THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Kingboard Chemical Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

AMS Corporate Finance Limited

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on page 12 of this circular.

A letter from AMS Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 28 of this circular.

A notice convening an extraordinary general meeting of Kingboard Chemical Holdings Limited to be held at Block A, 5th Floor, Delight Industrial Centre, 2-12 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong on 8 December 2006 at 9:30 a.m. is set out on pages 35 to 36 of this circular. Whether you are able or not to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrars of Kingboard Chemical Holdings Limited, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

* *For identification purpose only*

21 November 2006

CONTENTS

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

" A S"	A S is corpor tion license un er the SFO to c rry on type 4 (vising on securities), type 6 (vising on corpor te fin nce) n type 9 (sset m n gement) regul te ctivities un er the SFO n is the in epen ent fin nci l viser to the In epen ent Bo r Committee n In epen ent Sh rehol ers;
" Annu l C ps"	the nnu l c ps for the tr ns ction un er the Shir i Supply Agreement n the Shir i Purch se Agreement for the three fin nci l ye rs en ing 31 December 2009, et ils of which re set out on p ge 8 to 9 of this circul r;
" ssoci tes"	sh ll h ve the me ning s prescribe un er the L isting Rules;
" Bo r "	me ns the bo r of Directors;
" Comp ny"	ingbo r Chemic l Hol ings L imite , comp ny incorpor te in the C ym n Isl n s with limite li bility n whose sh res re liste on the Stoc Exch nge;
" Continuing Connecte r ns ctions"	the continuing supply of PCB to the Shir i Group pursu nt to the Shir i Supply Agreement n the continuing purch se of l min tes n subcontr cting services from the Shir i Group pursu nt to the Shir i Purch se Agreement, which constitute continuing connecte tr ns ctions of the Comp ny un er the L isting Rules;
" Director(s)"	irector(s) of the Comp ny;
" EG "	extr or in ry gener l meeting to be hel on 8 December 2006 by the Comp ny to pprove, mong other things, the Shir i Supply Agreement, the Shir i Purch se Agreement n the Annu l C ps;
" Group"	the Comp ny n its subsi i ries;
" H $"	Hong ong Doll rs, the l wful currency of Hong ong Speci l A ministr tive Region;
" In epen ent Bo r Committee"	the in epen ent bo r committee comprising the in epen ent non-executive Directors ppointe to vise the In epen ent Sh rehol ers pursu nt to the requirements of the L isting Rules;

" In epen ent hir P rties"	p rties who re in epen ent of n not connecte with the Comp ny or the connecte person(s) of the Comp ny;
" In epen ent Sh rehol ers"	Sh rehol ers who h ve no interest wh tsoever in the Continuing Connecte r ns ctions;
" J "	echwise Shir i Circuits L imite , comp ny incorpor te in Hong ong n is owne s to 70% by echwise n 30% by Shir i;
"L test Pr ctic ble D te"	17 ovember 2006, being the l test pr ctic ble te prior to the printing of this circul r for scert ining cert in inform tion cont ine herein;
"L isting Rules"	he Rules Governing the L isting of Securities on the Stoc Exch nge;
" Origin l Shir i Purch se Agreement"	the greement te 3 y 2004 entere into between echwise n Shir i in rel tion to the purch se of l min tes from the Shir i Group n the subcontr cting services of the Shir i Group for the pro uction of PCB, for term from 31 rch 2004 to 31 December 2006;
" Origin l Shir i Supply Agreement"	the greement te 3 y 2004 entere into between echwise n Shir i in rel tion to the s le of PCB to the Shir i Group by the echwise Group, for term from 31 rch 2004 to 31 December 2006;
" PCB"	printe circuit bo r s;
" SFO"	the Securities n Futures Or in nce (Ch pter 571 of the L ws of Hong ong);
" Sh re(s)"	or in ry sh re(s) of nomin l v lue H $0.10 e ch in the Sh re C pit l of the Comp ny;
" Sh rehol er(s)"	sh rehol er(s) of the Comp ny;
" Shir i"	Shir i Electronics In ustri l Co., L t ., comp ny incorpor te n liste in J p n; Shir i is presently hol ing 30% of the issue sh re c pit l of the J n , s ve for its sh rehol ing in the J , is n In epen ent hir P rty;

