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KINGBOARD CHEMICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(stock code: 148)

EASE EVER INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

ELITELINK HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

ANNOUNCEMENT

**Voluntary conditional cash offers in Hong Kong by Citigroup Global Markets Asia Limited
on behalf of**

**EASE EVER INVESTMENTS LIMITED,
an indirect wholly-owned subsidiary of Kingboard Chemical Holdings Limited,
to acquire all of the issued shares in the capital of, and for cancellation of all outstanding options of,
ELEC & ELTEK INTERNATIONAL HOLDINGS LIMITED
(other than those already owned by the Hong Kong Offeror or parties acting in concert with it)
and**

**Possible mandatory unconditional cash offer in Singapore by Citigroup Global Markets Singapore Pte. Limited
on behalf of**

**ELITELINK HOLDINGS LIMITED,
an indirect wholly-owned subsidiary of Kingboard Chemical Holdings Limited,
to acquire all of the issued and paid-up ordinary shares in the capital of
ELEC & ELTEK INTERNATIONAL COMPANY LIMITED
(other than those already owned by the Singapore Offeror or parties acting in concert with it and those
owned by Elec & Eltek International Holdings Limited)**

**and
Major Transaction
and**

**Disclosure pursuant to Rule 13.18 of the Listing Rules
Financial Advisor to Kingboard Chemical Holdings Limited**

citigroup

Citigroup Global Markets Asia Limited

THE HONG KONG OFFERS

The Hong Kong Offeror announces that it will make a voluntary conditional cash offer in Hong Kong to acquire all the issued shares in the share capital of E&E (other than those already owned by the Hong Kong Offeror or parties acting in concert with it) and a voluntary conditional cash offer for the cancellation of all E&E Options. The Hong Kong Offers will be conditional upon, amongst other things, the approval by the shareholders of the Company in a general meeting.

The Hong Kong Share Offer Price shall be HK\$1.90 in cash for each E&E Share, representing a premium of approximately 9.20 per cent over the closing price of HK\$1.74 per E&E Share as quoted on the Stock Exchange on 12 October 2004, being the last day on which E&E Shares were traded prior to the publication of this announcement, a premium of approximately 9.07 per cent over the average closing price of approximately HK\$1.74 per E&E Share for the last five trading days up to and including 12 October 2004 and a premium of approximately 12.96 per cent over the average closing price of HK\$1.68 per E&E Share for the last 10 trading days up to and including 12 October 2004. The Hong Kong Option Offer shall be HK\$1.90 less the E&E Option Exercise Price in cash for each E&E Option.

The Hong Kong Offers will be conditional, among other things, upon valid acceptances having been received (and not, where permitted, withdrawn) at or before 4:00 p.m. on the Closing Date in respect of E&E Shares which, together with the E&E Shares then held by the Hong Kong Offeror and parties acting in concert with it, will result in the Hong Kong Offeror and parties acting in concert with it, holding more than 50 per cent of the voting rights of E&E. The Hong Kong Option Offer will be subject to and conditional upon the Hong Kong Share Offer becoming unconditional in all respects.

The Company and the Hong Kong Offeror have not decided whether to maintain the listing of E&E on the Stock Exchange or to effect the compulsory acquisition of E&E in the event that the Hong Kong Offeror is permitted to do so under the Companies Act and the Takeovers Code. Further announcement will be made in this respect accordingly.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Hong Kong Offeror seeks to acquire or privatise E&E by means of the Hong Kong Offers and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Act, acceptance of the Hong Kong Offers and purchases (in each case of the disinterested shares) made by the Hong Kong Offeror and persons acting in concert with it during the period of four months after posting the Hong Kong Offer document a total of 90% of the disinterested shares.

The directors of the Company and the directors of the Hong Kong Offeror and the new directors to be nominated by the Hong Kong Offeror and appointed to the board of directors of E&E pursuant to the Hong Kong Offers will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure sufficient public float exists in the E&E Shares if listing were to be maintained.

THE SINGAPORE SHARE OFFER

Based on the EEIC Annual Report, E&E is interested in approximately 51.71% of the entire issued share capital of EEIC, a public company listed on the Singapore Stock Exchange. Upon the Hong Kong Offers becoming or being declared unconditional in all respects, the Singapore Offeror will make a mandatory unconditional cash offer in Singapore to acquire all the issued and paid-up ordinary shares in the share capital of EEIC (other than those already owned by the Singapore Offeror or parties acting in concert with it and those owned by E&E) in compliance with the requirements in the Singapore Takeovers Code.

The Company and the Singapore Offeror have no intention of exercising the compulsory acquisition right under the Singapore Companies Act in relation to EEIC. It is the intention of the Company and the Singapore Offeror to maintain the listing of EEIC on the Singapore Stock Exchange.

MAJOR TRANSACTION

As the Hong Kong Offers, together with the Singapore Share Offer, constitute a major transaction of the Company under the Listing Rules, the making of the Hong Kong Offers and the Singapore Share Offer are subject to the approval by shareholders of the Company at an extraordinary general meeting. The Company will convene an extraordinary general meeting to approve the acquisition of the issued share capital of E&E, the offer to cancel all the E&E Options and the acquisition of the issued share capital of EEIC not held by the Singapore Offeror or its concert parties (including E&E), and the transactions contemplated thereunder. The interest of the controlling shareholder of the Company in the Hong Kong Offers and the Singapore Share Offer is the same as those of the other shareholders of the Company and no shareholder of the Company is required to abstain from voting in the aforesaid meeting pursuant to the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 12 October 2004, the Company as borrower accepted the Commitment Letter offered by Citibank in respect of the Facility, namely an unsecured loan facility of up to HK\$7,270 million. The purpose of the Facility is to, among other things, finance the Hong Kong Offers, the Singapore Share Offer and to refinance the existing facilities of the Group.

Under the Commitment Letter, it will be an event of default if Hallgain Management Limited, being the controlling shareholder of the Company as defined under the Listing Rules, ceases to be the single largest shareholder of the Company or to hold at least 30% of the issued share capital of the Company, save during a top-up placing of the Company. It will also be an event of default if Mr. Cheung ceases to hold 20% of the issued shares of Hallgain Management Limited. If any of the above events occurs, the Facility may become due and payable on demand. Each of Mr. Cheung and Hallgain Management Limited had provided an undertaking to the Company in this respect and the Company has in turn warranted to Citigroup Asia that the Company will not waive those undertakings. As at the date of this announcement, Mr. Cheung is interested in 22% of the entire issued share capital of Hallgain Management Limited and Hallgain Management Limited is interested in approximately 35.85% of the entire issued share capital of the Company.

DESPATCH OF CIRCULAR AND HONG KONG OFFER DOCUMENT

A circular containing, among other things, the notice of the extraordinary general meeting of the Company and further details of the Hong Kong Offers and the Singapore Share Offer and the transactions contemplated thereunder will be despatched to the shareholders of the Company within 21 days from the publication of this announcement.

The Hong Kong Offeror will also despatch the Hong Kong Offer Document to holders of the E&E Shares and E&E Options setting out the terms and other details of the Hong Kong Offers, together with acceptance and transfer forms, within 21 days from the publication of this announcement.

DESPATCH OF SINGAPORE OFFER DOCUMENT

Once the Hong Kong Offers have become or are declared unconditional in all respects and thereby triggering the Singapore Share Offer, the Singapore Offeror will despatch the Singapore Offer Document to holders of the EEIC Shares setting out the terms and other details of the Singapore Share Offer, together with acceptance and transfer forms, no earlier than 14 days and no later than 21 days from the date of the Singapore Announcement.

