THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt ,
, , ,
.

If you have sold or otherwise transferred K C H L ,
,
.

S E H K L ,
.

KINGBOARD CHEMICAL HOLDINGS LIMITED

*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0148)

REVISED ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTION

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

21 N 2007

CONTENTS

DEFINITIONS

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

2006 A	C 27 O 2006 , , S S A S P A ;
2007 A	C 31 O 2007 , , R A C , S S A S P A ;
A	C ;
( )	L R ;
B	D ;
C	K C H L , C I S E ;
C P	H C ;
C P ( )	L R ;
C S ( )	L R ;
D	C ;
EGM	C 10 D 2007 R A C ;
G	C ;
H	H M L , C

DEFINITIONS

I B C

DEFINITIONS

R A C ( )	( ) PCB G S G S S A ( ) S G S P A D I S EGM R A C ;
SFO	S F O , C 571 L H K ;
S ( )	( ) HK$0.10 C ;
S ( )	( ) S ( );
S G	S ;
S P A	27 O 2006 S S G S G PCB 1 J 2007 31 D 2009;
S S A	27 O 2006 S PCB S G G 1 J 2007 31 D 2009;
S	S E I C ., L ., J , 30% J , J , I P ;
S E	S E H K L ;
( )	L R ;
S S ( )	L R ;
C	H K C M ;
G	;

DEFINITIONS

C C L ,
H K
90% C
10% (P B) C L .
(P B) C L
M . K H 40%,
M . C P C 35% M . D
25%. S ,
(P B) C L
I P . O
, M . K
H , M . C P C M . D
C ;

S$ S , S A ;

% .

LETTER FROM THE BOARD

5

A G 1 J 2007 30 S 2007:

( ) PCB G S G S S A HK$412,124,000, 73.29% O A C 2007;

( ) S G HK$18,770,000, 70.56% O A C 2007.

B , 12 2007 (- -) O A C 2007. I , B 31 D 2007, 2008 2009. P L R , R A C , I S ' L R .

, , S S A , S P A R A C , K I B C I S , I B C L R .

2. PARTICULARS OF THE SHIRAI SUPPLY AGREEMENT AND THE SHIRAI PURCHASE AGREEMENT

P S S A :

D : 27 O 2006

P : (1)
(2) S

P : S PCB G S G , S G

P : A S G G I P

: F 1 J 2007 31 D 2009,

LETTER FROM THE BOARD

P S P A :

D : 27 O 2006

P : (1)
(2) S

P S G
: G
S G (. .
S G G)
PCB,
( )
G ; ( )
S
G

P : A
G
G , ,
,
I P

: F 1 J 2007 31 D 2009,

S G 60 G
G S G
G 75 S G PCB
G S G .

S S A S P A
, S G . D (
- D) S
S A S P A
C S
. S S A S P
A
G .

S S A
S P A -
C , S ’
L R . C 8 D 2006
S ’
S S A S P A O
A C .

3. BUSINESS OF THE GROUP AND THE SHIRAI GROUP

G ,
PCB, . S G
PCB.

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

A 2006 A 2007 A ,
S G PCB G
J . J
G S G . D
G PCB S G
. PCB S G
S G ’ . S S G ’ PCB
. A , G
, S G ,
PCB S G . S
S G S G
G
S P A .

5. REVISION OF ANNUAL CAPS

A G 1
J 2007 30 S 2007:

( ) PCB G S G S
S A HK$412,124,000,
73.29% O A C 2007;

( ) S G
HK$18,770,000, 70.56% O
A C 2007.

I ,
12 31 D 2007 (
- -)
31 D 2008 2009 O
A C .

I , B
31 D 2007, 2008 2009 :

Transactions	Original Annual Caps		Revised Annual Caps	
S PCB	HK$562,350,000	2007	HK$618,585,000	2007
G S G	HK$646,703,000	2008	HK$711,373,000	2008
S S A	HK$743,708,000	2009	HK$818,079,000	2009
S	HK$26,600,000	2007	HK$29,260,000	2007
S G S	HK$37,240,000	2008	HK$40,964,000	2008
P A	HK$52,136,000	2009	HK$57,350,000	2009

R A C 31 D 2007, 2008
2009 D ( )
9 2007; ( )
15% PCB S G S S
A 40% -
S P A 2008 2009.
R A C D
S G , .

D (- D)
R A C ,
C
S C .

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

B P ' R C
,
, , PCB
. I , S G '
PCB G S G . A ,
PCB S G S S A
S G S P A .

