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KINGBOARD CHEMICAL HOLDINGS LIMITED

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(incorporated in the Cayman Islands with limited liability)

(Stock Code: 148)

REVISED ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement in relation to, among other things, the Shirai Supply Agreement and the Shirai Purchase Agreement.

On 27 October 2006, Techwise entered into the Shirai Supply Agreement and the Shirai Purchase Agreement with Shirai. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, Shirai is a company which holds 30% of the issued share capital of the JV, a 70% owned subsidiary of Techwise, and is therefore a Connected Person of the Company under the Listing Rules.

The transactions contemplated under each of the Shirai Supply Agreement and the Shirai Purchase Agreement constitute non-exempt continuing connected transactions of the Company subject to the reporting, announcement and independent Shareholders’ approval requirements under the Listing Rules. The Company has on 8 December 2006 obtained the independent Shareholders’ approval in an extraordinary general meeting in respect of the Shirai Supply Agreement and the Shirai Purchase Agreement and their respective Original Annual Caps.

REVISION OF ANNUAL CAPS

According to the management accounts of the Techwise Group for the period from 1 January 2007 to 30 September 2007:

(i) supply of PCB by the Techwise Group to the Shirai Group under the Shirai Supply Agreement amounted to approximately HK$412,124,000, representing approximately 73.29% of the relevant Original Annual Cap for 2007; and

(ii) subcontracting transactions with the Shirai Group amounted to approximately HK$18,770,000, representing approximately 70.56% of the relevant Original Annual Cap for 2007.

* *For identification purposes only*

Based on the above, the corresponding projected amounts of the said transactions for the 12 months of 2007 (calculated based on the assumption of consistent level of demand on a month-on-month basis) are likely to exceed the relevant Original Annual Cap for 2007. In this connection, the board of Directors wishes to revise the annual caps for each of the above transactions for each of the year ending 31 December 2007, 2008 and 2009. Pursuant to the Listing Rules, the Revised Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

An independent board committee comprising the independent non-executive Directors will be established to consider the Revised Annual Caps. An independent financial adviser will be appointed to advise the independent board committee of the Company and the independent Shareholders on the Revised Annual Caps. A circular containing, among other things, further details of the Revised Annual Caps, letters from the independent board committee and the independent financial adviser, and a notice for convening the EGM to approve the Revised Annual Caps will be sent to the Shareholders as soon as practicable after the date of publication of this announcement.

BACKGROUND

Reference is made to the Announcement in relation to, among other things, the Shirai Supply Agreement and the Shirai Purchase Agreement.

On 27 October 2006, Techwise entered into the Shirai Supply Agreement and the Shirai Purchase Agreement with Shirai. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shirai is a company which holds 30% of the issued share capital of the JV, a 70% owned subsidiary of Techwise, and is therefore a Connected Person of the Company under the Listing Rules.

Particulars of the Shirai Supply Agreement are set out below:

Date:	27 October 2006
Parties:	(1) Techwise
	(2) Shirai
Products to be supplied:	The Supply of PCB by the Techwise Group to the Shirai Group, without any limitation on the maximum or minimum quantity to be purchased by the Shirai Group
Pricing:	At a price which is not more favourable to the Shirai Group than the price at which the Techwise Group sells similar products to Independent Third Parties having regard to the quantity and other conditions of the sale
Term:	From 1 January 2007 to 31 December 2009, both days inclusive

Particulars of the Shirai Purchase Agreement are set out below:

Date:	27 October 2006
Parties:	(1) Techwise (2) Shirai
Products and services to be purchased:	The purchase of laminates from the Shirai Group by the Techwise Group and subcontracting the services of Shirai Group (i.e. the provision of drilling services by the Shirai Group to the Techwise Group) for the production of PCB, without any limitation on the maximum or minimum (i) quantity of laminates to be purchased by the Techwise Group; and (ii) subcontracting services to be contracted with the Shirai Group
Pricing:	At a price which is not less favourable to the Techwise Group than the price or fee at which the Techwise Group purchases, or would be able to purchase, or engage or would be able to engage, similar materials or services from Independent Third Parties having regard to the quantity and other conditions of the purchase or the engagement
Term:	From 1 January 2007 to 31 December 2009, both days inclusive

The Shirai Group grants a credit period of 60 days to the Techwise Group in respect of the purchase of laminates by the Techwise Group from the Shirai Group and the Techwise Group grants a credit period of 75 days to the Shirai Group in respect of the sale of PCB by the Techwise Group to the Shirai Group.