Shareholders and investors of the Company should exercise caution when dealing in the Company Shares.

INTRODUCTION

The Company and the Hong Kong Offeror announce that it will make, through Citigroup Asia, a voluntary conditional cash offer in Hong Kong to acquire all the issued shares in the share capital of E&E (other than those already owned by the Hong Kong Offeror or parties acting in concert with it) and a voluntary conditional cash offer for the cancellation of all outstanding E&E Options. The Hong Kong Offers will be conditional upon, amongst other things, the approval of the shareholders of the Company in a general meeting.

The Company and the Singapore Offeror also announce that it will make, through Citigroup Singapore, a mandatory unconditional cash offer in Singapore to acquire all the issued and paid-up shares in the share capital of EEIC (other than those already owned by the Singapore Offeror or parties acting in concert with it and those already owned by E&E) upon the Hong Kong Offers becoming or being declared unconditional in all respects. The Singapore Share Offer, when made, will be unconditional in all respects.

According to the E&E Annual Report, there were 1,217,462,408 E&E Shares in issue as at 30 June 2004. As at the date of this announcement, the Company is, directly and through its subsidiaries, interested in an aggregate of 336,799,000 E&E Shares, representing approximately 27.66% (calculated based on the existing number of E&E Shares held by the Company and the total number of issued shares of E&E as at 30 June 2004) of the entire issued share capital of E&E. Pursuant to the SFO, Hallgain Management Limited is deemed to be interested in the aforesaid 336,799,000 E&E Shares by virtue of its approximately 35.85% interests in the issued share capital of the Company as at the date of this announcement. In addition, each of Mr. Cheung Kwok Wa, an executive Director, and Mr. Tse Kam Hung, an independent non-executive Director, is directly interested in 150,000 and 50,000 E&E Shares as at the date of this announcement, representing in aggregate approximately 0.016% of the entire issued share capital of E&E (calculated based on the existing aggregate number of E&E Shares held by Mr. Cheung Kwok Wa and Mr. Tse Kam Hung and the total number of issued shares of E&E as at 30 June 2004). As a result, the Hong Kong Offeror and the parties acting in concert with it are currently the beneficial owners of 336,999,000 E&E Shares, representing approximately 27.68% of the entire issued share capital of E&E (calculated based on the existing aggregate number of E&E Shares held by the Company and its concert parties and the total number of issued shares of E&E as at 30 June 2004).

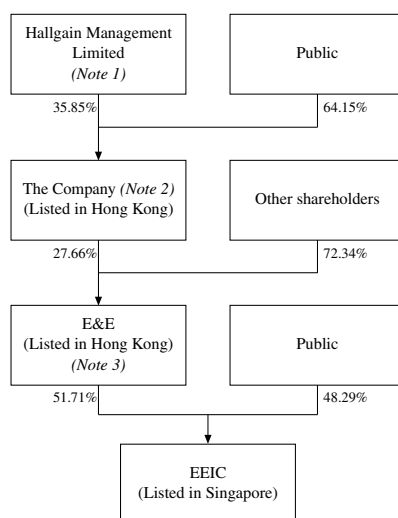
Mr. Cheung Kwok Wa and Mr. Tse Kam Hung will donate all their interest in E&E to a registered charitable organisation in Hong Kong which will be effected or made as soon as practicable after the publication of this announcement but before the despatch of the Hong Kong Offer Document. By the time when the Hong Kong Offer Document is despatched, the 200,000 E&E Shares will not be held by Mr. Cheung Kwok Wa and Mr. Tse Kam Hung, who are concert parties of the Hong Kong Offeror, and thus will form part of the E&E Shares that are subject to the Hong Kong Share Offer.

According to the E&E Annual Report, there were 18,210,000 outstanding E&E Options as at 30 June 2004. Among the aforesaid 18,210,000 outstanding E&E Options, the exercise period of 7,210,000 E&E Options were from 30 January 2003 to 29 July 2004. The exercise periods of the remaining 5,500,000 and 5,500,000 E&E Options are from 7 May 2005 to 6 May 2006 and from 7 May 2006 to 6 May 2007 respectively. Based on the E&E Annual Report, the E&E Option Exercise Price ranges from HK\$0.91 to HK\$1.13, subject to adjustment. The E&E Annual Report has not indicated other options, warrants or other securities issued by E&E that carry a right to subscribe for or which are convertible into E&E Shares.

Based on the EEIC Annual Report, E&E is interested in approximately 51.71% of the entire issued share capital in EEIC as at 23 August 2004 (being the reference date as stated in the EEIC Annual Report).

Save as disclosed in this announcement, the Hong Kong Offeror, the Singapore Offeror and its associates do not have any interest in E&E Shares, E&E Options, EEIC Shares and EEIC Options as at the date of this announcement.

The shareholding structure of the Company, E&E and EEIC is as follow:



Notes:

- The interest of Hallgain Management Limited in the Company is calculated based on its interest in the Company as at the date of this announcement. Each of the shareholders of Hallgain Management Limited does not hold more than 30% of the issued share capital of Hallgain Management Limited and some of them are Directors.
- The interest of the Company in E&E is calculated based on its interest in E&E as at the date of this announcement and the total number of issued shares of E&E as at 30 June 2004. The Company's interests in E&E resulted from various acquisitions from, and disposals in, the market during the period from February 2000 to September 2004.

In the 12 months period immediately before the date of this announcement, the Company has acquired a total of 58,960,000 E&E Shares in the market for a total consideration of approximately HK\$90,748,000.
- The interest of E&E in EEIC is calculated based on its interest in EEIC as at 23 August 2004 as disclosed in the EEIC Annual Report.

To the best knowledge, belief and information of the Directors, having made all reasonable enquiry, the controlling shareholder of E&E, being EEIL, is a third party independent from and not connected with the Company and any of the directors, chief executive or substantial shareholders of the Company and its subsidiaries and any of their respective associates.

THE HONG KONG OFFERS

The Hong Kong Offers

The Hong Kong Offers, comprising the Hong Kong Share Offer and the Hong Kong Option Offer, will be made in compliance with the Takeovers Code on the following basis:

- For each E&E Share** **HK\$1.90 in cash.**
For each E&E Option **HK\$1.90 less the E&E Option Exercise Price in cash.**

According to the E&E Annual Report, there were 18,210,000 outstanding E&E Options as at 30 June 2004. Among the aforesaid 18,210,000 outstanding E&E Options, the exercise period of 7,210,000 E&E Options was from 30 January 2003 to 29 July 2004. The exercise periods of the remaining 5,500,000 and 5,500,000 E&E Options are from 7 May 2005 to 6 May 2006 and from 7 May 2006 to 6 May 2007 respectively. The E&E Annual Report has not indicated other options, warrants or other securities issued by E&E that carry a right to subscribe for or which are convertible into E&E Shares.

Neither the Hong Kong Offeror nor its concert parties or associates has any interest in E&E Options as at the date of this announcement.

Comparisons of value

Based on the E&E Annual Report, E&E recorded an audited net profit attributable to E&E Shareholders of approximately HK\$37.49 million and HK\$145.02 million for the year ended 30 June 2003 and 30 June 2004 respectively.

The highest and lowest price at which E&E Shares were traded on the Stock Exchange in the six month period immediately prior to 12 October 2004, being the last day on which trading in E&E Shares took place immediately prior to the publication of this announcement, was HK\$1.77 on 11 October 2004 and HK\$1.24 on 16 August 2004 respectively.

