THI CIRCULAR I IMPORTANT AND R QUIR YOUR IMM DIAT ATT NTION

If you are in doubt

If you have sold or otherwise transferred

21 200

CONT NT

Page

D INITION

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

2006 — 2 2006

200 — 31 200

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( )

( )

10 200

D INITION

D INITION

( ) ( ) ( )

5 1

( ) ( ) $0.10

( ) ( ) ( )

2 2006

1 200

31 200

2 2006

1 200 31 200

30%

( )

( ) ( )

D INITION

0%
10% ( )
( )
40%,
35%
25%.
( )

$,

%,

L TT R ROM TH BOARD

1
200 30 200

( ) $412,124,000,
3.2 % 200 ,

( )
$1 , 0,000, 0.56%
200 .

12 200 (
- -)
200 .
31 200 , 200 200 .

2. PARTICULAR O TH HIRAI UPPLY AGR M NT AND TH HIRAI PURCHA AGR M NT

2 2006

(1)
(2)

1 200 31 200 ,

L TT R ROM TH BOARD

2 2006

(1)

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( )

1 200 31 200

60

5

2006

3. BU IN O TH GROUP AND TH HIRAI GROUP

4. R A ON OR TH HIRAI UPPLY AGR M NT AND TH HIRAI PURCHA AGR M NT

2006 200

5. R VI ION O ANNUAL CAP

1 200 30 200

( ) $412,124,000, 3.2 % 200

( ) $1 , 0,000, 0.56% 200 .

L TT R ROM TH BOARD

12 31 200 (- -) 31 200 200

31 200 , 200 200

Transactions	Original Annual Caps	Revised Annual Caps
	$562,350,000 200	$61 ,5 5,000 200
	$646, 03,000 200	$ 11,3 3,000 200
	$ 43, 0 ,000 200	$ 1 ,0 ,000 200
	$26,600,000 200	$2 ,260,000 200
	$3 ,240,000 200	$40, 64,000 200
	$52,136,000 200	$5 ,350,000 200

31 200 , 200 200 ( )

7.TION

30%

8. GM

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( ) 14 .13(1)( )( ) ( )

L TT R ROM TH BOARD

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24

KB

KINGBOARD CH MICAL HOLDING LIMIT D

*

(Incorporated in the Cayman Islands with limited liability)

(tock Code: 0148)

21 200

To the Independent Shareholders

R VI D ANNUAL CAP OR XI TING CONTINUING CONN CT D TRAN ACTION

21 200 ( )

L TT R ROM TH IND P ND NT INANCIAL ADVI R

2006

1 200 30 200

( ) $412,124,000, 3.2 % 200 ,

( ) $1 , 0,000, 0.56% 200 .

12 200 ( ) 200 . 31 200 , 200 200 .

TH R VI D ANNUAL CAP

I. Background information

(a) Information on the Group, the Techwise Group and the Shirai Group

5 % 2002.
2004,
0%.

30%

(b) Reasons for the Shirai Supply Agreement and the Shirai Purchase Agreement

(c) The Shirai Supply Agreement and the Shirai Purchase Agreement

Agreement: **hirai upply Agreement**

2 2006

(1)
(2)

1 200 31 200

Agreement: **hirai Purchase Agreement**

2 2006

(1)

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1 200 31 200 ,

60

III. easonal sales pattern of PCB

2004.

	Year ended 31 December			ix months ended 30 June			
	2004	2005	2006	2004	2005	2006	2007
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(.)	(.)	(.)	(.)	(.)	(.)	(.)
	1, 32.4	5,2 4.2	6,650.0	6 .0	2,465.4	2, .2	3,44 .6
	,0 2.4	13,0 .4	16, 3.3	3,05 .6	5, 54.0	,465.0	,021.
30 . (%)				3 .5	46.	43.6	

200

3.2 % 200 ,

200

$54 ,4 ,000, . 1% 200 .

200 .

200 0.56% 200

200 $25,02 ,000, 4.0 % 200 .

31 200 200 .

IV. ize and basis of calculation of the Revised Annual Caps

(a) The Shirai Supply Agreement

	2007	2008	2009	Annual Increment *(%)*
(HK$'000)	562,350	646, 03	43, 0	15
(HK$'000)	61 ,5 5	11,3 3	1 ,0	15
(%)	10.0	10.0	10.0	

31 200 , 200 200

( ) 200

( ) 15% 200 200 .

15%

	Historical transaction (HK$'000)	Increase from the preceding year (%)
2004	3 3,465	
2005	416,14	.5
2006	4 6,661	16.
30 200	412,124	12. (on annualized basis)

2006 2005. 200 2006, 12. %

2006. 21 2006, 30 2006 $344, 6 ,000, 0.5% 2006 $4 ,000,000. $45 , 23,000. $4 6,661,000, 5. % .5% 2006.

