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# KB

## KINGBOARD CHEMICAL HOLDINGS LIMITED

### 建滔化工集團\*

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

**(Stock Code: 148)**

**POSSIBLE DISCLOSEABLE TRANSACTION BY WAY OF  
SPIN-OFF AND SEPARATE LISTING OF  
HEBEI COALCHEM HOLDINGS LIMITED  
ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Sole Sponsor to Hebei CoalChem**

**BofA Merrill Lynch**

\* For identification purpose only

## **PROPOSED SPIN-OFF**

Reference is made to the announcement of the Company made on 23 October 2009 that Hebei CoalChem has submitted an advance booking form for an application for the Listing.

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 Hebei CoalChem Shares in issue and to be issued pursuant to the Global Offering; and
- (ii) the obligations of the underwriters under the underwriting agreement to be entered into among Hebei CoalChem, the Company and the underwriters, among others, in respect of the Global Offering becoming unconditional and the underwriting agreement not being terminated in accordance with its terms, on or before the dates and times to be specified therein.

In connection with the Proposed Spin-off, approximately 10% of the Global Offering will be available for subscription by 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 an announcement after the Record Date confirming Qualifying Shareholders' entitlement to the Reserved Shares.

The register of members of the Company will be closed from 9:00 a.m. to 4:00 p.m. on Friday, 29 January 2010 (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 Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 28 January 2010 (or such later date(s) as the Board may determine and announce).

The Proposed Spin-off, if consummated, may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Spin-off may be subject to the disclosure requirements under Chapter 14 of the Listing Rules.

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 Hebei CoalChem. Prior to the Listing Date, the board of directors of Hebei CoalChem will declare a special dividend in the amount of HK\$200 million to the Retained Group. Consequently, investors (including Qualifying Shareholders) who purchase or subscribe for the Hebei CoalChem Shares under the Global Offering will not be entitled to the special dividend.

**As the Listing pursuant to the Proposed Spin-off is subject to, among other things, the approval of the Listing Committee, 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.**

## **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. Merrill Lynch International has been appointed as the Sole Global Coordinator and Sole Bookrunner. Merrill Lynch Far East Limited has been appointed as the Sole Sponsor.

The Listing 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, Hebei CoalChem will have a public float of at least 25% of the enlarged issued share capital. The Proposed Spin-off, if consummated, will constitute a possible discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Spin-off may be subject to the disclosure requirements under Chapter 14 of the Listing Rules.

An application was made to the Stock Exchange on 23 October 2009 for the listing of, and permission to deal in, the Hebei CoalChem Shares in issue and to be issued pursuant to the Global Offering.

Subject to the granting of approval for the Listing as well as compliance with the stock admission requirements of HKSCC, the Hebei CoalChem Shares are expected to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date 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 Spin-off Group and the Retained Group**

The principal business of the Company is investment holding. The Group is principally engaged in the production and sale of printed circuit boards, laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, caustic soda, formalin, epoxy resin, phenol, acetone, PVC, acetic acid, coke and methanol.

Upon completion of the Restructuring, the Spin-off Group will be principally engaged in the coke and coke-related chemicals business in Hebei province, China, which include coke, methanol and pure benzene production operations, while the Retained Group will be principally engaged in the production and sale of printed circuit boards, laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, caustic soda, formalin, epoxy resin, phenol, acetone, PVC, acetic acid and methanol outside Hebei province.

## **Directorship of the Spin-off Group**

The Board currently comprises a total of 11 Directors. The board of Hebei CoalChem is expected to be comprised of eight directors.

There will be three common directors between the Company and Hebei CoalChem immediately following completion of the Global Offering, namely Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan and Mr. Ho Yin Sang. Mr. Ho Yin Sang, a proposed executive director of Hebei CoalChem is currently also an executive Director. To ensure there is independence between the Company and Hebei CoalChem, with effect from the Listing Date, Mr. Ho will cease his executive role in the Company and will be re-designated as a non-executive Director. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan, each a proposed non-executive director of Hebei CoalChem and an executive Director, will remain in such positions following the Listing. They will not have any management role in the day-to-day operation of the Spin-off Group and will only be involved in higher level business decisions provided that there are no actual or potential conflicts of interest. After the Listing, Mr. Ho Yin Sang will cease to be on the payroll of the Company and the Spin-off Group will be responsible for paying the remuneration of Mr. Ho. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan will continue to be on the payroll of the Company but they will not receive any remuneration from the Spin-off Group after the Listing.