The Hong Kong Share Offer Price represents:

- a premium of approximately 9.20 per cent. over the closing price of HK\$1.74 per E&E Share as quoted on the Stock Exchange on 12 October 2004, being the last day on which E&E Shares were traded prior to the publication of this announcement;
- a premium of approximately 9.07 per cent. over the average closing price of HK\$1.74 per E&E Share for the five trading days up to and including 12 October 2004;
- a premium of approximately 12.96 per cent. over the average closing price of approximately HK\$1.68 per E&E Share for the last 10 trading days up to and including 12 October 2004;
- a premium of approximately 27.63 per cent. over the average closing price of approximately HK\$1.49 per E&E Share for the last 30 trading days up to and including 12 October 2004;
- a premium of approximately 36.37 per cent. over the average closing price of approximately HK\$1.39 per E&E Share for the three months up to and including 12 October 2004;
- a premium of approximately 35.19 per cent. over the average closing price of approximately HK\$1.41 per E&E Share for the six months up to and including 12 October 2004;
- a premium of approximately 184.18 per cent. over the audited net tangible asset value per E&E Share of approximately HK\$0.67 as at 30 June 2004 (based on net tangible assets of approximately HK\$814 million and 1,217 million E&E Shares in issue as at 30 June 2004 according to the audited accounts in the E&E Annual Report);
- a premium of 68.14% to 108.79% over the E&E Option Exercise Price range; and
- a price earnings multiple of 15.82 times based on the fully diluted earnings per share of HK\$0.1201 for the financial year ended 30 June 2004 (as disclosed in E&E Annual Report).

The Hong Kong Share Offer Price, the Hong Kong Option Offer Price and the terms of the Hong Kong Offers were determined by the Hong Kong Offeror after taking into account the historical financial performance of E&E and the competitive positioning of E&E in the industry. The Directors consider that the Hong Kong Share Offer Price and the Hong Kong Option Offer Price are fair and reasonable.

Total Consideration

On the basis of the Hong Kong Share Offer Price of HK\$1.90 per E&E Share and 1,217,462,408 E&E Shares in issue as at 30 June 2004 as disclosed in the E&E Annual Report, the entire issued share capital of E&E is valued at approximately HK\$2,313 million.

According to the E&E Annual Report, there were 18,210,000 outstanding E&E Options as at 30 June 2004. Among the aforesaid 18,210,000 outstanding E&E Options, the exercise period of 7,210,000 E&E Options was from 30 January 2003 to 29 July 2004. The exercise periods of the remaining 5,500,000 and 5,500,000 E&E Options are from 7 May 2005 to 6 May 2006 and from 7 May 2006 to 6 May 2007 respectively. Assuming that all these E&E Options are exercised in full by the holders prior to the Closing Date and the Hong Kong Share Offer are accepted in full, the consideration payable by the Hong Kong Offeror pursuant to the Hong Kong Offers will be approximately HK\$1,707 million.

Terms of the Hong Kong Offers

Under the terms of the Hong Kong Share Offer, E&E Shares will be acquired with all rights attached thereto (save for the final dividend for the year ended 30 June 2004 declared which will, subject to the approval of the shareholders of E&E, be payable to the shareholders of E&E on 15 October 2004) as at the date on which the Hong Kong Share Offer is made, i.e. the day of posting of the Hong Kong Offer Document, or subsequently becoming attached thereto and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

Under the terms of the Hong Kong Option Offer, the E&E Options together with all rights attaching thereto will be entirely cancelled and renounced.

Payment

Payment in cash in respect of acceptances of the Hong Kong Offers will be made within 10 days of the date on which the relevant documents of title are received by the Hong Kong Offeror to render each such acceptance complete and valid or of the Unconditional Date, whichever is the later.

Stamp Duty

Sellers' ad valorem stamp duty for E&E Shares registered on the Hong Kong branch register arising in connection with acceptance of the Hong Kong Share Offer will be payable by each E&E Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Hong Kong Offeror for such person's E&E Shares and will be deducted from the cash amount due to such person under the Hong Kong Share Offer. The Hong Kong Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting shareholders in respect of the E&E Shares accepted under the Hong Kong Share Offer.

CONDITIONS OF THE HONG KONG OFFERS

The Hong Kong Offer will be conditional upon the following:

- (1) The Hong Kong Offers and the Singapore Share Offer having been approved by the shareholders of the Company in a general meeting.
- (2) Each and every member of the E&E Group remaining solvent and not subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, provisional liquidator, receiver or other person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertaking or any member of the E&E Group from the date of this announcement up to the date when Conditions (1), (3) and (4) are all satisfied, or in the case of Condition (4) only, waived by the Hong Kong Offeror.
- (3) Valid acceptances having been received (and not, where permitted, withdrawn) at or before 4:00 p.m. on the Closing Date in respect of E&E Shares which, together with the E&E Shares then held by the Hong Kong Offeror and parties acting in concert with it, will result in the Hong Kong Offeror and parties acting in concert with it, holding more than 50 per cent of the voting rights of E&E.
- (4) (i) No additional directors, save for the persons nominated by the Hong Kong Offeror as mentioned in this Condition, having been appointed to the respective boards of directors of E&E and EEIC after the date of this announcement up to and including the 3rd day after the day when Conditions (1) and (3) above are both satisfied; (ii) five persons nominated by the Hong Kong Offeror having been appointed to the board of directors of E&E with effect no later than the 3rd day after the day when Conditions (1) and (3) above are both satisfied; and (iii) receipt by the Singapore Offeror of an irrevocable undertaking from the majority of the board of directors of EEIC regarding appointment of directors nominated by the Singapore Offeror. Under such irrevocable undertaking, the directors (who have given the irrevocable undertaking) shall cause the appointment of five persons nominated by the Singapore Offeror to the board of directors of EEIC with effect no later than the 3rd day after the Singapore Offer Document has been despatched to the shareholders of EEIC.

In addition to the conditions set out above, the Hong Kong Share Offer shall also be subject to the terms that acceptance of the Hong Kong Share Offer by any person will constitute a warranty by such person or persons to the Hong Kong Offeror that the E&E Shares acquired under the Hong Kong Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities and encumbrances and together with all rights attaching thereto as at the date on which the Hong Kong Share Offer is made or subsequently becoming attached to them, including (as appropriate) the right to receive all dividends and distributions declared, made or paid on or after the date on which the Hong Kong Share Offer is made.

The Hong Kong Option Offer will be subject to and conditional upon the Hong Kong Share Offer becoming unconditional in all respects.

In addition, the Hong Kong Option Offer will also be subject to the term that acceptance of the Hong Kong Option Offer by any person will be deemed to constitute a warranty by such person or persons to the Hong Kong Offeror that the E&E Options are free from all third party rights, liens, charges, equities and encumbrances and are to be renounced and cancelled together with all rights attaching thereto as at the date on which the Hong Kong Option Offer is made or subsequently becoming attaching to them.

Waiver of the Conditions of the Hong Kong Offers

The Hong Kong Offeror reserves the right to waive all or any of the Conditions (except Conditions (1), (2) and (3) for the Hong Kong Share Offer) in whole or in part on or before the Closing Date.

Hong Kong Offer Document

The Hong Kong Offeror will cause the Hong Kong Offer Document containing details of, among other things, the Hong Kong Offers, to be despatched to E&E Shareholders and holders of the E&E Options within 21 days from the date of this announcement. The Company will include the timetable in relation to the Hong Kong Offers in the Hong Kong Offer Document and by way of further announcement.

