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KINGBOARD CHEMICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

Voluntary conditional cash offers by



CLSA Limited
on behalf of

ABLE CAPITAL INVESTMENTS LIMITED,
an indirectly 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,
SUWA INTERNATIONAL HOLDINGS LIMITED
(other than those already owned by the Offeror or parties acting in concert with it)

Joint Financial Advisors to
Kingboard Chemical Holdings Limited



CLSA Equity Capital Markets Limited



Arranger



The Offeror announces that it intends to make a voluntary conditional cash offer to acquire all the issued shares in the share capital of Suwa (other than those owned by the Offeror or parties acting in concert with it) and a voluntary conditional cash offer for the cancellation of all Suwa Options.

The Share Offer shall be HK\$0.45 in cash for each Suwa Share representing a premium of approximately 36 per cent to the closing price of HK\$0.33 per Suwa Share as quoted on the Stock Exchange on 21 August 2003, being the last day on which Suwa Shares were traded prior to the publication of this announcement and a premium of approximately 50 per cent over the average closing price of approximately HK\$0.30 per Suwa Share for the last 10 trading days up to and including 21 August 2003. The Option Offer shall be HK0.001 cent in cash for each Suwa Option.

The Offers will be conditional (see "Conditions of the Offers" below). The Share Offer will be subject to and conditional, among other things, upon valid acceptances having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date in respect of Suwa Shares which, together with the Suwa Shares held by the Offeror and parties acting in concert with it, constitute more than 50.0 per cent of the entire issued share capital of Suwa as at the Closing Date, such Suwa Shares carrying more than 50.0 per cent of the voting rights normally exercisable at general meetings of Suwa. The Option Offer will be subject to and conditional upon the Share Offer becoming unconditional in all respects.

The Offeror and the Vendors have entered into the Undertaking Agreement dated 27 August 2003 pursuant to which and subject to the terms and conditions therein the Vendors have irrevocably undertaken to accept the Share Offer in respect of an aggregate of 80,000,000 Suwa Shares currently owned by the Vendors, representing approximately 17.17 per cent of the existing issued share capital of Suwa, and to accept the Option Offer in relation to an aggregate of 12,000,000 Suwa Options, being all the Suwa Options held by the Vendors.

As at the date of this announcement, Mr. Cheung, a director of the Offeror and Chairman of Kingboard, is the beneficial owner of 5,088,000 Suwa Shares. Consequently as the directors of Kingboard may face a conflict of interest in deciding to make the Offers, pursuant to Rule 2.4 of the Takeovers Code, Kingboard has appointed AMS as its independent financial advisor to advise its board of directors as to whether the making of the Offers is in the interests of the shareholders of Kingboard.

AMS is of the opinion that the making of the Offers is in the interests of Kingboard and its shareholders taken as a whole. A copy of AMS's written advice will be sent to the shareholders of Kingboard within 21 days from the date of publication of this announcement.

Kingboard has applied to the Executive for a waiver from strict compliance with the provisions of Rule 2.4 of the Takeovers Code regarding the requirements that the making of the Offers be subject to approval by Kingboard's shareholders in general meeting and to send AMS's advice in writing to the shareholders of Kingboard together with the notice of such meeting.

The Offeror will despatch a formal offer document setting out the terms and other details of the Offers, together with acceptance and transfer forms, within 21 days of the date of this announcement.

Trading in the shares of Kingboard was suspended at the request of Kingboard with effect from 9:30 a.m. on 25 August 2003 pending the issue of this announcement. Application has been made by Kingboard to the Stock Exchange for the resumption of trading in the shares of Kingboard with effect from 9:30 a.m. on 29 August 2003.

Shareholders and investors of Kingboard should exercise caution when dealing in the shares of Kingboard.

INTRODUCTION

The Offeror announces that it intends to make, through CLSA Limited, a voluntary conditional cash offer to acquire all the issued shares in the share capital of Suwa (other than those already owned by the Offeror or parties acting in concert with it) and a voluntary conditional cash offer for the cancellation of all outstanding Suwa Options.

The Offeror and the Vendors have entered into the Undertaking Agreement dated 27 August 2003 pursuant to which and subject to the terms and conditions therein the Vendors have irrevocably undertaken to accept the Share Offer in respect of an aggregate of 80,000,000 Suwa Shares currently owned by the Vendors, representing approximately 17.17 per cent of the existing issued share capital of Suwa and to accept the Option Offer in relation to an aggregate of 12,000,000 Suwa Options, being all the Suwa Options held by the Vendors. The number of Suwa Shares subject to the undertaking was determined by the Vendors and the Offeror after arm's length negotiation. Mr. Chan was only prepared to give an irrevocable undertaking to accept the Share Offer in respect of 30,000,000 Suwa Shares and Mr. Lau was only prepared to give an irrevocable undertaking to accept the Share Offer in respect of 50,000,000 Suwa Shares.

As at the date of this announcement, Mr. Chan is the registered and beneficial owner of 34,480,000 Suwa Shares, representing approximately 7.40 per cent of the existing issued share capital of Suwa and is a holder of 6,000,000 Suwa Options. Earnwell Limited, a company which is the trustee of a discretionary trust of which Mr. Chan and his family are discretionary objects, is the registered and beneficial owner of 48,754,417 Suwa Shares, representing approximately 10.46 per cent of the existing issued share capital of Suwa. Mr. Lau is the registered and beneficial owner of 68,078,000 Suwa Shares, representing approximately 14.61 per cent of the existing issued share capital of Suwa and is a holder of 6,000,000 Suwa Options.