"Shir i Group"	Shir i n its subsi i ries;
"Shir i Purch se Agreement"	the greement te 27 October 2006 entere into between echwise n Shir i in rel tion to the purch se of l min tes from the Shir i Group n the subcontr cting services of the Shir i Group for the pro uction of PCB for term from 1 J nu ry 2007 to 31 December 2009;
"Shir i Supply Agreement"	the greement te 27 October 2006 entere into between echwise n Shir i in rel tion to the s le of PCB to the Shir i Group by the echwise Group for term from 1 J nu ry 2007 to 31 December 2009;
"Stoc Exch nge"	he Stoc Exch nge of Hong ong, imite ;
"subsi i ries"	sh ll h ve the me ning s prescribe un er the Comp nies Or in nce, C p 32, of the l ws of Hong ong n "subsi i ries" sh ll be construe ccor ingly;
" echwise"	echwise Circuits Comp ny, imite , comp ny incorpor te in Hong ong with limite li bility n is owne s to 90% in irectly by the Comp ny n 10% irectly by illwise (P B) Consulting, imite ; illwise (P B) Consulting, imite is ultim tely benefici lly owne by r. ong Hoi ing s to 40%, r. Ch n P Chung s to 35% n r. oo Dic s to 25%; s ve for their respective interests in echwise, illwise (P B) Consulting, imite n its sh rehol ers re In epen ent hir P rties;
" echwise Group"	echwise n its subsi i ries;
" rr nthol er(s)"	the hol er(s) of the 2006 rr nts, the et ils of which re set out in the Comp ny's circul r te 7 September 2004; n
"2006 rr nt(s)"	the w rr nt(s) entitling the rr nthol er(s) to subscribe t ny time uring specifie subscription perio for fully p i Sh res t n initi l subscription price of which re set out in the Comp ny's circul r te 7 September 2004.

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

(stock code: 148)

Executive Directors :
r. Cheung wo ing *(Chairman)*
r. Ch n ing w n
r. m Po
r. Cheung wong w n
r. Cheung wo
r. Cheung wo Ping
r. Cheung wo eung
r. Ch ng ing Y iu
r. o Ch m Hung, Ch wic

Independent non-executive Directors :
r. Cheng ing Fun, P ul
r. se m Hung
r. Henry n

Registered Office :
Groun Floor
C le oni n House
P.O. Box 1043
George o wn
Gr n C ym n
C ym n Isl n s
British es In ies

Head Office and Principal Place of Business :
5th Floor, Bloc
li m In ustri l Centre
2–12 Au Pui n Street
Fo n, Sh tin
Hong ong

21 ovember 2006

To the Shareholders, and for information only, the Warrantholders

De r Sir or m,

CONTINUING CONNECTED TRANSACTION

1. INTRODUCTION

By n nnouncement te 27 October 2006, the Comp ny, mong other things, nnounce th t ech wise entere into the Shir i Supply Agreement n the Shir i Purch se Agreement with Shir i on 27 October 2006.

On 3 y 2004, ech wise, then 57% n currently 90% o wne subsi i ry of the Comp ny, entere into the Origin l Shir i Supply Agreement n the Origin l Shir i Purch se Agreement with Shir i. Shir i is comp ny which hol s 30% of the issue sh re c pit l of the J , 70% o wne subsi i ry of ech wise, n is therefore connecte person of the Comp ny un er the isting Rules.

* *For identification purpose only*

The transactions under the Original Shirai Supply Agreement constitute non-exempt continuing connected transactions of the Company subject to reporting, announcement and the approval of independent Shareholders. The Company has on 30 June 2004 obtained the independent Shareholders' approval in an extraordinary general meeting in respect of the Original Shirai Supply Agreement and its original annual caps. The transactions under the Original Shirai Purchase Agreement constitute non-exempt continuing connected transactions of the Company subject to the requirements of reporting and announcement. The Company has on 3[illegible]y 2004 announced details of the transactions under the Original Shirai Purchase Agreement.

Since the Original Shirai Purchase Agreement and the Original Shirai Supply Agreement will expire on 31 December 2006, the Company has on 27 October 2006 entered into the following agreements:

(i) the Shirai Supply Agreement which sets out the general terms and the basis of calculation of the sale price upon which the Techwise Group supplies PCB to the Shirai Group; and

(ii) the Shirai Purchase Agreement which sets out the general terms and the basis of calculation of the purchase price and fee upon which the Techwise Group purchases laminates from the Shirai Group and subcontracts the services of the Shirai Group (i.e. drilling services provided by the Shirai Group) for the production of PCB,

for a term from 1 January 2007 to 31 December 2009. The Shirai Supply Agreement and the Shirai Purchase Agreement are on terms similar to those set out in the Original Shirai Supply Agreement and the Original Shirai Purchase Agreement, respectively.