Lapse of the Hong Kong Offers

According to Rule 5 of the Takeovers Code, except with the consent of the Executive and subject to the notes to Rule 5 of the Takeovers Code, the Hong Kong Offeror must proceed with the Hong Kong Offers unless the Conditions are not met (or in respect of Condition (4) only, waived by the Hong Kong Offeror in its sole discretion) on or before the Closing Date or such later date if required by the Takeovers Code and as the Executive may approve. Except with the consent of the Executive, all Conditions must be fulfilled or, in respect of Condition (4) only, waived by the Hong Kong Offeror in its sole discretion, on or before the Closing Date, otherwise, subject to full compliance with the Takeovers Code, in particular, Note 2 of Rule 30.1, the Hong Kong Share Offer must lapse on the Closing Date. In that case, the Hong Kong Offeror will issue a press announcement as soon as practicable thereafter. Under the Takeovers Code, the latest date on which the Hong Kong Offeror can declare the Hong Kong Offers unconditional in all respects as to acceptances is 60 days after the date of the posting of the Hong Kong Offer Document (or such later date as the Executive may consent to).

THE SINGAPORE SHARE OFFER

Based on the EEIC Annual Report, E&E is interested in approximately 51.71% of the entire issued and paid-up share capital of EEIC as at 23 August 2004. The Singapore Offeror will make a mandatory unconditional cash offer in Singapore to acquire all the issued and paid-up ordinary shares in the share capital of EEIC (other than those already owned by the Singapore Offeror or parties acting in concert with it and those owned by E&E) upon the Hong Kong Offers becoming or being declared unconditional in all respects. The Singapore Share Offer, when made, will be unconditional in all respects.

The Singapore Offeror is making at the same time as the publication of this announcement, an announcement of a possible mandatory unconditional cash offer in Singapore for EEIC. In addition, upon the Hong Kong Offers becoming or are being declared unconditional in all respects, the Singapore Offeror will make the Singapore Announcement in Singapore in relation to the Singapore Share Offer. The Singapore Share Offer will be made in compliance with the Singapore Takeovers Code on the following basis:

For each EEIC Share US\$2.85 in cash

The Singapore Share Offer Price represents:

- (a) a premium of approximately 4.01 per cent. over the closing price of US\$2.74 per EEIC Share as quoted on the Singapore Stock Exchange on 12 October 2004, being the last day on which EEIC Shares were traded prior to the publication of this announcement;
- (b) a premium of approximately 2.15 per cent. over the average closing price of approximately US\$2.79 per EEIC Share for the last five trading days up to and including 12 October 2004;
- (c) a premium of approximately 0.39 per cent. over the average closing price of approximately US\$2.84 per EEIC Share for the last 10 trading days up to and including 12 October 2004;
- (d) a discount of approximately 0.11 per cent. to the average closing price of approximately US\$2.85 per EEIC Share for the last 30 trading days up to and including 12 October 2004;
- (e) a premium of approximately 1.53 per cent. over the average closing price of approximately US\$2.81 per EEIC Share for the three months up to and including 12 October 2004;
- (f) a premium of approximately 0.80 per cent. over the average closing price of approximately US\$2.83 per EEIC Share for the six months up to and including 12 October 2004;
- (g) a premium of approximately 65.40 per cent. over the audited net tangible asset value per EEIC Share of approximately US\$1.72 as at 30 June 2004 (based on net tangible assets of approximately US\$252 million and 146 million EEIC Shares in issue as at 30 June 2004 according to the EEIC Annual Report and prepared in accordance with Singapore Financial Reporting Standards); and
- (h) a price earnings multiple of 10.30 times based on the fully diluted earnings per share of US\$0.2767 (prepared in accordance with Singapore Financial Reporting Standards as disclosed in EEIC Annual Report) for the financial year ended 30 June 2004.

On the basis of the Singapore Share Offer Price of US\$2.85 per EEIC Share and 146,237,397 EEIC Shares in issue as at 30 June 2004 according to the EEIC Annual Report, the entire issued share capital of EEIC is valued at approximately US\$417 million (equivalent to approximately HK\$3,248 million).

The consideration payable by the Singapore Offeror pursuant to the Singapore Share Offer (when made), if the Singapore Share Offer is accepted in full, is approximately US\$205 million (equivalent to approximately HK\$1,599 million) (assuming that all the holders of the EEIC Options will exercise their EEIC Options in full prior to the close of the Singapore Share Offer).

The Singapore Share Offer Price and the terms of the Singapore Share Offer were computed based on the simple average of the daily highest and lowest traded prices of the EEIC Shares during the calendar month prior to the date of this announcement, the previous calendar month, being the period from 13 September up to and including 12 October 2004. The Directors consider that the Singapore Share Offer Price is fair and reasonable.

As at the date of this announcement, neither the Company nor the Singapore Offeror and their respective associates has any direct interest in any EEIC Shares.

Based on the EEIC Annual Report, E&E, being a concert party of the Company, is directly interested in approximately 51.71% of the entire issued and paid-up share capital of EEIC as at 23 August 2004.

As at the date of this announcement, Mr. Nadeem Jeddy, a managing director of Citigroup Asia, being a concert party of the Company, is interested in 7,500 EEIC Shares, representing approximately 0.005% of the entire issued and paid-up share capital of EEIC (calculated based on the number of EEIC Shares in issue as at 30 June 2004 as provided in the EEIC Annual Report). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, Mr. Nadeem Jeddy is a third party independent from and not connected with the Company and any of the Directors, chief executive or substantial shareholders of the Company and its subsidiaries and any of their respective associates (other than being an employee of Citigroup Asia which is acting as financial advisor to the Company in respect of the Hong Kong Offers).

According to the EEIC Annual Report, there were 1,400,400 EEIC Options outstanding as at 30 June 2004. To the best of the knowledge, belief and information of the Directors, having made all reasonable enquiries, E&E and its subsidiaries and their respective concert parties or associates do not have any interest in EEIC Options as at the date of this announcement.

As the EEIC Options are not transferable by holders thereof, the Singapore Offeror will not make an offer to acquire the EEIC Options. However, the Singapore Share Offer (when made) will be extended to all new EEIC Shares unconditionally issued or to be issued pursuant to the valid exercise prior to the close of the Singapore Share Offer of any EEIC Options to subscribe for new EEIC Shares.

COMMITMENT LETTER AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 12 October 2004, the Company as borrower accepted the Commitment Letter offered by Citibank in respect of an unsecured loan facility of up to HK\$7,270 million. The Facility shall be repaid in full six months after the date of the Commitment Letter and may be extended for a further six months at the option of the Company. The purpose of the Facility is, among others, to finance the Hong Kong Offers, the Singapore Share Offer and to refinance the existing facilities of the Company. The Directors consider that the terms of the loan is fair and reasonable having regard to the scale of the Transaction.

Under the Commitment Letter, it will be an event of default, among others, if Hallgain Management Limited, being the controlling shareholder of the Company as defined under the Listing Rules, ceases to be the single largest shareholder of the Company or to hold at least 30% of the issued share capital of the Company, save during a top up placing. It will also be an event of default if Mr. Cheung ceases to hold 20% of the issued shares of Hallgain Management Limited. If any of the above events occurs, the Facility may become due and payable on demand. Appropriate disclosure will be included in the respective interim and/or annual reports of the Company if the aforementioned obligations continue to exist. Each of Mr. Cheung and Hallgain Management Limited had provided an undertaking to the Company in this respect and the Company has in turn warranted to Citigroup Asia that the Company will not waive those undertakings. As at the date of this announcement, Mr. Cheung is interested in 22% of the entire issued share capital of Hallgain Management Limited.