To further enhance the independence between the Company and Hebei CoalChem, with effect from the Listing Date, in cases where there are actual or potential conflicts of interest, these three common directors will in accordance with the requirements of the Listing Rules and the articles of association of Hebei CoalChem and the Company abstain from voting on the relevant resolutions in board meetings of Hebei CoalChem and the Company respectively.

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 Hebei CoalChem. It is expected that the Global Offering will comprise the Hong Kong Public Offer, the International Placing and the Preferential Offer. The Preferential Offer will consist of an offer of assured entitlements to Qualifying Shareholders to subscribe for the Hebei CoalChem Shares by way of preferred application.

It is currently expected that at least 25% of the enlarged issued share capital of Hebei CoalChem will be offered pursuant to the Global Offering and Hebei CoalChem will remain a subsidiary of the Company after the Global Offering. In addition, it is currently expected that the Global Offering will comprise an issue of new Hebei CoalChem Shares and a sale of existing Hebei CoalChem Shares.

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, offering structure and the indicative price range for the Global Offering) as and when appropriate.

Further, approximately 10% of the Global Offering will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer (please refer to the section headed “Preferential Offer” below for further details).

The Hebei CoalChem Shares to be offered pursuant to the Global Offering will rank pari passu in all respects with other Hebei CoalChem 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 Hebei CoalChem 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 Hebei CoalChem, the Company and the underwriters, among others, in respect of the Global Offering becoming unconditional and the underwriting agreements not being terminated in accordance with its 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 Hebei CoalChem as soon as practicable following such lapse.

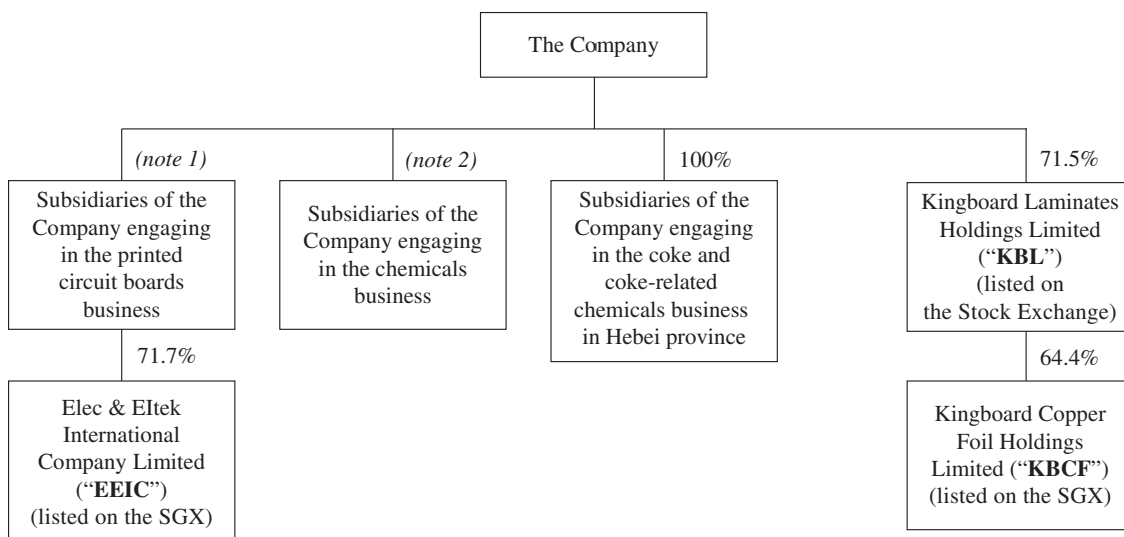
### **The Restructuring**

#### *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 Spin-off Group in preparation for the Proposed Spin-off. The objective of the Restructuring is to establish Hebei CoalChem as the holding company for the coke and coke-related chemicals operations of the Group in Hebei province for the purpose of the Proposed Spin-off.

