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KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團*

(S C : 148)

ANNOUNCEMENT
PROPOSED SPIN-OFF AND SEPARATE LISTING OF HEBEI COALCHEM HOLDINGS LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

BofA Merrill Lynch

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

The Board is pleased to announce that on 23 October 2009, Hebei CoalChem submitted an advance booking form for an application for the listing of, and permission to deal in, the Hebei CoalChem Shares on the main board of the Stock Exchange.

Hebei CoalChem, through its subsidiaries, produce coke and coke related products.

Following the completion of the Restructuring, the Spin-off Group will be principally engaged in the Spin-off Business.

It is intended that Qualifying Shareholders will be provided with an assured entitlement to Hebei CoalChem Shares under the Global Offering, subject to certain conditions. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will comply with the reporting and announcement requirements set out in Chapter 14 of the Listing Rules as and when necessary.

Shareholders and other investors are reminded that no final decision has yet been made by the Company or Hebei CoalChem as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee for the Proposed Spin-off and listing of, and permission to deal in, the Hebei CoalChem Shares on the main board of the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

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INFORMATION ON THE SPIN-OFF GROUP

Hebei CoalChem was incorporated in the Cayman Islands with limited liability on 4 September 2009. Hebei CoalChem, through its subsidiaries, produce coke and coke related products. As at the date of this announcement, the Company owns 100% of the shareholding interest in Hebei CoalChem indirectly through its wholly-owned subsidiary, Jamplan (BVI). Pursuant to the Proposed Spin-off, the Group will undergo a restructuring to effectively consolidate the Spin-off Business under the Spin-off Group (the "**R[illegible]**").

INFORMATION ON THE PROPOSED SPIN-OFF

It is currently proposed that, pursuant to the Global Offering, Hebei CoalChem Shares will be offered to the public in Hong Kong for subscription and for placing with certain professional and institutional investors and other investors, including the Qualifying Shareholders. It is expected that the Group's percentage interest in the share capital of Hebei CoalChem will be reduced to approximately 75% but Hebei CoalChem will remain a subsidiary of the Company upon completion of the Global Offering.

RATIONALE 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 include the sale of existing Hebei CoalChem Shares by the Group, the proceeds of which are intended to be used for the development of the printed circuit boards and chemicals businesses 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 of the Hebei CoalChem Shares on the main board of the Stock Exchange 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, reduce the level of indebtedness 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.

ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT

The Board will give due regard to the interests of Shareholders by providing the Qualifying Shareholders with an assured entitlement to Hebei CoalChem Shares under the Global Offering, subject to certain conditions, if the Board decides to proceed with the Proposed Spin-off and the Global Offering, and the Listing Committee has given its approval to the Proposed Spin-off and the Global Offering. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

INFORMATION ON THE GROUP

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.

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will comply with the reporting and announcement requirements set out in Chapter 14 of the Listing Rules as and when necessary.

GENERAL

Shareholders and other investors are reminded that no final decision has yet been made by the Company or Hebei CoalChem as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee for the Proposed Spin-off and the listing of, and permission to deal in, the Hebei CoalChem Shares on the main board of the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

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DEFINITIONS

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

"Board"	the board of directors of the Company
"Company"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
"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 to the Qualifying Shareholder(s)), of Hebei CoalChem Shares
"Group"	the Company and its subsidiaries

"%"	percentage
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board