Each of Citigroup Asia and Citigroup Singapore is satisfied that sufficient financial resources are available to the Hong Kong Offeror and the Singapore Offeror to meet full acceptance of the Hong Kong Offers and the Singapore Share Offer respectively. The Hong Kong Offers and the Singapore Share Offer will be financed by, inter alia, the Facilities available to the Company and the Company's internal resources.

INFORMATION ON THE E&E GROUP

Business of the E&E Group

According to the E&E Annual Report, E&E was incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The E&E Group is principally engaged in the manufacture and sale of electronic components, including double-side and multi-layered printed circuit boards ("PCBs"), liquid crystal displays and magnetic products, and the provision of IT consultancy and software development services. According to the EEIC Annual Report, the number of EEIC Shares in issue is 146,237,397 as at 30 June 2004 and E&E is interested in 75,617,959 EEIC Shares, representing approximately 51.71% of the entire issued share capital in EEIC as at 23 August 2004.

Key financial information of E&E Group

Based on the E&E Annual Report, the audited consolidated turnover and profit recorded by the E&E Group (including EEIC) for the two years ended 30 June 2003 and 30 June 2004 were as follows:

	Year ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Turnover	3,214,067	2,257,713
Profit before tax	342,418	116,348
Tax	(26,291)	(10,623)
Profit before minority interests	316,127	105,725
Minority interests	(171,111)	(68,240)
Net profit attributable to E&E Shareholders	145,016	37,485

Based on the E&E Annual Report, the audited total assets and total liabilities of the E&E Group as at 30 June 2003 and 30 June 2004 were as follows:

	As at 30 June	
	2004	2003
	HK\$'000	HK\$'000
Total assets	4,017,348	3,023,773
Total liabilities	2,224,996	1,413,935
Net tangible assets	813,994	680,223

INFORMATION ON THE EEIC GROUP

Business of the EEIC Group

According to the information published in the EEIC Annual Report, EEIC was incorporated in Singapore and its shares are listed on Singapore Stock Exchange. It is an investment holding company and its subsidiaries are principally engaged in the design, development, manufacture and distribution of high-density double-sided and multi-layer PCBs.

Key financial information of EEIC Group

Based on the EEIC Annual Report, the audited consolidated turnover and profit recorded by the EEIC Group for the two years ended 30 June 2003 and 30 June 2004 were as follows:

	Year ended 30 June	
	2004	2003
	US\$'000/ Equivalent in HK\$'000	US\$'000/ Equivalent in HK\$'000
Sales of goods	354,388/2,761,427	245,080/1,909,688
Profit before tax	46,406/361,600	17,358/135,255
Tax	(3,403)/(26,517)	(1,360)/(10,597)
Profit before minority interests	43,003/335,084	15,998/124,658
Minority interests	(2,408)/(18,763)	(1,788)/(13,932)
Net profit attributable to EEIC Shareholders	40,595/316,320	14,210/110,726

Based on the EEIC Annual Report, the audited total assets and total liabilities of the EEIC Group as at 30 June 2003 and 30 June 2004 were as follows:

	As at 30 June	
	2004	2003
	US\$'000/ Equivalent in HK\$'000	US\$'000/ Equivalent in HK\$'000
Total assets	470,471/3,665,957	352,350/2,745,546
Total liabilities	218,414/1,701,904	115,091/896,801
Net tangible assets	238,223/1,856,257	221,403/1,725,194

INFORMATION ON THE HONG KONG OFFEROR, THE SINGAPORE OFFEROR AND THE GROUP

The Hong Kong Offeror is a company incorporated in the British Virgin Islands on 16 September 2004 and the directors of the Hong Kong Offeror are Messrs. Cheung Kwok Wing, Chan Wing Kwan, Chang Wing Yiu, Cheung Kwok Wa and Mok Cham Hung, Chadwick, all of whom are also executive directors of the Company. The Hong Kong Offeror is an indirect wholly-owned subsidiary of the Company, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The Hong Kong Offeror is an investment holding company set up for making the Hong Kong Offers. The Hong Kong Offers will not affect the shareholding structure of the Company.

The Singapore Offeror is a company incorporated in the British Virgin Islands on 20 September 2004 and the directors of the Singapore Offeror are Messrs. Cheung Kwok Wing, Chan Wing Kwan, Chang Wing Yiu, Cheung Kwok Wa and Mok Cham Hung, Chadwick, all of whom are also executive directors of the Company. The Singapore Offeror is an indirect wholly-owned subsidiary of the Company, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The Singapore Offeror is an investment holding company set up for making the Singapore Share Offer. The Singapore Share Offer will not affect the shareholding structure of the Company.

The Group is principally engaged in the manufacture and sale of laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, PCBs and chemicals. Most of the copper foil, glass fabric, glass yarn and bleached kraft paper produced, and are used, by the Group in its manufacturing of laminates.

REASONS AND BENEFITS FOR THE HONG KONG OFFERS AND THE SINGAPORE SHARE OFFER

The Company and E&E Group (including EEIC) participate in the related segments of the electronics industry. E&E Group is engaged primarily in the manufacture and sale of electronic components, including double-sided and multi-layer PCBs, liquid crystal displays and magnetic products. The Company is engaged primarily in the production of laminates, which are the key raw material for the PCBs. The Company is also engaged in the production of PCBs and chemicals. The Board believes that the Transactions will enable the Enlarged Group to enhance the level of vertical integration of its operations, as well as enhance the economies of scale of its PCB business. With increased size of the PCB operations, the Enlarged Group will enhance its ability to attract orders from large customers as well as improve its bargaining position with suppliers. In addition, the Company and E&E have complementary customer base for their respective PCB businesses, which will enlarge the market coverage of the Enlarged Group.

Based on the above reasons, the Board believes that the Transactions will be beneficial to the Company and its shareholders as a whole.

As disclosed in the announcement of E&E dated 8 July 2003 and the E&E Annual Report, for the year ended 30 June 2003, certain members of the E&E Group purchased raw materials from certain members of the Group at an aggregate value of HK\$14,702,743 and certain members of the E&E Group paid sub-contracting fees to a member of the Group at aggregate amount of HK\$1,603,207 in 2003. Based on the E&E Annual Report, the E&E Group had no related party transactions for the year ended 30 June 2004.

HONG KONG OFFEROR'S INTENTION IN RELATION TO E&E

Intention regarding E&E

It is the intention of the Company and the Hong Kong Offeror that E&E, if the Hong Kong Offers are completed, will continue to carry on the business of engaging in the manufacture and sale of electronic components, including double-side and multi-layered PCBs, liquid crystal displays and magnetic products, and the provision of IT consultancy and software development services.

As disclosed in the Company's annual report for the year ended 31 December 2003, the interests of the Company in the E&E Shares were treated as investment securities and were held for identified long term strategic purposes. If the Hong Kong Offers become unconditional in all respects and, as a result, the Hong Kong Offeror acquires more than 50 per cent of the entire issued share capital of E&E, E&E will become a subsidiary of the Company and will be consolidated into the accounts of the Company.