The transactions under the Shirai Supply Agreement and the Shirai Purchase Agreement will constitute non-exempt continuing connected transactions of the Company and therefore they are (together with the Annual Caps) subject to the requirements of reporting, announcement and independent Shareholders' approval under the Listing Rules.

The purpose of this circular is to provide you with further details of the Shirai Supply Agreement and the Shirai Purchase Agreement, the advice of A[illegible]S to the Independent Board Committee and Independent Shareholders, the recommendation of the Independent Board Committee and certain other information as required by the Listing Rules.

2. RENEWAL OF AGREEMENTS

P rticul rs of the Shir i Supply Agreement re set out below:

D te:	27 October 2006
P rties:	echwise Shir i
Pro ucts to be supplie :	supply of PCB by the echwise Group to the Shir i Group, without ny limit tion on the m ximum or minimum qu ntity to be purch se by the Shir i Group
Pricing:	t price which is not more f vour ble to the Shir i Group th n the price t which the echwise Group sells simil r pro ucts to In epen ent hir P rties h ving reg r to the qu ntity n other con itions of the s le
erm:	from 1 J nu ry 2007 to 31 December 2009, both ys inclusive

P rticul rs of the Shir i Purch se Agreement re set out below:

D te:	27 October 2006
P rties:	echwise Shir i
Pro ucts n services to be purch se :	purch se of l min tes from the Shir i Group by the echwise Group n subcontr cting the services of Shir i Group (i.e. the provision of rilling services by the Shir i Group to the echwise Group) for the pro uction of PCB, without ny limit tion on the m ximum or minimum (i) qu ntity of l min tes to be purch se by the echwise Group n (ii) subcontr cting services to be contr cte with the Shir i 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 between the Techwise Group and 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.

3. 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.

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

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 to the Techwise Group and these processes constitute the subcontracting services under the Shirai Purchase Agreement.

5. ANNUAL CAPS

he nnu l c ps for the tr ns ction un er the Shir i Supply Agreement n the Shir i Purch se Agreement re s follow:

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
Supply of PCB to the Shir i Group	H $405,000,000 for 2004 *(note 1)* H $445,000,000 for 2005 *(note 1)* H $489,000,000 for 2006 *(note 1)*	H $383,465,000 for 2004 H $416,149,000 for 2005 H $344,867,000 for the nine months en e 30 September 2006 *(note 5)*	H $562,350,000 for 2007 H $646,703,000 for 2008 H $743,708,000 for 2009
Purch se of l min tes from the Shir i Group	H $50,000,000 for 2004 *(note 2)* H $85,000,000 for 2005 *(note 3)* H $115,000,000 for 2006 *(note 4)*	H $46,323,000 for 2004 H $72,598,000 for 2005 H $79,111,000 for the nine months en e 30 September 2006 *(note 5)*	H $161,000,000 for 2007 H $225,400,000 for 2008 H $315,560,000 for 2009
Sub-contr cting tr ns ctions	H $8,000,000 for 2004 *(note 2)* H $13,000,000 for 2005 *(note 3)* H $19,000,000 for 2006 *(note 4)*	H $7,824,000 for 2004 H $12,704,000 for 2005 H $12,818,000 for the nine months en e 30 September 2006 *(note 5)*	H $26,600,000 for 2007 H $37,240,000 for 2008 H $52,136,000 for 2009

Notes:

1. As nnounce by the Comp ny on 12 ovember 2004 n pprove by the in epen ent Sh rehol ers on 22 December 2004.

2. As nnounce by the Comp ny on 12 ovember 2004.

3. As nnounce by the Comp ny on 19 October 2005.

4. As nnounce by the Comp ny on 27 October 2006.

5. B se on the un u ite m n gement ccounts of the echwise Group for the nine months en e 30 September 2006.

Based on the unaudited management accounts of the Techwise Group for the nine months ended 30 September 2006, the amount of the transactions under the Original Shirai Purchase Agreement and the Original Shirai Supply Agreement are as follows:

Transactions	Amount of transactions for the nine months ended 30 September 2006 (based on the unaudited management accounts of the Techwise Group)
Supply of PCB to the Shirai Group under the Original Shirai Supply Agreement	HK$344,867,000
Purchase of laminates from the Shirai Group under the Original Shirai Purchase Agreement	HK$79,111,000
Sub-contracting transactions under the Original Shirai Purchase Agreement	HK$12,818,000
Total amount of transactions under the Original Shirai Purchase Agreement	HK$91,929,000

The Annual Caps are estimated by the Directors with reference to the annual caps for 2006 under the Original Shirai Supply Agreement and the Original Shirai Purchase Agreement and based on the assumption that there will be an annual increase of about 15%, 40% and 40% for the (i) supply of PCB to the Shirai Group under the Original Shirai Supply Agreement; (ii) purchase of laminates from the Shirai Group under the Original Shirai Purchase Agreement; and (iii) sub-contracting transactions under the Original Shirai Purchase Agreement, respectively, in 2007, 2008 and 2009.

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

Some of the Shirai Group's customers specifically require that the PCB be made by the Techwise Group from laminates (i) produced by certain manufacturers (including the Shirai Group itself); and/or (ii) drilled by the Shirai Group. As such, the increasing demand of PCB from the Shirai Group is co-related to the increasing demand of laminates and drilling services from the Techwise Group. The Board believes that demand for electronic products, such as mobile phones and computers will continue to increase and, as a result, there will be an increasing demand of PCB for manufacturing such electronic products.

The strong market growth can be illustrated by the fact that there was an increasing demand of PCB from the Shirai Group under the Original Shirai Supply Agreement and the corresponding increasing demand of laminates and drilling services from the Techwise Group in 2004, 2005 and the first nine months of 2006. The actual transaction amounts un er the Origin l Shir i Supply Agreement n the Origin l Shir i Purch se Agreement in 2005 s comp re to those in 2004 incre se by pproxim tely 8.0% (supply of PCB), 47.0% (purch se of l min tes) n 62.4% (sub-contr cting services), respectively. As comp re to the ctu l tr ns ction mounts in 2005, the projecte tr ns ction mounts in 2006 lso incre se by pproxim tely 10.5% (supply of PCB), 45.3% (purch se of l min tes) n 34.5% (sub-contr cting services), respectively. On this b sis, the Bo r believes th t there will be n incre sing em n of PCB from the Shir i Group un er the Shir i Supply Agreement n the correspon ing em n of l min tes n rilling services from the ech wise Group un er the Shir i Purch se Agreement in the coming three fin nci l ye rs.

7. LISTING RULES IMPLICATIONS

As Shir i is subst nti l sh rehol er hol ing 30% of the equity interest of the J n the J is subsi i ry of the Comp ny, Shir i is connecte person of the Comp ny. he tr ns ctions un er the Shir i Supply Agreement n the Shir i Purch se Agreement will constitute non-exempt continuing connecte tr ns ctions of the Comp ny n therefore they re (together with the Annu l C ps) subject to the requirements of reporting, nnouncement n In epen ent Sh rehol ers' pprov l un er the Listing Rules.

8. EGM

he Comp ny will convene the EG for consi ering n , if thought fit, p ssing the resolution for the pprov l of the Shir i Supply Agreement, the Shir i Purch se Agreement n the Annu l C ps. As confirme by Shir i, Shir i, its subsi i ries n its ultim te benefici l owners o not hol ny Sh res. o the best of the nowle ge, inform tion n belief, fter h ving m e re son ble inquiries, the Directors t e the view th t no Sh rehol er is m teri lly intereste in the Shir i Supply Agreement n the Shir i Purch se Agreement n therefore no Sh rehol er is require to bst in from voting t the EG .

A proxy form for use t the EG is enclose . hether or not you re ble to tten the meeting, you re requeste to complete n return the enclose proxy form in ccor nce with the instructions printe thereon s soon s possible to the Comp ny's

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular and the letter from A[illegible]S to the Independent Board Committee and Independent Shareholders set out on pages 13 to 28 of this circular.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Shirai Purchase Agreement and Shirai Supply Agreement (and the Annual Caps) are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

The Independent Board Committee, having considered the information contained in this letter and taking into account the advice of A[illegible]S, has come to the view that the terms of the Shirai Purchase Agreement and the Shirai Supply Agreement (and the Annual Caps) are fair and reasonable. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Shirai Purchase Agreement, the Shirai Supply Agreement and the Annual Caps at the EGM.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Cheung Kwok Wing
Chairman