The terms of the Shirai Supply Agreement and the Shirai Purchase Agreement were arrived at after arm's length negotiation with the Shirai Group. The Directors (including the independent non-executive Directors) are of the view that the terms of the Shirai Supply Agreement and the Shirai Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The transactions under the Shirai Supply Agreement and the Shirai Purchase Agreement are carried out in the ordinary and usual course of business of the Techwise Group.

The transactions contemplated under each of the Shirai Supply Agreement and the Shirai Purchase Agreement constitute non-exempt continuing connected transactions of the Company subject to reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. The Company has on 8 December 2006 obtained the independent Shareholders' approval in an extraordinary general meeting in respect of the Shirai Supply Agreement and the Shirai Purchase Agreement and their respective Original Annual Caps.

BUSINESS OF THE GROUP AND THE SHIRAI GROUP

The Group is principally engaged in the business of production and sale of laminates, PCB, and chemicals. The Shirai Group is carrying on the business of design and manufacture of PCB.

REASONS FOR THE SHIRAI SUPPLY AGREEMENT AND THE SHIRAI PURCHASE AGREEMENT

As previously disclosed in the Announcement, the Shirai Group has been the largest PCB customer of the Techwise Group before and after the establishment of the JV. The JV was set up as a strategic alliance between the Techwise Group and the Shirai Group. The Directors therefore consider that it is in the commercial interest of the Techwise Group to sell PCB to the Shirai Group on normal commercial terms. The PCB purchased by the Shirai Group are mainly for resale to the Shirai Group's customers. Some of the Shirai Group's customers require that the PCB be made from laminates produced by certain manufacturers. As such, the Techwise Group also purchases, through the Shirai Group, laminates produced by such manufacturers for the production of some of the PCB to be sold to the Shirai Group. Some of the laminates purchased from the Shirai Group will be further processed by the Shirai Group before delivering

In this connection, the Board wishes to revise the annual caps for each of the above transactions for each of the year ended 31 December 2007, 2008 and 2009 as follows:

Transactions	Original Annual Caps	Revised Annual Caps
Supply of PCB by the Techwise Group to the Shirai Group under the Shirai Supply Agreement	HK$562,350,000 for 2007 HK$646,703,000 for 2008 HK$743,708,000 for 2009	HK$618,585,000 for 2007 HK$711,373,000 for 2008 HK$818,079,000 for 2009
Subcontracting transactions with the Shirai Group under the Shirai Purchase Agreement	HK$26,600,000 for 2007 HK$37,240,000 for 2008 HK$52,136,000 for 2009	HK$29,260,000 for 2007 HK$40,964,000 for 2008 HK$57,350,000 for 2009

The Revised Annual Caps for each of the year ended 31 December 2007, 2008 and 2009 are estimated by the Directors with reference to (i) the amount of the transactions in the first 9 months of 2007; and (ii) the assumption that there will be an annual increase of approximately 15% for the supply of PCB to the Shirai Group under the Shirai Supply Agreement and an annual increase of approximately 40% for the sub-contracting transactions under the Shirai Purchase Agreement respectively in 2008 and 2009. The Revised Annual Caps were estimated by the Directors with reference to the strong demand from the Shirai Group in recent months, especially in the second half of the year.

REASONS FOR THE INCREASING SUPPLY OF PCB TO, AND SUBCONTRACTING TRANSACTIONS WITH, THE SHIRAI GROUP

The board of Directors believes that the economic growth in the People's Republic of China will stimulate the demand for electronic products, such as mobile phones and consumer products, and as a result, there will be an increasing demand of PCB for manufacturing such electronic products. In addition, some of the Shirai Group's customers specifically require that the PCB made by the Techwise Group be drilled by the Shirai Group. As such, the increasing demand of PCB from the Shirai Group under the Shirai Supply Agreement leads to the corresponding increasing demand of subcontracting transactions with the Shirai Group under the Shirai Purchase Agreement.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shirai is a substantial shareholder holding 30% of the equity interest of the JV and the JV is a subsidiary of the Company, Shirai is therefore a Connected Person of the Company.