Compulsory Acquisition

To the extent applicable and pursuant to the compulsory acquisition power under the Companies Act, if the Hong Kong Offeror acquires the prescribed percentage of E&E Shares as required by the relevant provisions of the Companies Act, the Company and the Hong Kong Offeror may consider exercising the compulsory acquisition power under the relevant provisions of the Companies Act. Under the Companies Act, the compulsory acquisition may be exercised within two months from the date when the Hong Kong Offeror acquired the prescribed level of E&E Shares as required by the Companies Act.

According to the Rule 15.6 of the Takeovers Code, as the Hong Kong Offeror may consider exercising its rights under the relevant provisions of the Companies Act to compulsorily acquire those E&E Shares not acquired by the Hong Kong Offeror under the Hong Kong Share Offer, the Hong Kong Offers may not remain open for acceptance for more than four months from the posting of the Hong Kong Offer Document, unless the Hong Kong Offeror has by that time become entitled to exercise the power of compulsory acquisition available to it under the Companies Act, in which event, the Hong Kong Offeror will do so without delay.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Hong Kong Offeror seeks to acquire or privatize E&E by means of the Hong Kong Offers and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Act, acceptance of the Hong Kong Offers and purchases (in each case of the disinterested shares) made by the Hong Kong Offeror and persons acting in concert with it during the period of four months after posting the Hong Kong Offer document total 90% of the disinterested shares.

WARNING: Furthermore, if the level of acceptances reach the prescribed level under the Companies Act and Rule 2.11 of the Takeovers Code permits a compulsory acquisition and the Hong Kong Offeror proceeds with the privatization of E&E, dealings in the securities of E&E will be suspended from the Closing Date up to the withdrawal of listing of E&E's securities from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

As the Company and the Hong Kong Offeror has not decided whether to maintain the listing of E&E on the Stock Exchange or to effect the compulsory acquisition of E&E in the event that the Hong Kong Offeror is permitted to do so under the Companies Act, further announcement will be made in this respect accordingly.

Maintaining the Listing

Assuming the Hong Kong Offers becomes unconditional in all respects but the Hong Kong Offeror does not effect the compulsory acquisition (whether by reason of not acquiring the requisite percentage as required under the Companies Act or otherwise), the Company and the Hong Kong Offeror will use its reasonable endeavours to maintain the listing of E&E on the Stock Exchange and will undertake to the Stock Exchange to use its reasonable endeavours following the closing of the Hong Kong Offers to ensure that not less than 25% of the E&E Shares will be held by the public by various means, including but not limited to placement of existing E&E Shares or issue of new E&E Shares as soon as possible in compliance with the Listing Rules.

The Stock Exchange has stated that if, at the closing of the Hong Kong Offers, less than 25% of the E&E Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the E&E Shares; or
- there are insufficient E&E Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the E&E Shares. In this connection, it should be noted that upon completion of the Hong Kong Offers, there may be insufficient public float for the E&E Shares and therefore, trading in the E&E Shares may be suspended until a prescribed level of public float is attained.

The directors of the Company and the Hong Kong Offeror and the new directors to be nominated by the Hong Kong Offeror and appointed to the board of directors of E&E pursuant to the Hong Kong Offers will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure sufficient public float exists in the E&E Shares if listing were to be maintained.

If E&E remains listed on the Main Board of the Stock Exchange, the Stock Exchange will closely monitor all future acquisitions or disposals of the assets of E&E. The Stock Exchange has indicated that it has the discretion to require E&E to issue an announcement and a circular to its shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of E&E. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of E&E Shares and any such transactions may result in E&E being treated as if it were a new listing applicant and subject to the requirements for new applicants as set out in the Listing Rules.

SINGAPORE OFFEROR'S INTENTION IN RELATION TO EEIC

It is the intention of the Company and the Singapore Offeror that EEIC and its subsidiaries, if the Singapore Share Offer is completed, will continue to carry on the business of engaging in the design, development, manufacture and distribution of high-density double-sided and multi-layer PCBs.

Trading Suspension

Under Clause 1105 of the Listing Manual of the Singapore Stock Exchange, in the event that the Singapore Offeror and parties acting in concert with it should, as a result of the Singapore Share Offer or otherwise, own or control more than 90 per cent. of the issued share capital of EEIC, the Singapore Stock Exchange may suspend the listing of EEIC Shares until such time when the Singapore Stock Exchange is satisfied that at least ten per cent. of the EEIC Shares are held by at least 500 shareholders who are members of the public.

Compulsory Acquisition

Under Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "Singapore Companies Act"), if the Singapore Offeror receives acceptances pursuant to the Singapore Share Offer (when made) for not less than 90 per cent. of EEIC Shares other than those already held or agreed to be acquired at the date of the Offer by the Singapore Offeror or any of its related corporations or by a nominee on behalf of the Singapore Offeror or such related corporations, the Singapore Offeror will have the right to compulsorily acquire all the EEIC Shares from the shareholders of EEIC who have not accepted the Singapore Share Offer at the Singapore Share Offer Price.

In addition, pursuant to Section 215(3) of the Singapore Companies Act, if the Singapore Offeror acquires such number of EEIC Shares which, together with EEIC Shares already held by it or any of its related corporations or by a nominee on behalf of the Singapore Offeror or such related corporations, comprise 90 per cent. or more of the issued share capital of EEIC, shareholders of EEIC who have not accepted the Singapore Share Offer have a right to require the Singapore Offeror to acquire their EEIC Shares at the Singapore Share Offer Price.

The Company and the Singapore Offeror has no intention of exercising the compulsory acquisition right under the Singapore Companies Act in relation to EEIC. It is the intention of the Company and the Singapore Offeror to maintain the listing of EEIC on the Singapore Stock Exchange.

DIRECTORS AND MANAGEMENT

If the Hong Kong Offeror and the Singapore Offeror acquire a majority ownership of E&E and EEIC respectively, it is the Company's intention to review the existing structure of the board of directors of E&E and EEIC. It is also the Company's intention to nominate Messrs. Cheung Kwok Wing, Chan Wing Kwan, Chang Wing Yiu, Cheung Kwok Wa and Mok Cham Hung, Chadwick, all of whom are also executive directors of the Company, the Hong Kong Offeror and the Singapore Offeror, to each of the board of directors of E&E and EEIC respectively. Messrs. Cheung Kwok Wa and Mok Cham Hung, Chadwick have agreed to accept the appointments as executive directors of E&E and EEIC. Messrs. Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu have agreed to accept the appointments as non-executive directors of E&E and EEIC. The Hong Kong Offeror and the Singapore Offeror will ensure that a sufficient number of independent non-executive directors will continue to be appointed to the respective board of E&E and EEIC. Any such appointments of new directors to the board of directors of E&E will be in full compliance with the requirements under the Takeovers Code and the Listing Rules and any appointment of new directors of EEIC will be in full compliance with the requirements pursuant to the relevant rules and regulations applicable to EEIC in Singapore.

Pending the outcome of the proposed review of the existing structure of the board of directors of E&E and EEIC, in order to maintain continuity and minimize transaction-related business disruption, the Company does not have any intention to make any major changes to the management structure in the near term save for the proposed appointments to the board of directors of E&E and EEIC as set out above.