7. LISTING RULES IMPLICATIONS

D ’ ,
, S 30%
J J C L P D .
A , S C P C .

A S P A
S S A -
L R , R A C ,
S ’ L R .

I B C -
D R A C . K ,
I F A , I B
C I S R A C .

8. EGM

C EGM , ,
R A C I S
.

A L R , EGM:

( ) C P R A C ;

( ) S R A C
;

( ) R 14A.13(1)( )( ) ( )
R A C .

A S , S G C .
, D
, S
C . , ,
, D S
R A C S
EGM.

LETTER FROM THE BOARD

A EGM .
EGM,
C ’
H K , S L , 26/F, C , 28 Q ’
R E , , H K , 48
EGM , ,
EGM , 24
. C
EGM
.

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0148)

21 N 2007

To the Independent Shareholders

D S M ,

REVISED ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTION

C 21 N 2007 (C) . C , .

I B C I S R A C S . A , K I F A I S .

B 5 11 C , R A C . I F A I B C I S R A C 13 24 C .

H B K , R A C , C C S . A , I S R A C EGM.

,

F

I B C

Mr. Cheng Ming Fun, Paul
Independent non-executive Director

Mr. Cheng Wai Chee, Christopher
Independent non-executive Director

Mr. Henry Tan
Independent non-executive Director

Mr. Tse Kam Hung
Independent non-executive Director

* *For identification purpose only*

S S A
S P A -
C , S ’
L R . C 8 D 2006
I S ’
S S A S P A
O A C .

A C , 1 J 2007 30 S
2007:

( ) PCB G S G S
S A HK$412,124,000,
73.29% O A C 2007;

( ) S G
HK$18,770,000, 70.56% O
A C 2007.

B ,
12 2007 (
- -) O A
C 2007. I , B
31 D 2007, 2008 2009. P
L R , R A C ,
’ L R .

A I B C -
D R A C .
I F A I B C
C I S R A C .

K C S
, , , ,
R A C
S S A S P A . A
,
C
S , , .

I ,
C
C , D C .
C
EGM.
, C ,
D C C
.
. ,
C ,
D C
. , ,

G , .

THE REVISED ANNUAL CAPS

R A C S S
A S P A ,
:

I. Background information

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

G
, PCB, .

, L C L ,
G 57% J 2002. L
2004, G
90%. G
PCB PRC.

S J . S 30%
J , S I P . S G
PCB
-
J . A C , S ’
, S
PCB
G . J
G S G .

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

A L B , S G
PCB G
J . D
G PCB S G
. PCB S G
S G ’ . S S G ’
PCB
. A , G , S
G ,
PCB S G . S
S G S G
G
S P A .

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

P S S A S P
A :

Agreement: **Shirai Supply Agreement**

D : 27 O 2006

P : (1)
(2) S

P : S PCB G
S G ,
S G

P : A
S G
G
I P

: F 1 J 2007 31 D 2009,

Agreement:	**Shirai Purchase Agreement**
D :	27 O 2006
P :	(1) (2) S
P :	S G G S G (. . S G G) PCB, ( ) G ; ( ) S G
P :	A G G , , , I P
:	F 1 J 2007 31 D 2009,

S G 60
G G
S G
G

AII.-1879119(R O A C J/F2 1 0.832 -1.708
P A

G C GDP
, C ' , ,
,

PCB .

III. Seasonal sales pattern of PCB

C PCB
G ,
.

PCB
C . S
2004.

	Year ended 31 December			Six 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*
	(A)	(A)	(A)	( )	( )	( )	( )
S							
S PCB	1,832.4	5,284.2	6,650.0	688.0	2,465.4	2,899.2	3,449.6
	7,082.4	13,098.4	16,773.3	3,059.6	5,954.0	7,465.0	9,021.9
R PCB 30 J PCB (%)				37.5	46.7	43.6	

F PCB
PCB , PCB
.

D PCB S 9 2007
73.29% O A C 2007,

- - , 2007
HK$549,499,000, 97.71% O A C 2007.
A PCB
,
O A C 2007. A ,
O A C
L R .

L , S 9
2007 70.56% O A C 2007,

- - ,
2007 HK$25,027,000, 94.09% O
A C 2007. A , PCB S
G S G ' . S S
G ' PCB
. A , G , S
G ,
PCB S G . S
S G S G
G
S P A . , PCB
S G
S G . A ,
31 D 2007
O A C 2007. C
O A C S P A
O A C S S A .