As the transactions contemplated under the Shirai Purchase Agreement and the Shirai Supply Agreement constitute non-exempt continuing connected transaction under the Listing Rules, the Revised Annual Caps are also subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

An independent board committee comprising the independent non-executive Directors will be established to consider the Revised Annual Caps. An independent financial adviser will be appointed to advise the independent board committee of the Company and the independent Shareholders on the Revised Annual Caps.

EGM

The Company will convene the EGM for considering and, if thought fit, passing the resolution for the approval of the Revised Annual Caps.

As confirmed by Shirai, the Shirai Group does not hold any shares in the Company. To the best knowledge, information and belief of the Directors after having made all reasonable enquiry, the ultimate beneficial owner of Shirai does not have any interest in the Company. To the best of the knowledge, information and belief, after having made reasonable inquiries, the Directors are of the view that no Shareholder is materially interested in the Shirai Supply Agreement and therefore no Shareholder is required to abstain from voting at the EGM.

GENERAL

A circular containing, among other things, further details of the Revised Annual Caps, letters from the independent board committee and the independent financial adviser, and a notice for convening the EGM to approve the Revised Annual Caps will be sent to the Shareholders as soon as practicable after the date of publication of this announcement.

DEFINITIONS

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

"Announcement"	the announcement of the Company dated 27 October 2006 in relation to, among other things, the Shirai Supply Agreement and the Shirai Purchase Agreement
"associate(s)"	the meaning ascribed to it under the Listing Rules
"Company"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange

"JV"	Techwise Shirai Circuits Limited, a company incorporated in Hong Kong and is owned as to 70% by Techwise and 30% by Shirai
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Original Annual Cap(s)"	the original annual cap(s) for the Shirai Supply Agreement and the Shirai Purchase Agreement approved by the independent Shareholders at the extraordinary general meeting of the Company held on 8 December 2006
"PCB"	printed circuit boards
"Revised Annual Cap(s)"	the revised annual caps for the supply of PCB by the Techwise Group to the Shirai Group under the Shirai Supply Agreement and the revised annual caps for the subcontracting transactions with the Shirai Group under the Shirai Purchase Agreement proposed by the Directors and subject to the approval of the independent Shareholders at the EGM as more particularly set out in the paragraph headed "Revision of Annual Caps" in this announcement
"Shareholder(s)"	shareholder(s) of the Company
"Shirai"	Shirai Electronics Industrial Co., Ltd., a company incorporated and listed in Japan, which is holding 30% of the issued share capital of the JV and, save for its shareholding in the JV, is an Independent Third Party
"Shirai Group"	Shirai and its subsidiaries
"Shirai Purchase Agreement"	the agreement dated 27 October 2006 entered into between Techwise and Shirai in relation to the purchase of laminates from the Shirai Group and the subcontracting services of the Shirai Group for the production of PCB for a term from 1 January 2007 to 31 December 2009
"Shirai Supply Agreement"	the agreement dated 27 October 2006 entered into between Techwise and Shirai in relation to the sale of PCB to the Shirai Group by the Techwise Group for a term from 1 January 2007 to 31 December 2009
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	the meaning ascribed to it under the Listing Rules

"Techwise"	Techwise Circuits Company Limited, a company incorporated in Hong Kong with limited liability and is owned as to 90% indirectly by the Company and 10% directly by Willwise (PWB) Consulting Limited. Willwise (PWB) Consulting Limited is ultimately and beneficially owned by Mr. Kong Hoi Wing as to 40%, Mr. Chan Pak Chung as to 35% and Mr. Woo Dick as to 25%. Save for their respect interests in Techwise, Willwise (PWB) Consulting Limited and its shareholders are Independent Third Parties. Other than the indirect interest in Techwise, each of Mr. Kong Hoi Wing, Mr. Chan Pak Chung and Mr. Woo Dick does not have any interest in the Company
"Techwise Group"	Techwise and its subsidiaries

By order of the board of
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

Hong Kong, 31 October 2007

As at the date of this announcement, the board of Directors consists of Messrs. Cheung Kwok Wing, Chan Wing Kwan, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie and Mok Cham Hung, Chadwick, being the executive Directors and Messrs. Cheng Ming Fun, Paul, Cheng Wai Chee, Christopher, Henry Tan and Tse Kam Hung, being the independent non-executive Directors.