KB

KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

(stock code: 148)

21 November 2006

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 21 November 2006 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Shirai Supply Agreement, the Shirai Purchase Agreement and the Annual Caps are fair and reasonable so far as the interests of the Shareholders are concerned. Accordingly, we have appointed A S as the independent financial adviser to advise us and Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 4 to 11 of the Circular, which sets out information in connection with the Continuing Connected Transactions and the Annual Caps. We also wish to draw your attention to the letter from A S to the Independent Board Committee and Independent Shareholders which contains its advice to us in respect of the Continuing Connected Transactions and the Annual Caps as set out on pages 13 to 28 of the Circular.

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation of A S, we consider that the Continuing Connected Transactions and the Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the transactions contemplated under the Shirai Supply Agreement and the Shirai Purchase Agreement and the Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Cheng Ming Fun, Paul, *Independent non-executive Director*
Tse Kam Hung, *Independent non-executive Director*
Henry Tan, *Independent non-executive Director*

* *For identification purpose only*

pose of

Shir i is comp ny which hol s 30% of the issue sh re c pit l of the J , 70% owne subsi i ry of the ech wise, which in turn is 90% owne subsi i ry of the Comp ny. herefore, Shir i is connecte person of the Comp ny un er the isting Rules. Accor ingly, the tr ns ctions contempl te un er e ch of the Shir i Purch se

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Continuing Connected Transactions and the Annual Caps, we have taken into consideration the following principal factors:

1. Background information

(a) Review of the operating results of the Group

The Group is principally engaged in the business of manufacture and sale of laminates, PCB and chemicals.

Set out below is a summary of the operating results of the Group for the past three financial years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, which are extracted from the Company's 2004 and 2005 annual reports and the 2006 interim report respectively:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(Audited and restated)	(Audited and restated)	(Audited)	(Unaudited)	(Unaudited)
Turnover					
– Sales of laminates	2,547.0	3,736.9	4,788.4	2,041.5	2,867.2
– Sales of PCB	1,008.5	1,832.4	5,284.2	2,465.4	2,899.2
– Sales of chemicals	703.7	1,207.8	2,023.4	916.8	1,183.3
– Others	176.4	305.3	1,002.4	530.3	515.3
Total	4,435.5	7,082.4	13,098.4	5,954.0	7,465.0
Segment profit					
– Sales of laminates	450.6	1,048.0	1,217.3	571.3	925.4
– Sales of PCB	69.0	139.8	567.0	270.1	328.0
– Sales of chemicals	61.7	113.8	168.9	91.3	140.9
– Others	14.1	31.5	71.3	33.8	40.5
Total	595.4	1,333.1	2,024.5	966.5	1,434.8
Gross profit	985.5	1,956.1	3,179.9	1,438.0	1,989.6
Profit for the year/period	522.4	1,196.3	1,648.8	786.0	1,181.7

(i) For the financial year ended 31 December 2003 ("FYE 2003")

For the FYE 2003, sales of laminates were the major revenue contributor and represented approximately 57.4% of the Group's total turnover whereas sales of PCB and chemicals accounted for approximately 22.7% and 15.9%, respectively, of the Group's total turnover. In terms of segment result, the laminate business was also the greatest contributor and had generated segment profit of over HK$450 million, representing approximately 75.7% of the Group's total segment profit. For the same period, the PCB and chemicals businesses accounted for approximately 11.6% and 10.4%, respectively, of the Group's total segment profit. The Group's overall gross profit and profit for the year were approximately HK$985.5 million and HK$522.4 million, respectively.

(ii) For the financial year ended 31 December 2004 ("FYE 2004")

For the FYE 2004, the Group recorded an audited turnover of approximately HK$7,082.4 million, representing an increase of approximately 59.7% from approximately HK$4,435.5 million for the FYE 2003. Sales of laminates remained to be the largest contributor in terms of both revenue and segment profit, and accounted for approximately 52.8% and 78.6%, respectively, of the Group's total turnover and total segment profit. Sales of PCB and chemicals accounted for approximately 25.9% and 17.1%, respectively, of the Group's total turnover. In terms of segment result, the PCB and chemicals businesses accounted for approximately 10.5% and 8.5%, respectively, of the Group's total segment profit for the FYE 2004. The Group's gross profit and profit for the FYE 2004 were approximately HK$1,956.1 million and HK$1,196.3 million, respectively.