## Structure chart

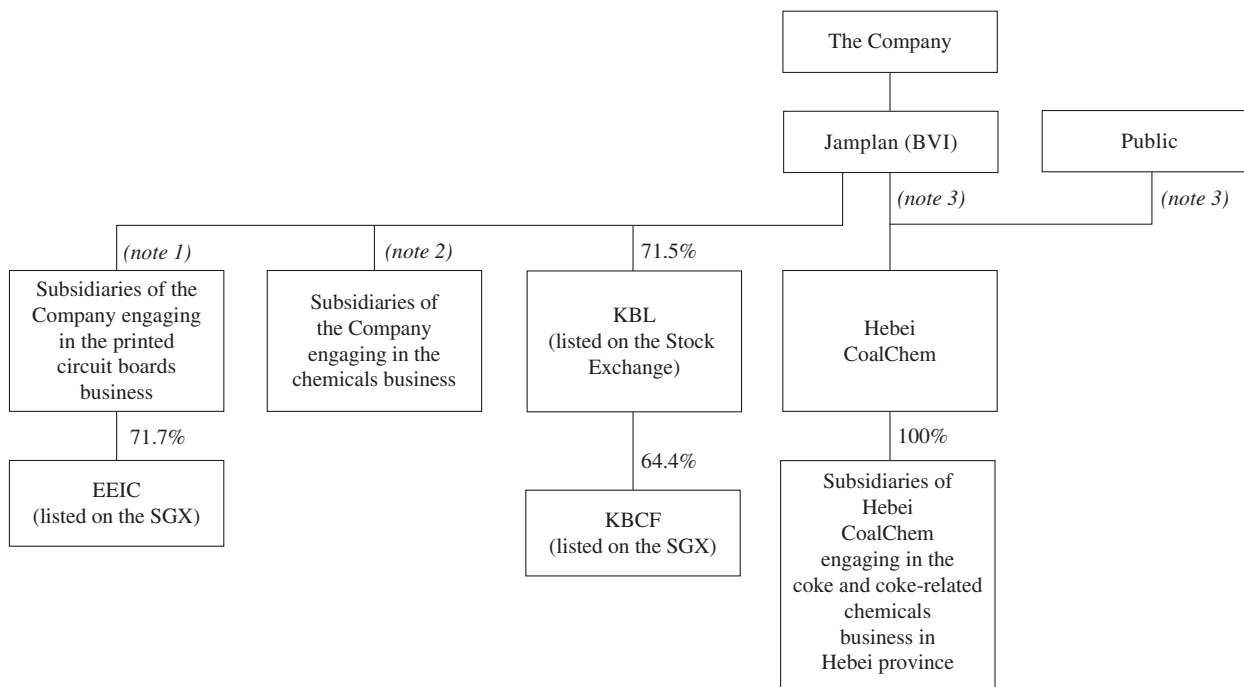
The following diagram sets out the simplified shareholding structure of the Group prior to the Restructuring:



### Notes:

1. The subsidiaries of the Company engaging in the printed circuit boards business are either wholly-owned or majority owned by the Company.
2. The subsidiaries of the Company engaging in the chemicals business are either wholly-owned or majority owned by the Company.

The following diagram sets out the simplified shareholding structure of the Group following the Restructuring and immediately after the completion of the Global Offering, but without giving effect to any exercise of the Over-allotment Option:



*Notes:*

1. The subsidiaries of the Company engaging in the printed circuit boards business are either wholly-owned or majority owned by the Company.
2. The subsidiaries of the Company engaging in the chemicals business are either wholly-owned or majority owned by the Company.
3. It is currently expected that at least 25% of the enlarged issued share capital of Hebei CoalChem will be offered pursuant to the Global Offering and Hebei CoalChem will remain a subsidiary of the Company after the Global Offering.

*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 Hebei CoalChem that, at any time during which the Hebei CoalChem 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 individually or taken together, 30% or more of Hebei CoalChem issued share capital or are otherwise regarded as a controlling shareholder of Hebei CoalChem under the Listing Rules, the Company will not, and will procure that its associates (as defined under the Listing Rules) (excluding the Spin-off Group) will not, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, except through a member of the Spin-off Group, (a) acquire, develop, invest or manage any production facility that produces (i) coke or pure benzene in China; or (ii) methanol in Hebei; and (b)

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 Spin-off Group or its associated companies), partner, agent or otherwise in the sale or distribution of (i) coke or pure benzene in China; or (ii) methanol to customers located in Hebei (other than the resale of any methanol that the Company or any other member of the Retained Group has purchased from the Spin-off Group), 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 Spin-off Group (“**Restricted Activity**”).

The restrictions which the Company agreed to undertake in the above do not apply in the circumstance where 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 recognised 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.

