 31 December (note 1)			2006	As at 31 December (note 2)			2006
	2003	2004	2005	(note 4)	2003	2004	2005	(note 1)	2003	2004	2005	(note 2)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated total assets	7,625,277	16,489,146	19,360,822	21,236,916	6,889,840	11,096,383	13,241,970	13,602,061	3,481,173	10,755,482	12,916,138	13,935,241
Consolidated total liabilities	3,421,807	9,345,642	9,714,079	10,520,906	3,969,974	7,035,600	8,193,749	7,886,300	1,161,839	6,088,740	6,467,472	7,273,023
Consolidated net asset value	4,203,470	7,143,504	9,646,743	10,716,010	2,919,866	4,060,783	5,048,221	5,715,761	2,319,334	4,666,742	6,448,666	6,662,218

#### Notes

1. Extracted from the figures shown in the preliminary draft of the accountants' report of Kingboard Laminates Group which, subject to finalisation, will be included in the Prospectus.
2. Derived from the unaudited management accounts of the Group.
3. Extracted from the audited consolidated accounts of the Group for the three years ended 31 December 2005.
4. Extracted from the unaudited management accounts of the Group for the six months ended 30 June 2006.

#### Net tangible asset value

Based on the Company's audited consolidated accounts for the year ended 31 December 2005, the audited consolidated net tangible asset value of the Group as at 31 December 2005 was HK\$7,985.6 million and the audited net tangible asset value per Share as at that date would be HK\$10.2 based on 784,767,161 Shares in issue as at 31 December 2005. The unaudited net tangible assets of Kingboard Laminates Group as at 31 December 2005 represented about 63.2% of the audited consolidated net tangible assets of the Group as at 31 December 2005. The historical consolidated net tangible assets of the Group and the Kingboard Laminates Group are not necessarily indicative of the likely consolidated net tangible assets of the Group and the Kingboard Laminates Group following the implementation of the Proposed Spin-Off and the Global Offering. In particular, the consolidated net tangible assets of the Group and Kingboard Laminates Group will be affected by, among other things, (i) the transactions described under the heading "Restructuring" above, including the payment of the special dividend, the debt restructuring and the incurrence of new debt; and (ii) the issue of new Kingboard Laminates Shares in the Global Offering. Further information concerning the effect of the

Proposed Spin-off on the earnings and assets and liabilities of the Group will be disclosed in the circular to be despatched to the Shareholders in compliance with the requirements of the Listing Rules.

### **Profit Forecast**

A profit forecast for Kingboard Laminates Group for the financial year ending 31 December 2006 (“**Profit Forecast**”) will be prepared solely for inclusion in the Prospectus. Subject to finalisation, the directors of Kingboard Laminates estimate that, in the absence of unforeseen circumstances and based on the combined results of the Kingboard Laminates Group for the six months ended 30 June 2006 shown in the preliminary draft of the accountants’ report of the Kingboard Laminates Group to be finalised and included in the Prospectus, the combined results shown in the unaudited consolidated management accounts of the Kingboard Laminates Group for the three months ended 30 September 2006 and a forecast of the combined results for the three months ending 31 December 2006, the profit attributable to equity holders of Kingboard Laminates Group for the year ending 31 December 2006 will not be less than HK\$1,623.8 million.

**The above Profit Forecast is subject to finalisation. The finalised Profit Forecast will be included in the Prospectus. Should there be material discrepancies in the finalised figures, further announcement(s) will be made as and when necessary.**

## **8. LISTING RULES IMPLICATIONS**

The Proposed Spin-off, if it proceeds, will not constitute a material dilution of the Company’s interest in Kingboard Laminates and Kingboard Laminates will continue to be a major subsidiary of the Company. The Proposed Spin-off, if it proceeds, will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Spin-off is subject to the disclosure requirements under Chapter 14 of the Listing Rules. A circular will be despatched to the Shareholders in due course for the purposes of providing Shareholders with information on the reasons for, and the benefits of, the Proposed Spin-off.

