

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt

If you have sold or otherwise transferred

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

(stock code: 148)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



A C

A B 4 11 A
B C 12
A A C
B C
B C 13 28
A C
B 5 C 2-12 A
8 2006 9:30 35 36
26 C 28
48
C

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DEFINITIONS

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

- A - A 4 (), 6 () 9 ()
- B, C ;
- A, C - A A 31 2009, 8, 9
- - ;
- B - ;
- C - C C F ;
- C, C - CB A A C ;
- () - () C ;
- F - 2006 C 8 A A C ;
- - C ;
- \$ - A ;
- B, C - ;

DEFINITIONS

- C () C ;

- C C ;

- C 70% 30% ;

- 17 2006, ;

- F ;

- A 3 2004 CB, 31 2004 31 2006;

- A 3 2004 CB 31 2004 31 2006;

- CB-

- (C 571) ;

- ()- () \$0.10 C C ;

- ()- () C ;

- F C 30% ;

DEFINITIONS

... - ;

... A , - 27 2006

... CB, 1 2007

31 2009;

... A , - 27 2006

... CB,

1 2007 31 2009;

F

F

... - ;

... -

C , C 32,

...

... C C

90% C

10% (B) C ;

(B) C

40%,

C C 35%

25%;

(B) C ;

... - ;

... ()- () 2006

C 7

2004;

2006 ()-

() ()

C

7 2004.

LETTER FROM THE BOARD



KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團*

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

Executive Directors :

- .. C (Chairman)
- .. C
- .. C
- .. C
- .. C
- .. C
- .. C
- .. C
- .. C
- .. C

Registered Office :

- C
- .. B 1043
- C
- C
- B

Independent non-executive Directors :

- .. C
- .. C
- .. C

Head Office and Principal Place of Business :

- 5, .. B
- .. C
- 2 12 A

21, .. 2006

To the Shareholders, and for information only, the Warrant holders

CONTINUING CONNECTED TRANSACTION

1. INTRODUCTION

B .. 27 .. 2006, .. C .. A .. 27 .. 2006.

3 .. 2004, .. 57%, .. 90% .. C .. A .. 30% .. 70% .. C

* For identification purpose only

LETTER FROM THE BOARD

A
C C 30 2004

A
A
C C 3 2004
A

A
A 31 2006, C 27 2006

() A CB

() A
()
CB,

1 2007 31 2009. A
A A

A A C
(A C)

A A A
B C
B C

LETTER FROM THE BOARD

.....

..... 1, 2007, 31, 2009,

..... 60.
..... 75. CB
..... A
..... A
..... (..... -
.....) A
..... A
..... C
..... A A

3. BUSINESS OF THE GROUP AND THE SHIRAI GROUP

.....
..... CB,
..... CB.

4. REASONS FOR THE SHIRAI SUPPLY AGREEMENT AND THE SHIRAI PURCHASE AGREEMENT

..... CB,
.....
..... CB,
..... CB CB
..... A
..... CB
..... A

LETTER FROM THE BOARD

5. ANNUAL CAPS

Transactions	Annual caps for 2004, 2005 and 2006 under the Original Shirai Supply Agreement/the Original Shirai Purchase Agreement	Actual transaction amounts in 2004, 2005 and the nine months ended 30 September 2006	Annual caps for 2007, 2008 and 2009 under the Shirai Supply Agreement/ the Shirai Purchase Agreement
....., CB	\$405,000,000, . 2004 (note 1)	\$383,465,000 , . 2004	\$562,350,000 , . 2007
.....	\$445,000,000, . 2005 (note 1)	\$416,149,000 , . 2005	\$646,703,000 , . 2008
.....	\$489,000,000, . 2006 (note 1)	\$344,867,000 , . 2006	\$743,708,000 , . 2009
		30 2006 (note 5)	
.....	\$50,000,000, . 2004 (note 2)	\$46,323,000 , . 2004	\$161,000,000 , . 2007
.....	\$85,000,000, . 2005 (note 3)	\$72,598,000 , . 2005	\$225,400,000 , . 2008
.....	\$115,000,000, . 2006 (note 4)	\$79,111,000 , . 2006	\$315,560,000 , . 2009
		30 2006 (note 5)	
.....	\$8,000,000, . 2004 (note 2)	\$7,824,000 , . 2004	\$26,600,000 , . 2007
.....	\$13,000,000, . 2005 (note 3)	\$12,704,000 , . 2005	\$37,240,000 , . 2008
.....	\$19,000,000, . 2006 (note 4)	\$12,818,000 , . 2006	\$52,136,000 , . 2009
		30 2006 (note 5)	