(iii) For the financial year ended 31 December 2005 ("FYE 2005")

For FYE 2005, the Group's audited turnover increased further by approximately 84.9% to approximately HK$13,098.4 million. Such increase in total turnover was mainly attributable to the substantial increase in the sales of PCB by nearly two-fold from approximately HK$1,832.4 million for the preceding year to approximately HK$5,284.2 million, which has become the Group's largest revenue contributor amongst all the business segments. As noted in the Company's annual report for 2005, the substantial increase in the sales of PCB was mainly due to the contribution from such business of Elec & Eltek International Holdings Limited ("E&E"), which has become a subsidiary of the Company following the completion of the acquisition and privatization in early 2005. For the same period, sales of laminates and chemicals also increased substantially. In particular, sales of laminates rose by approximately 28.1% to approximately HK$4,788.4 million whereas sales of chemic ls rose by 67.5% to pproxim tely H $2,023.4 million. he contribution of the PCB business to the Group's tot l segment profit for FY E 2005 lso incre se to pproxim tely 28.0% while the l min te n chemic ls businesses ccounte for pproxim tely 60.1% n 8.3%, respectively.

For the FY E 2005, the Group's gross profit n profit for the ye r were pproxim tely H $3,179.9 million n H $1,648.8 million, respectively.

(iv) For the six months en e 30 June 2006

For the first h lf of 2006, the Group recor e n un u ite turnover of pproxim tely H $7,465.0 million, representing n incre se of pproxim tely 25.4% from pproxim tely H $5,954.0 million for the correspon ing perio l st ye r. he s les of l min tes n the s les of PCB e ch ccounte for pproxim tely 38% of the Group's tot l turnover, while the contribution from s les of chemic ls rem ine st ble t roun 15.9%. In terms of segment profit, the l min te business rem ine the l rgest contributor n ccounte for pproxim tely 64.5% of the Group's tot l segment profit. he segment profit from the PCB n chemic ls businesses ccounte for pproxim tely 22.9% n 9.8%, respectively.

For the first h lf of 2006, the Group's gross profit n profit for the perio were pproxim tely H $1,989.6 million n H $1,181.7 million, respectively.

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

As stated in the letter from the Board, the Shirai Group has been the largest PCB customer of the Techwise Group both before and after the establishment of the JV. The PCB purchased by the Shirai Group are mainly for resale to its 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 are required to be processed by the Shirai Group before delivery to the Techwise Group and such processing constitutes the subcontracting services under the Shirai Purchase Agreement.

For the purposes of the Listing Rules, the Original Shirai Supply Agreement and the Original Shirai Purchase Agreement were entered into between Techwise and Shirai to record and regulate the transactions between the Shirai Group and the Techwise Group. As both the Original Shirai Supply Agreement and the Original Shirai Purchase Agreement will expire on 31 December 2006, Techwise and Shirai have agreed to renew the transaction arrangements by entering into the Shirai Supply Agreement and the Shirai Purchase Agreement which have a term from 1 January 2007 to 31 December 2009.

As discussed in the paragraph headed "Review of the operating results of the Group" above, the PCB business had contributed approximately 11.6%, 10.5% and 28.0% of the Group's total segment profit for the years ended 31 December 2003, 2004 and 2005 respectively. Based on the total purchases of the Shirai Group from the Techwise Group of approximately HK$383.5 million and HK$416.1 million for each of the years ended 31 December 2004 and 2005, the Shirai Group had accounted for approximately 20.9% and 7.9%, respectively, of the Group's total sales of PCB in the respective years. The drop in contribution in percentage point for the FYE 2005 was mainly due to the increased sales base of the Group following its acquisition of E&E. There was in fact an 8.5% increase for the FYE 2005 in the total sales amount to the Shirai Group compared to that for the FYE 2004. Having considered that the Shirai Group is a major PCB customer of the Group and that the PCB business has significant contribution to the Group's operating results over the past years, we consider that it is in the interests of the Company to continue the sales transactions with the Shirai Group. Accordingly, we consider that the Shirai Supply Agreement is in the interests of the Company and the Shareholders as a whole.