INTEREST OF THE COMPANY AND ITS CONCERT PARTIES IN E&E AND EEIC

Interest in E&E

The shareholding of the Company and its concert parties in E&E is summarised as follows:

	Existing shareholding structure	Approximate
	Number of	percentage of
	E&E Shares	shareholding
	<i>(Note 1)</i>	<i>(Note 2)</i>
The Company	140,269,000	11.52%
Kingboard Investments Limited ("KIL") <i>(Note 3)</i>	135,615,000	11.14%
Kingboard Laminates Limited ("KLL") <i>(Note 3)</i>	55,155,000	4.53%
Hong Kong Copper Foil Limited ("HKCFL") <i>(Note 3)</i>	5,760,000	0.47%
Cheung Kwok Wa <i>(Note 4)</i>	150,000	0.012%
Tse Kam Hung <i>(Note 5)</i>	50,000	0.004%
Total	<u>336,999,000</u>	<u>27.68%</u>

Notes:

1. The number of E&E Shares held as at the date of this announcement by the Company and its concert parties.
2. The percentage of shareholding in E&E calculated based on the number of E&E Shares held as at the date of this announcement by the Company and its concert parties and the number of issued shares of E&E as at 30 June 2004.
3. KIL, KLL and HKCFL are subsidiaries of the Company. Accordingly, the Company is directly and indirectly interested in an aggregate of 336,799,000 E&E Shares, representing approximately 27.66% of the entire issued share capital of E&E.
4. Cheung Kwok Wa is an executive director of the Company, the Hong Kong Offeror and the Singapore Offeror.
5. Tse Kam Hung is an independent non-executive director of the Company.

Interest in EEIC

According to the EEIC Annual Report, the controlling shareholder of EEIC is E&E which is interested in 51.71% of the entire issued share capital of EEIC as at 23 August 2004.

As at the date of this announcement, Mr. Nadeem Jedly, a managing director of Citigroup Asia, being a concert party of the Company, is interested in 7,500 EEIC Shares, representing approximately 0.005% of the entire issued and paid-up share capital of EEIC (calculated based on the number of EEIC Shares in issue as at 30 June 2004 as provided in the EEIC Annual Report).

GENERAL MATTERS

Availability of the Hong Kong Offers

The availability of the Hong Kong Offers to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

Availability of the Singapore Share Offer

The availability of the Singapore Share Offer (when made) to persons not resident in Singapore may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Singapore should inform themselves about and observe any applicable requirements in their own jurisdictions.

Financial Advisors to the Hong Kong Offeror and the Singapore Offeror

Citigroup Asia has been appointed as the financial advisor to the Hong Kong Offeror in respect of the Hong Kong Offers and Citigroup Singapore has been appointed as the financial advisor to the Singapore Offeror in respect of the Singapore Share Offer.

Major Transaction

As the Hong Kong Offers, together with the Singapore Share Offer, constitute a major transaction of the Company under the Listing Rules, the making of the Hong Kong Offers and the Singapore Share Offer are subject to the approval by shareholders of the Company at an extraordinary general meeting. The Company will convene an extraordinary general meeting to approve the acquisition of the issued share capital of E&E, the offer to cancel all the E&E Options and the acquisition of the issued share capital of EEIC not held by the Singapore Offeror or its concert parties (including E&E) and the transactions contemplated thereunder. The interest of the controlling shareholder of the Company in the Hong Kong Offers and the Singapore Share Offer is the same as those of the other shareholders of the Company and no shareholder of the Company is required to abstain from voting in the aforesaid meeting pursuant to the Listing Rules.

As disclosed under the section headed "Introduction", Mr. Cheung Kwok Wa (who is an executive Director and a shareholder holding approximately 10% of the issued share capital of Hallgain Management Limited, the controlling shareholder of the Company, and approximately 0.30% of the Company Shares) and Mr. Tse Kam Hung (who is an independent non-executive Director and not a shareholder of the Company) are interested in 150,000 and 50,000 E&E Shares respectively as at the date of this announcement. They will donate all their interests in E&E to a registered charitable organisation in Hong Kong after publication of the announcement but before the despatch of the Hong Kong Offer Document. By the time when the Hong Kong Offer Document is despatched, neither Mr. Cheung Kwok Wa nor Hallgain Management Limited will have any interests in E&E and the Hong Kong Offers. Hallgain Management Limited and its ultimate beneficial owners and associates do not have any interests in EEIC and the Singapore Share Offer. Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all of the shareholders of E&E and EEIC are third parties independent from and not connected with the Company and any of the directors, chief executive or substantial shareholders of the Company and its subsidiaries and any of their respective associates.

The interest of the controlling shareholder of the Company in the Hong Kong Offers and the Singapore Share Offer is the same as those of the other shareholders and no shareholder of the Company is required to abstain from voting in the aforesaid meeting pursuant to the Listing Rules.

According to the E&E Annual Report, as at 30 June 2004:

- (i) the controlling shareholder of E&E was EEIL which was interested in 42.87% of the entire issued share capital of E&E;
- (ii) EEIL was owned as to 30.97% by Plenty Gain Limited, 29.98% by Champion Oriental Inc., 29.98% by Goldful Holdings Limited and 9.07% by Expert Gold Inc.;
- (iii) Plenty Gain Limited was ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which included the family members of Mr. David So Cheung Sing, a non-executive director of E&E, other than Mr. David So Cheung Sing himself;
- (iv) Champion Oriental Inc. held the shares of EEIL as trustee for a unit trust, of which 99.9999948% of the units were owned by a discretionary trust, the eligible beneficiaries of which included the family members of Mr. Marcus Tsang Ming Pui, a non-executive director of E&E, other than Mr. Marcus Tsang Ming Pui himself, with the remaining units being owned by Mr. Marcus Tsang Ming Pui directly;
- (v) Goldful Holdings Limited was ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which included the family members of Mr. Wilson Tam Kam Ho, a non-executive director of E&E, other than Mr. Wilson Tam Kam Ho himself; and
- (vi) Expert Gold Inc. held the shares of EEIL as trustee for a unit trust, of which 99.999998% of the units were owned by a discretionary trust, the eligible beneficiaries of which included the family members of Mr. Johnny Ng Ho Kin, a non-executive director of E&E, other than Mr. Johnny Ng Ho Kin himself.

EEIL, Plenty Gain Limited, Mr. So Cheung Sing, Champion Oriental Inc., Mr. Marcus Tsang Ming Pui, Goldful Holdings Limited, Mr. Wilson Tam Kam Ho, Expert Gold Inc. and Mr. Johnny Ng Ho Kin are third parties independent from and not connected with the Company and any of the directors, chief executive or substantial shareholders of the Company and its subsidiaries and any of their respective associates.

The Directors consider that the Hong Kong Offers and the Singapore Share Offer do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the EEIC Annual Report, the controlling shareholder of EEIC is E&E which is interested in 51.71% of the entire issued share capital of EEIC as at 23 August 2004.

Despatch of circular, Hong Kong Offer Document and Singapore Offer Document

A circular containing, among other things, the notice of the extraordinary general meeting and further details of the Hong Kong Offers and the Singapore Share Offer and the transactions contemplated thereunder will be despatched to the shareholders of the Company within 21 days from the publication of this announcement.

The Hong Kong Offeror will despatch the Hong Kong Offer Document to the holders of E&E Shares and E&E Options setting out the terms and other details of the Hong Kong Offers, together with acceptance and transfer forms within 21 days from the publication of this announcement.

The Singapore Offeror will despatch the Singapore Offer Document to the holders of EEIC Shares setting out the terms and other details of the Singapore Share Offer, together with acceptance and transfer forms not earlier than 14 days but not later than 21 days from the date of the Singapore Announcement.