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

(a) The Shirai Supply Agreement

	2007	2008	2009	Annual Increment *(%)*
O A C *(HK$'000)*	562,350	646,703	743,708	15
R A C *(HK$'000)*	618,585	711,373	818,079	15
I O A C *(%)*	10.0	10.0	10.0	

A L B , R A C
31 D 2007, 2008 2009
D :

( ) 9 2007;

( )
15% PCB S G
S S A 2008 2009.

15%
R A C ,
S S A .

S S
S A :

	Historical transaction *(HK$'000)*	Increase from the preceding year *(%)*
2004	383,465	
2005	416,149	8.5
2006	486,661	16.9
N 30 S 2007	412,124	12.9 *(on annualized basis)*

F ,
G ' PCB S G .
2006 2005.
2007 2006,
,
. A S
PCB ,
. ,
12.9%
.

,
G ' 2006. A
C 21 N 2006,
O A C ,
30 S 2006 HK$344,867,000,
70.5% 2006 HK$489,000,000.
I ,
HK$459,823,000. H ,
HK$486,661,000,
5.8% ,
99.5% 2006.

	Actual transaction amount for nine months ended 30 September *(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			416,149		
2006	344,867	459,823	486,661	10.5	16.9
2007	412,124	549,499		12.9	

B ,

12.9%

.

15% 12.9%

16.9% 2006.

.

22678 DC

A L B , R A C
31 D 2007, 2008 2009
D :

( ) 9 2007;

( )
40% -
S P A 2008 2009.

40%
R A C ,
S P A 2004.

S
S G G 3 2006.

	Procurement of subcontract services *(HK$'000)*	Increase from the preceding year *(%)*
2004	7,824	
2005	12,704	62.4
2006	18,693	47.1
Compound annual growth rate (“CAGR”) *(%)*	54.6	

A , CAGR
3 2006
54.6%. A
47.1% 62.4% . A
CAGR 40%,
40%
.

,
C R A C 2007
HK$25,027,000
.

A C 21 N 2006,
O A C ,
30 S 2006 HK$12,818,000,
67.5% 2006 HK$19,000,000.
I ,

HK$17,091,000. H ,
HK$18,693,000,
9.4% ,
98.4% 2006.

	Actual transaction amount for nine months ended 30 September *(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			12,704		
2006	12,818	17,091	18,693	34.5	47.1
2007	18,770	25,027		33.9	

I ,
( ) 40%,
( )
. ,
.

B , C
R A C
S P A
I S
C I S .

RECOMMENDATION

H ,
, :

PCB S

G I
P ;

PRC
PCB;

PCB
C ;

PCB;

PCB S G ,
;

, R A C
, ;

R A C S S A
S P A ,
, C I
S . A , I B C
I S
EGM R A C
.

,
F
Karl Thomson Financial Advisory Limited
Alex Chow
Director

1. RESPONSIBILITY STATEMENTS

L R
G . D

, ,
,
.

2. MATERIAL ADVERSE CHANGE

A L P D , D
G 31 D 2006,
G
.

3. DISCLOSURE OF INTERESTS

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

A L P D , D
, C
(P SFO) ( )
C S E D 7 8 P
SFO (
SFO); ( ) 352 SFO,
; ( ) M C S
D L I C S E :

Long Position

( ) O HK$0.10 C (S)

Name of Director	Capacity	Number of Shares held: Interest in underlying Shares pursuant to share options *(note 1)*	Number of issued Shares held	Approximate percentage of the issued share capital of the Company *(%)*
M . C K	B	210,600	3,319,685	0.39
M . C K	B	2,558,800	781,000	0.09
M . C K K	B	2,951,800	860,709	0.10
M . C *(note 2)*	B	3,175,800	2,769,174	0.33
M . H S *(note 3)*	B	5,104,800	1,504,079	0.17
M . M C H , C	B		960,000	0.11
M . C M F , P	B		100,000	0.01

Note:

(1) D 11 O 2002, D S HK$3.74 S 15 O 2002 2 J 2012.

(2) O 2,769,174 S , 840,200 S M . C .

(3) O 5,104,800 1,504,079 S , 1,984,000 1,027,000 S M . H S .