**Shareholders and potential investors should note that the Proposed Spin-off, which is subject to a number of conditions, may not proceed. In particular, there is no assurance that approval from the Stock Exchange will be granted or that the underwriters’ obligations under the underwriting agreements will become unconditional or that the underwriting agreements will not be terminated. Accordingly, Shareholders and potential investors are urged to exercise extreme caution when dealing in the securities of the Company.**

## **9. DIRECTORSHIP**

As disclosed in “Proposed Spin-off — Directorship of the Kingboard Laminates Group” above, Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping and Mr. Lam Ka Po, who are currently executive Directors, will cease their directorships in the Company with effect from the Listing Date and will focus on their roles as executive directors of Kingboard Laminates upon the listing. Currently, they are primarily responsible for the business of Kingboard Laminates Group as part of the Group, and they will continue to do so upon the listing of Kingboard Laminates. Given that Kingboard Laminates will remain a subsidiary of the Company following completion of the Proposed Spin-off and the interests of Kingboard Laminates will be in alignment with those of the Retained Group (and the Group as a whole), the Directors are of the view that the resignation of these executive Directors will not result in any adverse effect on the Group as a whole. Save as disclosed above, the Board does not have any current intention to make any major changes to the Board composition. However, the Board may consider appointing additional Director(s) if suitable candidate(s) is/are identified. Any such appointment(s) of new Director(s) will be in full compliance with the then

requirements of the Listing Rules and the Company's articles of association and further announcement(s) will be made as and when necessary. It is the intention of the Board to maintain continued management independence of the Company and Kingboard Laminates.

## 10. DEFINITIONS

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

“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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
“Director(s)”	the director(s) of the Company
“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 70.89% of the issued share capital of EEIC. The core business of EEIC is the manufacture and distribution of printed circuit boards
“Global Coordinator”	the global coordinator of the Global Offering
“Global Offering”	the Hong Kong Public Offer and the International Placing (including the Preferential Offer)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“Hong Kong Public Offer”	the offer of the Kingboard Laminates Shares to the public in Hong Kong for subscription pursuant to the listing of the Kingboard Laminates Shares on the main board of the Stock Exchange
“International Placing”	the placing of the Kingboard Laminates Shares with certain professional, institutional and other investors pursuant to the listing of the Kingboard Laminates Shares on the main board of the Stock Exchange
“Jamplan (BVI)” or “Selling Shareholder”	Jamplan (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. Jamplan (BVI) will become the sole shareholder of Kingboard Laminates upon completion of the Restructuring but prior to the Global Offering

“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 currently a wholly-owned subsidiary of the Company
“Kingboard Laminates Group”	Kingboard Laminates and its subsidiaries
“Kingboard Laminates Shares”	ordinary shares in the capital of Kingboard Laminates
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which the Kingboard Laminates Shares are listed on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Price”	the final price per Kingboard Laminates Share fixed at a HK\$ amount (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the Kingboard Laminates Share is to be offered pursuant to the Global Offering, as described in the Prospectus
“Over-allocation Option”	the option to the granted by the Selling Shareholder to International Purchaser, exercisable by the Global Coordinator on behalf of the International Purchasers pursuant to which the Selling Shareholder may be required to sell certain additional Kingboard Laminates Shares at the Offer Price to cover the over-allocations in connection with the Global Offering
“PCB”	printed circuit board
“PRC”	The People’s Republic of China
“Preferential Offer”	the preferential offer of the Kingboard Laminates Shares to the Qualifying Shareholders
“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
“Prospectus”	the prospectus proposed to be issued by Kingboard Laminates in relation to the Global Offering
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date (excluding certain overseas shareholders, if any, subject to compliance with rule 13.36(2)(a) of the Listing Rules)

“Record Date”	the record date to be determined by the Company, tentatively at 5:00 pm on Monday, 20 November 2006 (or such later date(s) to be determined and announced by the Company), for ascertaining the Qualifying Shareholders who shall be entitled to assured entitlements under the Preferential Offer
“Registrar”	the branch share registrar of Company, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Reserved Shares”	37,500,000 Kingboard Laminates Shares, representing approximately 1.25% of the enlarged share capital of Kingboard Laminates upon completion of the Global Offering (assuming that the Over-allocation Option is not exercised), subject to adjustment, being offered pursuant to the Preferential Offer
“Restructuring”	the restructuring exercise that has been and will be undertaken in contemplation of the Proposed Spin-off pursuant to which Kingboard Laminates will become the holding company of the laminate and laminate-related businesses of the Group
“Retained Group”	the Group excluding the Kingboard Laminates Group
“SFC”	The Securities and Futures Commission of Hong Kong
“SGX”	Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Warrant(s)”	the warrant(s) entitling its holder(s) to subscribe at any time during a specified subscription period for fully paid Shares at an initial subscription price of HK\$20 per Share (subject to adjustment), details of which are set out in the Company’s circular dated 7 September 2004
“%”	per cent

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

Hong Kong, 2 November 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 Kwok Wa, Cheung Kwok Ping, Cheung Kwok Keung, Chang Wing Yiu and Mok Cham Hung, Chadwick, being the executive Directors, and Messrs. Cheng Ming Fun, Paul, Tse Kam Hung and Henry Tan, being the independent non-executive Directors.*

*Please also refer to the published version of this announcement in **The Standard**.*