Shareholders and investors of the Company should exercise caution when dealing in the Company Shares

DEFINITIONS

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

“acting in concert”	has the meanings ascribed to it in the Takeovers Code;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Citibank”	means Citibank, N.A., Hong Kong branch;
“Citigroup Asia”	means Citigroup Global Markets Asia Limited;
“Citigroup Singapore”	means Citigroup Global Markets Singapore Pte Limited;
“Closing Date”	means the date stated in the Hong Kong Offer Document as the first closing date of the Hong Kong Offers or any subsequent closing date(s) as may be announced by the Hong Kong Offeror and approved by the Executive;
“Commitment Letter”	means the commitment letter dated 12 October 2004 offered by Citibank and accepted by the Company as borrower in relation to the Facility;
“Companies Act”	means the Bermuda Companies Act 1981 of Bermuda (as amended);
“Companies Ordinance”	means the Companies Ordinance, Chapter 32, the Laws of Hong Kong;
“Company”	means Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“Company Shares”	means the shares of HK\$0.10 each in the issued share capital of the Company;
“Condition(s)”	mean the conditions of the Hong Kong Offers, as set out under the paragraph headed “Conditions of the Hong Kong Offers” of this announcement;
“Director(s)”	means the director(s) of the Company for the time being;
“E&E”	means Elec & Eltek International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“E&E Annual Report”	means the audited annual report of E&E for the year ended 30 June 2004 and published on 10 September 2004;
“E&E Group”	means E&E and its subsidiaries;
“E&E Options”	means, based on the E&E Annual Report, an aggregate of 18,210,000 outstanding options (as at 30 June 2004) granted by E&E under the share option scheme of E&E adopted on 29 October 2002 each conferring on the grantee thereof the right to subscribe for one new E&E Share at the E&E Option Exercise Price;
“E&E Option Exercise Price”	means, based on the E&E Annual Report, a range from HK\$0.91 to HK\$1.13, subject to adjustment, being the price at which the holders of E&E Options may subscribe for one new E&E Share under the terms of the E&E Options;
“E&E Shareholder(s)”	means registered holder(s) for the time being of E&E Shares;
“E&E Shares”	means shares of HK\$0.10 each in the issued share capital of E&E;

“EEIL”	means Elec & Eltek Investments Limited, a shareholder of E&E holding approximately 42.87% of the issued share capital of E&E as at 30 June 2004 (as disclosed in the E&E Annual Report);
“EEIC”	means Elec & Eltek International Company Limited, a public company incorporated in Singapore and listed on the Singapore Stock Exchange which, according to the EEIC Annual Report, is interested as to approximately 51.71% by E&E as at 23 August 2004;
“EEIC Annual Report”	means the Annual Report 2003/2004 of EEIC for the year ended 30 June 2004 published on the website of the Singapore Stock Exchange on 16 September 2004;
“EEIC Options”	means, based on the EEIC Annual Report, an aggregate of 1,400,400 outstanding options (as at 30 June 2004) granted by EEIC under the 1999 employees’ share option scheme and the 2002 employees’ share option scheme each conferring on the grantee thereof the right to subscribe for one new EEIC Share at the EEIC Option Exercise Price;
“EEIC Option Exercise Price”	means, based on the EEIC Annual Report, a range from US\$1.308 to US\$1.45, subject to adjustment, being the price at which the holders of EEIC Options may subscribe for new EEIC Shares under the terms of the EEIC Options;
“EEIC Shares”	means the issued and paid-up ordinary shares of S\$0.80 each in the issued share capital of EEIC;
“Enlarged Group”	means the Group together with the E&E Group;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Facility”	means an unsecured loan facility of up to HK\$7,270 million in aggregate provided by Citibank to the Company subject to the terms and conditions as set out in the Commitment Letter;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Offer Document”	means the document to be issued by or on behalf of the Hong Kong Offeror to all holders of E&E Shares and E&E Options in accordance with the Takeovers Code containing, inter alia, details of the Hong Kong Offers, the acceptance and transfer forms, and the terms and conditions of the Hong Kong Offers or, where applicable, the composite document to be issued by or on behalf of the Hong Kong Offeror and E&E;
“Hong Kong Offeror”	means Ease Ever Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company;
“Hong Kong Offers”	means the Hong Kong Share Offer and the Hong Kong Option Offer;
“Hong Kong Option Offer”	means the voluntary conditional cash offer at the Hong Kong Option Offer Price;
“Hong Kong Option Offer Price”	means the amount of HK\$1.90 less the E&E Option Exercise Price payable by the Hong Kong Offeror to holders of E&E Options for each E&E Option accepted under the Hong Kong Option Offer;
“Hong Kong Share Offer”	means the voluntary conditional cash offer at the Hong Kong Share Offer Price for E&E Shares (other than those already owned by the Hong Kong Offeror or parties acting in concert with it);
“Hong Kong Share Offer Price”	means the amount of HK\$1.90 payable by the Hong Kong Offeror to holders of E&E Shares for each E&E Share accepted under the Hong Kong Share Offer;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Cheung”	means Mr. Cheung Kwok Wing, the Chairman of the Company holding approximately 22% of the issued share capital of Hallgain Management Limited, a controlling shareholder of the Company which is interested in approximately 35.85% of the issued share capital of the Company as at the date of this announcement;
“S\$”	means Singapore dollars, the lawful currency of Singapore;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Singapore Announcement”	means the announcement to be issued by the Singapore Offeror in Singapore in relation to the Singapore Share Offer upon the Hong Kong Offers becoming or being declared unconditional in all respects, copy of which could be downloaded from the Singapore Stock Exchange’s website at www.sgx.com when published;
“Singapore Offer Document”	means the document to be issued by or on behalf of the Singapore Offeror to all holders of EEIC Shares in accordance with the Singapore Takeovers Code containing, inter alia, details of the Singapore Share Offer, the acceptance and transfer forms, and the terms and conditions of the Singapore Share Offer or, where applicable, the composite document to be issued by or on behalf of the Singapore Offeror and EEIC;
“Singapore Offeror”	means Elitelink Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company;
“Singapore Share Offer”	means the possible mandatory unconditional cash offer at the Singapore Share Offer Price for EEIC Shares (other than those already owned by the Singapore Offeror or parties acting in concert with it and those already owned by E&E);
“Singapore Share Offer Price”	means the amount of US\$2.85 payable by the Singapore Offeror to holders of EEIC Shares for each EEIC Share accepted under the Singapore Share Offer;
“Singapore Stock Exchange”	means Singapore Exchange Securities Trading Limited;
“Singapore Takeovers Code”	means the Singapore Code on Take-overs and Mergers;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	shall have the same meaning ascribed to it in Section 2 of the Companies Ordinance;
“Takeovers Code”	means The Hong Kong Code on Takeovers and Mergers;
“Transactions”	means the Hong Kong Offers and the Singapore Share Offer;

“Unconditional Date”

means the date on which the Hong Kong Offers become or are declared unconditional in all respects.

By Order of the Board
KINGBOARD CHEMICAL HOLDINGS LIMITED
Cheung Kwok Wing
Chairman

Hong Kong, 12 October 2004

The directors of Kingboard Chemical Holdings Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the board of directors of the Company consists of Messrs. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Lam Ka Po, Mr. Cheung Kwok Wa, Mr. Cheung Kwok Ping, Mr. Cheung Kwong Kwan, Mr. Cheung Kwok Keung, Mr. Chang Wing Yiu and Mr. Mok Cham Hung, Chadwick, being the executive directors of the Company, Mr. Lum Gum Wun, being a non-executive director of the Company and Messrs. Tsao Kwang Yung, Peter, Mr. Cheng Ming Fun, Paul and Mr. Tse Kam Hung being the independent non-executive directors of the Company.

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