As mentioned above, the PCB purchased by the Shirai Group from the Techwise Group are mainly for resale to its customers. Due to the specifications by some of the Shirai Group's customers, the Techwise Group has to purchase from the Shirai Group specific laminates, which are required to be processed by the Shirai Group before delivery to the Techwise Group. In other words, the purchases and subcontracting services under the Shirai Purchase Agreement form part and parcel of the sales transactions under the Shirai Supply Agreement. On the basis that the Shirai Supply Agreement is in the interests of the Company and the Shareholders as discussed above and for the purposes of facilitating the sales transactions thereunder, we also consider that the Shirai Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Based on the analysis above and the fact that the sale and purchase transactions between the Techwise Group and the Shirai Group as well as the provision of subcontracting services by the Shirai Group to the Techwise Group are conducted in the ordinary and usual course of business of the Group, we are of the view that both the Shirai Supply Agreement and the Shirai Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

2. The Shirai Supply Agreement

(a) Principal terms of the Shirai Supply Agreement

The Shirai Supply Agreement provides that the Techwise Group may supply PCB to the Shirai Group from time to time during the period from 1 January 2007 to 31 December 2009, both days inclusive. Pursuant to the Shirai Supply Agreement, the price at which the PCB to be supplied by the Techwise Group to the Shirai Group shall be the market price, or if the same is not available, a price which is not more favourable to the Shirai Group than the price at which the Techwise Group supplies similar PCB to Independent Third Parties having regard to the quantity and other conditions of the purchase.

As stated in the Letter from the Board, the terms of the Shirai Supply Agreement was arrived at after arm's length negotiation between the Techwise Group and the Shirai Group.

We understand from our discussion with the Company that all the quotations for the sale of PCB to the Shirai Group prepared by the sales personnel of the Techwise Group have to be reviewed and pre-approved by its senior management who shall compare the gross profit margin derived from the sales order of the Shirai Group with the monthly gross profit margin of the Group's PCB segment of the preceding month. In addition, the responsible senior management of the Techwise Group shall compare the quotations to be presented to the Shirai Group with those offered to other independent customers of the Group and when the Group considers that the terms of the orders counter-offered by the Shirai Group are not commercially acceptable after reviewing comparable orders from independent customers of the Group, the Group may choose not to accept the orders placed by the Shirai Group. By doing so, the Group endeavours to ensure that the sales terms offered to the Shirai Group are not more favourable than those offered to customers who are Independent Third Parties having regard to the quantity and other conditions of the sale.

We have analysed the monthly gross profit margins of the PCB sales to the Shirai Group and compared them with those of the Techwise Group's transactions with Independent Third Parties for the period up to 30 September 2006. We have noted that the monthly gross profit margins of the PCB sales to the Shirai Group during the review period were mostly higher than those of comparable transactions with Independent Third Parties. We understand from our discussion with the Group that it may not be possible to ensure the gross profit margin of every single sales transaction to the Shirai Group to be higher because the actual gross profit margin is subject to not only the sale price, but also other factors, such as the Group's defective ratio in that production run. Nevertheless, the Group's pricing principle, which is consistent with the findings from our review is to ensure that the overall average gross profit margin of the sales transactions to the Shirai Group is not more favourable to the Shirai Group than that offered to the Techwise Group's independent customers having regard to the quantity and specification.

As stated in the letter from the Board, the Techwise Group grants credit period of 75 days to the Shirai Group in respect of its sale of PCB to the Shirai Group. We have reviewed the Company's 2005 annual report and noted that the Group allowed credit periods of up to 120 days, depending on the products sold, to its trade customers. It was also stated in the 2005 annual report that for the FYE 2005, the Group's trade receivables turnover was 106 days. On the basis that the credit period of 75 days offered by the Techwise Group to the Shirai Group is within the Group's normal credit policy of up to 120 days and is also below the Group's trade receivables turnover of 106 days for the FYE 2005, we consider such credit term to the Shirai Group is not more favourable to the Shirai Group than that offered to Independent Third Parties.