( ) I ( )

( ) O a a HK$0.10 a (KLHL S a) K a La a H L (KLHL)

Name of Director	Capacity	Number of KLHL Shares held	Approximate percentage of the issued share capital of KLHL *(%)*
M . C K	B	934,500	0.03
M . C K *(note 1)*	B	100,000	0.003
M . H S *(note 2)*	B	540,000	0.018
M . C *(note 3)*	B	100,000	0.003
M . C L , S	B	998,000	0.03

Note:

1. 100,000 KLHL S M . C K .
2. 540,000 KLHL S M . H S .
3. 100,000 KLHL S M . C .

( ) N - a HK$1.00 a a a a K a La a L , a - a C a

Name of Director	Capacity	Number of non-voting deferred shares held
M . C K	B	1,904,400
M . C K	B	1,481,200
M . C K K	B	846,400
M . C	B	423,200

( ) O a a (EEIC S a) a a a EEIC, a 70.58% a C a

Name of Director	Capacity	Interest in underlying EEIC Shares pursuant to share options *(Note)*	Interest in EEIC Shares	Approximate percentage of the issued share capital of EEIC *(%)*
M . C K	B	973,200	60,000	0.03
M . C K	B	973,200		
M . C	B	973,200		
M . M C H , C	B	973,200	74,000	0.04

Note: 3,244,000 EEIC D 24 J 2005. 1 5 13 O 2005. D EEIC S S$2.033 EEIC S . 5 , 26 N 2006, 26 N 2007, 26 N 2008, 26 N 2009 26 M 2010 24 M 2010.

( ) O a a (KCFL S a) a a a K a C F H L (KCFL), a - a C a

Name of Director	Capacity	Number of issued KCFL Shares held	Approximate percentage of the issued share capital of KCFL *(%)*
M . H S *(Note)*	B	2,000	0.0003

Note: 2,000 KCFL S M . H S .

O , L P D , D C S , S C (P SFO) ( ) C S E D 7 8 P SFO (SFO); ( ) 352 SFO, ; ( ) M C S D L I C S E .

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 SFO

A L P D , D , C S 336 SFO , D , (D C) S S C S E D 2 3 P SFO:

Long position

O HK$0.10 C (S)

Name of Shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of Company *(%)*
H *(Note)*	B	259,968,929	31.02
C R M C	I	79,651,400	9.50
C B A	C	58,435,530	6.97

Note: A L P D , ( ) H , , , - H , H S ' ; ( ) M . C K C K , D , H .

O , C
C
L P D .

4. DIRECTORS' INTEREST IN SERVICE CONTRACTS

A L P D , D
G
G
( ).

5. EXPERT'S QUALIFICATION AND CONSENT

( ) K
6 ( )
SFO I F A
I B C I S .

( ) A L P D , K
C (
)
G .

( ) K
.

( ) K
.

( ) K
, ,
, , C
31 D 2006,
G .

6. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

A ,
(
)
:

( ) ;

( )
;

( )
-
;

( ) S
-
S .

7. GENERAL

( ) A L P D , D
C ,
, ,
G , D
C / G .

( ) A L P D , D
, ,
, , C 31 D
2006,
G .

( ) A L P D , D
G .

( ) C G F , C
H , M S , P.O. B 1043, G , G C , C
I , B I .

( ) C H K 5 F ,
B K, I C , 2-12 A P S , F , S ,
N , H K .

( ) C ' H K S L 26/F, C , 28 Q ' R E , , H K .

( ) E C .

8. DOCUMENTS AVAILABLE FOR INSPECTION

C C ' H K 5 F , B K, I C , 2-12 A P S , F , S , N , H K ( ) 10 D 2007:

( ) S S A ;

( ) S P A ;

( ) I B C , 12 ;

( ) I F A I B C I S , 13 24 ;

( ) K 5( ) ;

( ) C A .

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED

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NOTICE IS HEREBY GIVEN E G M K C H L (C) 5 F , B K, I C , 2-12 A P S , F , S , N , H K 10 D 2007 9:30 . . , , O R :

ORDINARY RESOLUTION

THAT R A C (C 21 N 2007) **THAT** C , .

B B
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

H K , 21 N 2007

Head Office and Principal Place of Business in Hong Kong
5 F , B K
I C
2-12 A P S
F , S
N
H K

Notes:

1. A C . A C .

2. C (S), , , S / / . B , C S .

* *For identification purpose only*

NOTICE OF EGM

3. I , , ( )
,
C ’ H K , S L 26/F,
C , 28 Q ’ R E , , H K 48
,
, 24
.

4. O R .

5. A , C M . C K ,
C K , C , C K K , H S , C L , S
M C H , C , C , M . C
M F , P , C C , C , H K H ,
- C .