Furthermore, the Company has undertaken that it will not, and it will cause members of the Retained Group not to, with respect to the Second Additional Capacities Approvals, (i) use such approvals for the Retained Group or (ii) sell, transfer or assign such approvals to any person, firm or company (other than a member of the Spin-off Group).

The Company has also undertaken to procure that any business investment, government approval or other business or commercial opportunity relating to (a) the production of coke or pure benzene in China or methanol in Hebei or (b) any Restricted Activity or (c) invention or discovery of products or technologies which could be applied to (i) the production of coke or pure benzene in China or methanol in Hebei or (ii) any Restricted Activity that it or any of its associates (other than members of the Spin-off Group) identifies or proposes or that is offered or presented to it or any such associates by a third party (“**New Opportunity**”) must be first referred to Hebei CoalChem in accordance with the Non-compete Undertaking.

The Company has further undertaken that, during the period for which the Non-compete Undertaking is in force:

- it will provide all information necessary for (i) the annual review by the independent board committee of Hebei CoalChem for the enforcement of the undertakings under the Non-compete Undertaking and the compliance of the Non-compete Undertaking by the Company; and (ii) disclosure of decisions made by such committee on matters reviewed by it relating to the compliance and enforcement of the Non-compete Undertaking in the Hebei CoalChem’s annual report or public announcement and will give consent to such disclosures;

- it will make an annual declaration on compliance with the undertakings under the Non-compete Undertaking for disclosure in the annual reports of Hebei CoalChem; and
- in the event of any disagreement between the parties as to whether any activity or proposed activity of the Company constitutes a Restricted Activity or a breach of the Non-compete Undertaking, the matter shall be determined by the independent board committee of Hebei CoalChem whose majority decision shall be final and binding.

### *Indemnities*

In connection with the Proposed Spin-off, the Company will provide certain indemnities to Hebei CoalChem in relation to certain estate duty and taxation liabilities of the Spin-off Group incurred prior to the Global Offering.

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

Historically, Hebei CoalChem's finances were closely linked to those of the Retained Group. The Company and other members of the Retained Group acted as guarantors with respect to the Spin-off Group's bank borrowings. The Spin-off Group also received significant advances, in the form of shareholders' loans, from the Company and other members of the Retained Group to fund its operations. As at 30 September 2009, these shareholders' loans amounted to approximately HK\$861.2 million. In order to ensure the financial independence of the Spin-off Group from the Retained Group, the Spin-off Group will cease to receive advances from the Retained Group and will seek to obtain funding from commercial lenders to replace such advances to fund its operations. In addition, the Company and other members of the Retained Group will be released from the guarantees for the Spin-off Group by the Listing Date.

Hebei CoalChem is expected to arrange bank loans for an aggregate amount of HK\$500 million to repay these shareholders' loans on or prior to the Listing Date. The remaining balance of these shareholders' loans will be repaid using the proceeds from the Global Offering immediately upon the Listing.

### *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 Hebei CoalChem. Prior to the Listing Date, the board of directors of Hebei CoalChem will declare a special dividend in the amount of HK\$200 million to Jamplan (BVI). Consequently, investors (including Qualifying Shareholders) who purchase or subscribe for the Hebei CoalChem Shares under the Global Offering will not be entitled to the special dividend.

## **Intended use of proceeds**

### *Proceeds*

The total net proceeds of the Global Offering, after deducting underwriting fees and related expenses, are estimated to be approximately HK\$1.4 billion (assuming the Over-allotment Option is not exercised) and approximately HK\$1.6 billion (assuming the Over-allotment Option is exercised). These amounts are indicative only and the final amount of the net proceeds may be different due to, among others, prevailing market conditions and investors' response. The final size of the Global Offering will be published in the Prospectus.

### *Net proceeds from the subscription of new Hebei CoalChem Shares*

Hebei CoalChem presently intends that the anticipated net proceeds from the issue of new Hebei CoalChem Shares under the Global Offering (on the assumption that the Over-allotment Option will not be exercised) will be applied as follows:

- approximately 38% of the net proceeds to partially fund the expansion of Hebei CoalChem's coke and methanol annual production capacities by 960,000 tonnes and 100,000 tonnes, respectively, using half of the approved production capacities covered by the First Additional Capacities Approvals (the remaining amount required to fund such expansion is expected to be funded by bank borrowings and internally generated cash flow);
- approximately 27% of the net proceeds to repay Hebei CoalChem's shareholders' loans;
- approximately 25% of the net proceeds to pay for the remaining capital expenditure payable in connection with Hebei CoalChem's phase II production facilities; and
- approximately 10% of the net proceeds for working capital and other general corporate purposes.