Notes:

1. A C 12 2004 2004.
2. A C 12 2004.
3. A C 19 2005.
4. A C 27 2006.
5. B 30 2006.

LETTER FROM THE BOARD

B
 30 2006,
 A A :

**Amount of transactions
 for the nine months
 ended 30 September 2006
 (based on the unaudited
 management accounts
 of the Techwise Group)**

Transactions

..... CB A	\$344,867,000
..... A	\$79,111,000
..... A	\$12,818,000
..... A	\$91,929,000

A C
 2006. A
 A
 15%, 40% 40% () CB
 A ; ()
 A A ; ()
 A 2007, 2008 2009.

6. REASONS AND BENEFITS FOR THE INCREASING DEMAND OF PCB FROM, PURCHASE OF LAMINATES FROM, AND SUBCONTRACTING TRANSACTIONS WITH THE SHIRAI GROUP

..... CB
 () ()
); / () A
 CB,
 B
 CB,
 CB, A

LETTER FROM THE BOARD

2005 2004 2005, 2006
47.0% () 62.4% () 8.0% (CB),
34.5% (), 10.5% (CB), 45.3% ()
CB, B
A A

7. LISTING RULES IMPLICATIONS

A 30%
C C
A A
C
(A C)

8. EGM

C F
A A A
A C A
A A F
A F
A C

LETTER FROM THE BOARD

9. RECOMMENDATION

12. () A B C
13. 28 () B C

() A A ()
A C)

B C
A A (A C)
A B C

A A A C

10. ADDITIONAL INFORMATION

B
Cheung Kwok Wing
Chairman

LETTER FROM AMS

The following is the full text of the letter of advice prepared by AMS for the purpose of inclusion in this circular.

博

LETTER FROM AMS

LETTER FROM AMS

PRINCIPAL FACTORS CONSIDERED

A C C

1. Background information

(a) *Review of the operating results of the Group*

()

LETTER FROM AMS

() 31 ↑ 2003 (2003-)

2003,

57.4%

CB

22.7% 15.9%

\$450

75.7%

CB

11.6% 10.4%

\$985.5 \$522.4

() 31 ↑ 2004 (2004-)

2004,

\$7,082.4

59.7% \$4,435.5

2003.

52.8% 78.6%

CB

25.9% 17.1%

CB

10.5% 8.5%

2004.

2004 \$1,956.1 \$1,196.3

() 31 ↑ 2005 (2005-)

2005,

84.9% \$13,098.4

CB

\$1,832.4 \$5,284.2

A C

2005, & CB

& &

(& -),

C

2005.

28.1% \$4,788.4

LETTER FROM AMS

	67.5%	\$2,023.4	
CB			
2005	28.0%		
		60.1%	8.3%
2005,			
	\$3,179.9	\$1,648.8	
()	30	2006	
	2006,		
	\$7,465.0		
	25.4%	\$5,954.0	
CB	38%		
15.9%			
		64.5%	
		CB	
	22.9%	9.8%	
	2006,		
	\$1,989.6	\$1,181.7	

(b) Information on the Technology (Fe.5s. % In . T F00. Tf2e 1 i)-1 11. (Information Tf2 .38

LETTER FROM AMS

A
A C A
A C

B
A C

2. The Shirai Supply Agreement

(a) *Principal terms of the Shirai Supply Agreement*

A
CB 1
2007, 31, 2009,
A CB
CB
A B

LETTER FROM AMS

... ..

CB

30

2006.

CB

... ..

A

B

75

CB

C

2005

120

2005

¶

2005,

106

75

120

¶

2005,

106

... ..

()

CB

; ()

; ()

75

A

... ..

LETTER FROM AMS

(b) *Rationale for determining the annual caps*

() CB
 2004, 2005, 30, 2006; ()
 2004, 2005
 31, 2006; ()
 31, 2007, 2008, 2009:

Total transaction Increase from the

LETTER FROM AMS

\$344.9

83%

LETTER FROM AMS

A A B

C CB

A

CB A A CB

CB

A B 60 A 30 90

C 2005 31 2005, 77% 0 90 60

() CB

; () ;

() 60 A

LETTER FROM AMS

(b) *Rationale for determining the annual caps*

()
 31 ↑ 2004 2005
 30 2006; ()
 2004, 2005 31 ↑ 2006; ()
 31 ↑ 2007,
 2008 2009:

	Total transaction amounts <i>(HK\$'000)</i>	Increase from the preceding year <i>(%)</i>
Purchase of laminates		
<i>Actual transaction amounts:</i>		
2004	46,323	/A
2005	72,598	56.7
30 2006	79,111	45.3
		<i>(on annualized basis)</i>
<i>Approved annual caps:</i>		
2004	50,000	/A
2005	85,000	70.0
2006	115,000	35.3
<i>Proposed annual caps:</i>		
2007	161,000	40.0
2008	225,400	40.0
2009	315,560	40.0

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F 2004 F 2005

98%

30 F 2005

2006

2004 2005

F 2004

2005

C

27 2006

31 ↑ 2006

A

2003 2005 51.0%, 48.5%

()

()

51.0% 48.5%, 40%

()

A \$161,000,000, \$225,400,000, \$315,560,000

31 ↑ 2007, 2008 2009 ()

A \$26,600,000, \$37,240,000

\$52,136,000 31 ↑ 2007, 2008 2009

4. Annual review of the terms of the Continuing Connected Transactions and the Annual Caps

C

C A C C

31 ↑ 2007, 2008 2009

C C A C

LETTER FROM AMS

C
A
C B
C C A C
C
C C A C
C
2004 2005 C
A A
F 2004 F 2005
C C

RECOMMENDATION

- B C
- () CB
- ()
- () C
C C A C
- () A C

LETTER FROM AMS

B
A A C
A C
B C
A A
A C

AMS Corporate Finance Limited
Jinny Mok
Director

1. RESPONSIBILITY STATEMENTS

2. MATERIAL ADVERSE CHANGE

A ... 31 ... 2005,

3. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Company and its associated corporations

A ... C ... 7, 8 ... 352 ... C ... F ... C ... :

(i) Interest (long positions) in the Company

Name of Director	Interest in underlying Shares pursuant to share options (note)	Interest in underlying Shares pursuant to the 2006 Warrants	Interest in the Shares	% of the issued share capital of the Company
C	1,145,000	116,816	3,282,150	0.40
C	3,026,000	48,100	1,399,540	0.17
C	3,559,000	70,052	750,000	0.09
C	3,559,000		917,370	0.11
C	3,308,000	194,920	1,582,800	0.19
C	3,419,000	102,662	573,200	0.07
C	3,363,000	201,526	1,900,500	0.23
C	3,643,000	248,750	2,428,500	0.29
C, C, C			660,000	0.08
C			50,000	0.01

Note: 11 2002, \$3.74 15 2002 2012.

(ii) Interest (long positions) in the associated corporations of the Company

Name of Director	Interest in the non-voting deferred shares (note 1)	Interest in the shares (note 2)		Interest in the underlying shares pursuant to the share options (note 3)
		No. of shares	% of shareholding	
C	1,904,400	177,600	0.10%	973,200
C	1,481,200		%	973,200
	581,900		%	
C	529,000		%	
C	1,058,000	278,400	0.16%	973,200
C	846,400		%	
C	952,200		%	
C	423,200		%	973,200
C, C		74,000	0.04%	973,200

Notes:

- (1) \$1.00 C
- (2) \$0.80 & C (EEIC-), C
- (3) \$2.033 C 26 2006, 26 2007, 26 2008, 26 2009, 26 2010. 24 2010.

C C () C () C 7, 8 () 352 ; () ; () C C

F
 2, 3
 10%
 C

4. COMPETING INTEREST

A
 C
 C

5. DIRECTORS' INTEREST IN SERVICE CONTRACTS

A
 ()

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

A
 31, 2005, C
 C

7. EXPERT'S QUALIFICATION AND CONSENT

- () A 4 ()
 6 () 9 ()
- () A A
 C ()
 C

- () C 26, C 28
- () F
- () C

10. DOCUMENTS AVAILABLE FOR INSPECTION

C

NOTICE OF EGM

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

(stock code: 148)

NOTICE IS HEREBY GIVEN

C (C -) 5 B
C 2-12 A
8 2006 9:30

THAT

A A C (A
C 21 2006)

THAT

C

B B
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

, 21 , 2006

* For identification purpose only

NOTICE OF EGM

Head Office and

Principal Place of Business in Hong Kong

5, ... B ...

... C ...

2 12 A ...

Notes:

1. A ... C ... A ... C ...
2. ... C ... (-), ... C ...
3. ... (...) ... C ... E ... 26 ... C ... 28 ... 48 ... 24 ...
4. ...
5. A ... C ... C ... C ... C ... C ...