After the acceptance of the Share Offer by Mr. Chan and Mr. Lau as required under the Undertaking Agreement, Mr. Chan will retain 4,480,000 Suwa Shares, Earnwell Limited's shareholding will remain unchanged and Mr. Lau will retain 18,078,000 Suwa Shares. There is no arrangement between the Vendors and the Offeror as to the Vendors' retained Suwa Shares.

As at the date of this announcement, Mr. Cheung, an executive director of the Offeror and Chairman and an executive director of Kingboard, is the beneficial owner of 5,088,000 Suwa Shares, representing approximately 1.09% of the entire issued share capital of Suwa. Pursuant to the Takeovers Code, as a joint financial advisor to Kingboard and the Offeror, CLSA Limited is deemed to be acting in concert with the Offeror for the purpose of the Offers. A director of CLSA Limited, in her personal capacity, is a shareholder of Suwa and currently holds a total of 4,406,000 Suwa Shares, representing approximately 0.95% of the entire issued share capital of Suwa. Save as aforesaid, the Offeror and parties acting in concert with it do not own any Suwa Shares as at the date hereof.

THE OFFERS

Offers
Subject to the grant of the Waiver by the Executive, the Offers, comprising the Share Offer and the Option Offer, will be made in compliance with the Takeovers Code on the following basis:

For each Suwa Share **HK\$0.45 in cash.**
For each Suwa Option **HK0.001 cent in cash.**

Save for the Suwa Options, there are currently no other options, warrants or other securities issued by Suwa that carry a right to subscribe for or which are convertible into Suwa Shares.

A resolution was passed at a special general meeting of Suwa held on 28 August 2003 to cancel all the Suwa Options. If all the Suwa Options are cancelled by agreement between Suwa and the grantees of the Suwa Options before the posting of the Offer Document, there will be no Option Offer.

Comparisons of value

Suwa recorded an audited consolidated profit attributable to Suwa Shareholders of approximately HK\$3,315,000 for the year ended 31 March, 2003, compared to an audited consolidated loss attributable to Suwa Shareholders of approximately HK\$25,505,000 for the year ended 31 March 2002.

The highest and lowest price at which Suwa Shares were traded on the Stock Exchange in the six month period immediately prior to 22 August 2003, being the last day on which trading in Suwa Shares took place immediately prior to publication of this announcement, was HK\$0.34 on 10 June 2003 and HK\$0.15 from 26 February to 19 March 2003 respectively.

The Share Offer Price represents:

- a premium of approximately 36 per cent. over the closing price of HK\$0.33 per Suwa Share as quoted on the Stock Exchange on 21 August 2003, being the last day on which Suwa Shares were traded prior to the publication of this announcement;
- a premium of approximately 50 per cent. over the average closing price of approximately HK\$0.30 per Suwa Share for the last 10 trading days up to and including 21 August 2003;
- a premium of approximately 55 per cent. over the average closing price of approximately HK\$0.29 per Suwa Share for the last 30 trading days up to and including 21 August 2003;
- a premium of approximately 61 per cent. over the average closing price of approximately HK\$0.28 per Suwa Share for the three months up to and including 21 August 2003;
- a premium of approximately 96 per cent. over the average closing price of approximately HK\$0.23 per Suwa Share for the six months up to and including 21 August 2003;
- a premium of approximately 45 per cent. over the net tangible asset value per Suwa Share of approximately HK\$0.31 as at 31 March, 2003 (based on net tangible assets of approximately HK\$144,232,000 and 466,013,785 Suwa Shares in issue at 31 March 2003).

Each Suwa Option confers on the grantee thereof the right to subscribe for one new Suwa Share at HK\$0.50, subject to adjustment. The Share Offer Price represents a discount of 10% to the Option Exercise Price. The Option Offer Price represents a nominal consideration for the cancellation of each Suwa Option.

The Share Offer Price, the Option Offer Price and the terms of the Offers were arrived at after arm's length negotiations between the Offeror and the Vendors.

Total Consideration

On the basis of the Share Offer Price of HK\$0.45 per Suwa Share, pursuant to the Share Offer, the entire issued share capital of Suwa is valued at approximately HK\$209.71 million. The consideration payable by the Offeror pursuant to the Share Offer and the Option Offer, if the Offers are accepted in full, is approximately HK\$207.42 million and HK\$180.50, respectively.

CLSA Equity Capital Markets Limited and Access Capital Limited are satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers. The Offers will be financed by way of a combination of credit facilities available to Kingboard and internal resources.

Terms of the Offers

Under the terms of the Share Offer, Suwa Shares will be acquired with all rights attached thereto as at the date on which the Share Offer is made, i.e. the date of posting of the Offer Document, or subsequently becoming attached thereto and free of all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

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

Payment

Payment in cash in respect of acceptances of the Offers will be made within 3 days of the date on which the relevant documents of title are received by the 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 Suwa Shares registered on the Hong Kong branch register arising in connection with acceptance of the Share Offer will be payable by each Suwa Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Offeror for such person's Suwa Shares and will be deducted from the cash amount due to such person under the Share Offer. The 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 Suwa Shares accepted under the Share Offer.