The above percentages relating to the net proceeds are indicative only and the final percentages will be published in the Prospectus.

### *Net proceeds from the sale of existing Hebei CoalChem Shares*

The Company presently intends to use the anticipated net proceeds from the sale of existing Hebei CoalChem Shares under the Global Offering for the development of the printed circuit boards and chemicals businesses of the Retained Group.

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

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

- (a) under the present structure of the Global Offering, the Global Offering will comprise an issue of new Hebei CoalChem Shares and a sale of existing Hebei CoalChem Shares. The proceeds result from the sale of existing Hebei CoalChem Shares by the Company are presently intended to be used for the development of the printed circuit boards and chemicals businesses of the Retained Group. Such application of proceeds by the Company will enable the Retained Group to have additional fundings to develop its businesses and to increase the liquidity of the Retained Group;
- (b) the Proposed Spin-off will enable investors to appraise and assess the potential and performance of the businesses of the Retained Group separately and distinctly from the Spin-off Business. At the same time, the Company will remain the majority shareholder of Hebei CoalChem following the Listing and will be able to enjoy the benefits from the development of the Spin-off Business;
- (c) the Proposed Spin-off will give clearer operational and management focus for the Retained Group and the Spin-off Group; and
- (d) the Proposed Spin-off will help to broaden the Group's shareholder base.

The Spin-off Business has grown to a size sufficient to command a separate listing and the Board considers that the Proposed Spin-off will also be beneficial to the Spin-off Group for the following reasons:

- (a) the separate listing of Hebei CoalChem will enable the Spin-off Group to take advantage of opportunities by:
  - facilitating dedicated management focus on the specific opportunities arising in the developing coke and coke-related markets; and
  - attracting new investors who are seeking investments in companies engaging in pure coke and coke-related business by providing greater transparency;
- (b) the Global Offering will include the issue and allotment of new Hebei CoalChem Shares by Hebei CoalChem, the proceeds of which will be used to fund the Spin-off Group's business and increase the liquidity of the Spin-off Group; and
- (c) the Proposed Spin-off will permit the Spin-off Group to separate the management team from the Company and provide incentives to them independently.

### 3. PREFERENTIAL OFFER

Subject to the Stock Exchange granting approval for the Listing, approximately 10% of the Global Offering 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. The final assured entitlement will depend on the number of Shares held by Qualifying Shareholders on the Record Date. The Company will publish an 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 Hebei CoalChem 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 Hebei CoalChem 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 greater than, 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 or equal to 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 all or some of their assured entitlements. Any assured entitlements not taken up by Qualifying Shareholders will first be allocated to satisfy the excess applications for the Reserved Shares from other Qualifying Shareholders on a fair and reasonable basis, and thereafter, at the discretion of the Sole Global Coordinator, to other investors in the International Placing. Qualifying Shareholders may, in addition to applying for Reserved Shares, also apply for Hebei CoalChem Shares under the Hong Kong Public Offer or the International Placing (if it meets the applicable requirements to participate in the International Placing).

**Shareholders should note that assured entitlements to Reserved Shares may not represent a multiple of a full board lot of Hebei CoalChem Shares or a whole number of Hebei CoalChem Shares and will be rounded down to the closest whole number if required, and that dealings in odd lots of the Hebei CoalChem 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 Hebei CoalChem Shares issued pursuant to the Preferential Offer will be deemed fully paid, ranking pari passu in all respects with other Hebei CoalChem 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 Friday, 29 January 2010 (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 Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 28 January 2010 (or such later date as the Board may determine and announce).

#### **5. CONTINUING CONNECTED TRANSACTIONS OF HEBEI COALCHEM**

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

It is anticipated that, upon completion of the Proposed Spin-off, certain transactions between members of the Spin-off Group and members of the Retained Group will constitute non-exempt continuing connected transactions for Hebei CoalChem for the purposes of the Listing Rules, namely, the sale of coke, steam and methanol to the Company. These transactions will constitute connected transactions for Hebei CoalChem but will not constitute connected transactions for the Company pursuant to the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, these non-exempt continuing connected transactions of Hebei CoalChem shall be subject to reporting, announcement and independent shareholders' approval requirements. An application has been made by Hebei CoalChem 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 Spin-off Group and members of the Retained Group will also constitute exempt continuing connected transactions for Hebei CoalChem under of the Listing Rules, namely (i) sharing of office space between the Retained Group and the Spin-off Group; and (ii) the license of trademarks by the Company to the Spin-off Group. Details of the aforesaid exempt and non-exempt continuing connected transactions of Hebei CoalChem will be disclosed in the Prospectus.