	Actual transaction amount for nine months ended 30 eptember *(HK$'000)*	Annualized transaction amount based on 9 months transaction *(HK$'000)*	Actual annual transaction amount *(HK$'000)*	Increase from the preceding year based on annualized transaction amount *(%)*	Actual increase from the preceding year *(%)*
2005			416,14		
2006	344, 6	45 , 23	4 6,661	10.5	16.
200	412,124	54 ,4		12.	

12. %

15% 12. %

16. % 2006.

.

31 200 , 200 200

( ) 200

( ) 40% 200 200 .

40% 2004.

3 2006.

	Procurement of subcontract services *(HK$'000)*	Increase from the preceding year *(%)*
2004	, 24	
2005	12, 04	62.4
2006	1 ,6 3	4 .1
Compound annual growth rate ("CAGR") *(%)*	54.6	

3 2006 54.6%. 4 .1% 62.4% 40%, 40% .

200 $25,02 ,000 .

21 2006, 30 2006 $12, 1 ,000, 6 .5% 2006 $1 ,000,000.

$1 ,0 1,000.

$1 ,6 3,000,

.4%

.4% 2006.

	Actual transaction amount for nine months ended 30 eptember *(HK$'000)*	Annualized transaction amount based on 9 months transaction *(HK$'000)*	Actual annual transaction amount *(HK$'000)*	Increase from the preceding year based on annualized transaction amount *(%)*	Actual increase from the preceding year *(%)*
2005			12, 04		
2006	12, 1	1 ,0 1	1 ,6 3	34.5	4 .1
200	1 , 0	25,02		33.	

( ) 40%,

( )

R COMMNDATION

–

–

Karl Thomson inancial Advisory Limited
Alex Chow
Director

1. R PON IBILITY TAT M NT

2. MAT RIAL ADV R CHANG

31 2006,

3. DI CLO UR O INT R T

3.1 Interests of the Directors in the Company and its associated corporations

( ) ( )

( ), ( ) 352

( )

Long Position

( ) $0.10 ( )

Name of Director	Capacity	Number of hares held: Interest in underlying hares pursuant to share options *(note 1)*	Number of issued hares held	Approximate percentage of the issued share capital of the Company *(%)*

( ) [illegible] ([illegible]) [illegible]

(i) ***Ordinary shares of HK$0.10 each ("KLHL Shares") in Kingboard Laminates Holdings Limited ("KLHL")***

Name of Director	Capacity	Number of KLHL hares held	Approximate percentage of the issued share capital of KLHL *(%)*
[illegible]	[illegible]	34,500	0.03
[illegible] *(note 1)*	[illegible]	100,000	0.003
[illegible] *(note 2)*	[illegible]	540,000	0.01
[illegible] *(note 3)*	[illegible]	100,000	0.003
[illegible]	[illegible]	,000	0.03

Note:

1. [illegible] 100,000 [illegible]
2. [illegible] 540,000 [illegible]
3. [illegible] 100,000 [illegible]

(ii) ***Non-voting deferred shares of HK$1.00 each in the share capital of Kingboard Laminates Limited, an indirect non wholly-owned subsidiary of the Company***

Name of Director	Capacity	Number of non-voting deferred shares held
[illegible]	[illegible]	1, 04,400
[illegible]	[illegible]	1,4 1,200
[illegible]	[illegible]	46,400
[illegible]	[illegible]	423,200

(iii) Ordinary shares ("EEIC Shares") in the share capital of EEIC, a 70.58% owned subsidiary of the Company

Name of Director	Capacity	Interest in underlying IC hares pursuant to share options *(Note)*	Interest in IC hares	Approximate percentage of the issued share capital of IC *(%)*
[illegible]	[illegible]	3,200	60,000	0.03
[illegible]	[illegible]	3,200		
[illegible]	[illegible]	3,200		
[illegible]	[illegible]	3,200	4,000	0.04

( ) ( ) 352 ( )

3.2 Interests or short position of substantial shareholders (other than a Director or chief executive of the Company) discloseable under Divisions 2 and 3 under Part XV of the O

336 ( ) 2 3

Long position

$0.10 ( )

Name of hareholder	Nature of interest	Number of issued hares held	Approximate percentage of the issued share capital of Company *(%)*
(Note)		25 , 6 , 2	31.02

4. DIR CTOR ' INT R T IN RVIC CONTRACT

( ).

5. XP RT' QUALI ICATION AND CON NT

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( ) ( )

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( )

( ) 31 2006,

6. PROC DUR OR D MANDING A POLL BY HAR HOLD R

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2006,

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8. DOCUM NT AVAILABL OR IN P CTION

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KB

KINGBOARD CH MICAL HOLDING LIMIT D
*

(Incorporated in the Cayman Islands with limited liability)
(tock Code: 0148)

NOTIC I H R BY GIV N ( ) 5 , 2-12 10 200 30

ORDINARY R OLUTION

THAT (21 200) **THAT**

Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

, 21 200

Head Office and Principal Place of Business in Hong Kong
5
2-12

Notes:

1.

2. ( ),

* *For identification purpose only*

NOTIC O GM

3. ( ) 26/ , 2 4 24

4.

5.