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

### The Group, the Spin-off Group and the Retained Group

The selected audited financial information of the Group for the three years ended 31 December 2008 and the Spin-off Group for the three years ended 31 December 2008 and the nine months ended 30 September 2009 are as follows:

	The Group			The Spin-off Group			Nine months ended 30 September 2009 HK\$'000
	Year ended 31 December			Year ended 31 December			
	2006	2007	2008	2006	2007	2008	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	16,773,348	20,025,112	23,681,401	1,104,084	1,540,899	3,134,963	2,539,394
Profit before taxation	7,596,154	3,717,184	2,325,502	134,382	257,369	247,980	116,950
Profit attributable to equity holders for the year/period	7,068,015	2,778,321	1,705,850	134,382	257,369	208,032	112,640
	As at 31 December			As at 31 December			As at 30 September
	2006	2007	2008	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated/Combined total assets	28,121,051	34,941,986	38,241,465	1,014,938	1,828,979	2,730,279	3,042,655
Consolidated/Combined total liabilities	9,108,130	12,715,190	14,624,264	778,049	1,184,003	1,943,228	2,142,150
Consolidated/Combined net assets	19,012,921	22,226,796	23,617,201	236,889	644,976	787,051	900,505
Consolidated/Combined net assets after deducting minority interests	15,968,689	18,290,565	19,367,761	236,889	644,976	787,051	900,505

### Net assets

The audited consolidated net assets after deducting minority interests of the Group were approximately HK\$15,968.7 million, HK\$18,290.6 million and HK\$19,367.8 million as at 31 December 2006, 2007 and 2008, respectively. The audited combined net assets after deducting minority interests of the Spin-off Group as at 31 December 2006, 2007, 2008 and the nine months ended 30 September 2009 were approximately HK\$236.9 million, HK\$645.0 million, HK\$787.1 million and HK\$900.5 million, respectively.

## Earnings

The audited combined profits before taxation of the Spin-off Group for the three financial years ended 31 December 2006, 2007 and 2008 and for the nine months ended 30 September 2009 were approximately HK\$134.4 million, HK\$257.4 million, HK\$248.0 million and HK\$117.0 million, respectively. The audited combined profits of the Spin-off Group attributable to owners of Hebei CoalChem for the three financial years ended 31 December 2006, 2007 and 2008, and for the nine months ended 30 September 2009 were approximately HK\$134.4 million, HK\$257.4 million, HK\$208.0 million and HK\$112.6 million, respectively.

Upon completion of the Proposed Spin-off, the Company will remain its controlling interest in the Spin-off Group and Hebei CoalChem will remain as a subsidiary of the Company. The financial results of the Spin-off Group will continue to be consolidated into those of the Group. In accordance with HKFRS 3 (Revised), which is effective for the Group's financial periods beginning on or after 1 January 2010, changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received is recognised directly in equity and attributed to owners of the Company. No gain or loss is recognised in the consolidated statement of comprehensive income of the Group.

## 7. LISTING RULES IMPLICATIONS

The Proposed Spin-off, if consummated, may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Spin-off may be subject to the disclosure requirements under Chapter 14 of the Listing Rules.

**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.**

## 8. DIRECTORSHIP

As disclosed in "Proposed Spin-off – Directorship of the Spin-off Group" above, Mr. Ho Yin Sang, who is currently an executive Director, will cease his executive role in the Company and be redesignated as a non-executive Director with effect from the Listing Date and will focus on his role as an executive director of Hebei CoalChem upon the Listing. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan will each remain as an executive Director. As a non-executive director of Hebei CoalChem, they will not have any management role in the day-to-day operation of the Spin-off Group and will only be involved in higher level business decisions provided that there are no actual or

potential conflicts of interest. Given that Hebei CoalChem will remain a subsidiary of the Company following completion of the Proposed Spin-off and the interests of Hebei CoalChem will be in alignment with those of the Retained Group (and the Group as a whole), the Directors are of the view that the redesignation of Mr. Ho Yin Sang as a non-executive Director 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 Hebei CoalChem.

## 9. DEFINITIONS

In this announcement, the following expressions have the meanings 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
“China”	People's Republic of China
“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)”	director(s) of the Company
“First Additional Capacities Approvals”	the approvals issued by the Development and Reform Commission of Xingtai City, China that permit Fast Intellect Limited, an indirect wholly-owned subsidiary of Hebei CoalChem, through two of its subsidiaries, to undertake coke and methanol projects with an annual capacity of up to 1,920,000 tonnes and 200,000 tonnes, respectively
“Global Offering”	the offer to the public in Hong Kong for subscription, and the international placing with certain professional and institutional investors and other investors (including the Preferential Offer), of Hebei CoalChem Shares
“Group”	the Company and its subsidiaries
“Hebei CoalChem”	Hebei CoalChem Holdings Limited, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company

“Hebei CoalChem Shares”	ordinary share(s) in the capital of Hebei CoalChem
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Public Offer”	the offer of the Hebei CoalChem Shares to the public in Hong Kong for subscription pursuant to the Listing
“International Placing”	the placing of the Hebei CoalChem Shares with certain professional, institutional and other investors pursuant to the Listing
“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. Jamplan (BVI) will become the sole shareholder of Hebei CoalChem upon completion of the Restructuring but prior to the Global Offering
“Listing”	the listing of the Hebei CoalChem Shares on the main board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date of the Listing
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer Price”	the final price per Hebei CoalChem Share fixed at a HK\$ amount (exclusive of brokerage fee, SFC transaction levy, and the Stock Exchange trading fee) at which the Hebei CoalChem Shares is to be offered pursuant to the Global Offering, as described in the Prospectus
“Over-allotment Option”	the option to be granted by Hebei CoalChem to the Sole Global Coordinator on behalf of the international purchasers pursuant to which Hebei CoalChem may be required to allot and issue certain additional Hebei CoalChem Shares at the Offer Price to cover the over-allotment in connection with the Global Offering

“Preferential Offer”	the preferential offer of the Hebei CoalChem Shares to Qualifying Shareholders
“Proposed Spin-off”	the proposed spin-off of the Spin-off Business for the separate listing on the main board of the Stock Exchange
“Prospectus”	the prospectus proposed to be issued by Hebei CoalChem in relation to the Global Offering
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date
“Record Date”	the record date to be determined by the Company, tentatively at 4:00 p.m. on Friday, 29 January 2010 (or such later date(s) to be determined and announced by the Company), for ascertaining Qualifying Shareholders who shall be entitled to assured entitlements under the Preferential Offer
“Reserved Shares”	such number of Hebei CoalChem Shares proposed to be offered pursuant to the Preferential Offer (tentatively approximately 10% of the Global Offering subject to finalization to be set out in the Prospectus)
“Restructuring”	the restructuring exercise that has been and will be undertaken in contemplation of the Proposed Spin-off pursuant to which Hebei CoalChem will become the holding company of the coke and coke-related chemicals operations in Hebei province, China of the Group
“Retained Group”	the Company and its subsidiaries, excluding the Spin-off Group
“Second Additional Capacities Approvals”	the approvals issued by the Development and Reform Commission of Xingtai City, China that permit Fast Intellect (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, through two of its subsidiaries, to undertake coke and methanol projects with an annual capacity of up to 1,920,000 tonnes and 200,000 tonnes, respectively
“SFC”	The Securities and Futures Commission of Hong Kong
“SGX”	Singapore Exchange Securities Trading Limited

“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sole Bookrunner”	Merrill Lynch International, the sole bookrunner of the Global Offering
“Sole Global Coordinator”	Merrill Lynch International, the sole global coordinator of the Global Offering
“Sole Sponsor”	Merrill Lynch Far East Limited, the sole sponsor of the Global Offering
“Spin-off Business”	the business of, among other things, coke and coke-related business in Xingtai, Hebei province, China to be spun-off under the Proposed Spin-off
“Spin-off Group”	Hebei CoalChem and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Hong Kong, 14 January 2010

*As at the date hereof, the Board consists of Messrs. Cheung Kwok Wing, Chan Wing Kwan, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie and Mok Cham Hung, Chadwick, being the executive Directors, and Messrs. Cheng Wai Chee, Christopher, Henry Tan, Lai Chung Wing, Robert and Tse Kam Hung, being the independent non-executive Directors.*