On the basis that (i) the Techwise Group's PCB sales transactions to the Shirai Group are conducted in the ordinary and usual course of business of the Group; (ii) the prices offered by the Techwise Group to the Shirai Group have been and will continue to be no more favourable to the Shirai Group than those offered to the Techwise Group's independent customers; and (iii) the credit period of 75 days is in line with the overall credit period of the Group to its trade customers, we are of the view that the terms of the Shirai Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(b) Rationale for determining the annual caps

The table below sets out (i) the actual transaction amounts of PCB sales of the Techwise Group to the Shirai Group for each of the two years ended 31 December 2004 and 2005 and the nine months ended 30 September 2006; (ii) the relevant annual caps for the FYE 2004, the FYE 2005 and the year ending 31 December 2006; and (iii) the proposed annual caps for each of the three years ending 31 December 2007, 2008 and 2009:

	Total transaction amounts *(HK$'000)*	Increase from the preceding year *(%)*
Actual transaction amounts:		
2004	383,465	N/A
2005	416,149	8.5
Nine months ended 30 September 2006	344,867	10.5 *(on annualized basis)*
Approved annual caps:		
2004	405,000	N/A
2005	445,000	9.9
2006	489,000	9.9
Proposed annual caps:		
2007	562,350	15.0
2008	646,703	15.0
2009	743,708	15.0

As stated in the Letter from the Board, based on the upward trend in the actual transaction values under the Original Shirai Supply Agreement for the FYE 2004, the FYE 2005 and the nine months ended 30 September 2006, the Board believes that there will be an increasing demand for PCB from the Shirai Group. It is also stated in the Letter from the Board that the annual caps for the transactions under the Shirai Supply Agreement are estimated by the Directors with reference to the annual caps for 2006 under the Original Shirai Supply Agreement and on the assumption that there will be an annual increase of about 15% in the supply of PCB to the Shirai Group.

As noted in the above table, the actual transaction amount of the Techwise Group's PCB sales to the Shirai Group for the FYE 2004 were approximately HK$383.5 million, representing approximately 95% of the approved annual cap of HK$405 million for the FYE 2004. For the FYE 2005, such sales transaction amount increased by approximately 8.5% to HK$416.1 million and represented approximately 94% of the approved annual cap of HK$445 million for the year. For the first nine months in 2006, the PCB sales

ɩr ns cɩions by ɩhe ech wise Group ɩo ɩhe Shir i Group mounɩe ɩo
pproxim ɩely H $344.9 million, represenɩing lmosɩ 83% of ɩhe nnu l ɩoɩ l

As stated in the Letter from the Board, the terms of the Shirai Purchase Agreement was arrived at after arm's length negotiation between the Techwise Group and the Shirai Group.

We understand from our discussion with the Company that all the laminates and subcontracting services procured by the Techwise Group from the Shirai Group will be used in the production of PCB for onward sale to the Shirai Group under the Shirai Supply Agreement. Therefore, the Techwise Group and the Shirai Group always determine the prices and fees based on the principle of fairness and reasonableness because the prices and fees charged by the Shirai Group for the laminates and subcontracting services will be transferred back to the Shirai Group in the PCB sales transactions. As stated in the section headed "Principal terms of the Shirai Supply Agreement" above, we have analysed the gross profit margins of the PCB sales transactions to the Shirai Group and consider that the overall average gross profit margin of such sales transactions is not more favourable to the Shirai Group than that offered to the Techwise Group's independent customers having regard to the quantity and specification. Since the sales prices of the PCB by the Techwise Group to the Shirai Group have incorporated, where applicable, the prices and fees of the laminates and the subcontracting services charged, it follows that the prices and fees of the laminates and subcontracting services charged to the Techwise Group by the Shirai Group are no less favourable to the Techwise Group.

As stated in the Letter from the Board, the Shirai Group grants a credit period of 60 days to the Techwise Group in respect of its sale of laminates and provision of subcontracting services to the Techwise Group. As advised by the Group, most of its trade suppliers allow a credit period of 30 to 90 days, depending on the types of merchandise and amount involved. We have reviewed the Company's 2005 annual report and noted that as at 31 December 2005, over 77% of the Group's trade payables age between 0 to 90 days. On this basis, we consider that the credit period of 60 days granted by the Shirai Group is in line with the general trade practice of the Group with its trade suppliers.

On the basis that (i) the procurement of laminates and subcontracting services by the Techwise Group from the Shirai Group are conducted in the ordinary and usual course of business of the Group and to facilitate the PCB sales transactions to the Shirai Group; (ii) the prices and fees offered to the Techwise Group by the Shirai Group have been and will continue to be no less favourable to the Techwise Group than those offered by independent suppliers; and (iii) the credit period of 60 days granted by the Shirai Group is in line with the general trade practice of the Group with its trade suppliers, we are of the view that the terms of the Shirai Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(b) Rationale for determining the annual caps

he t ble belowsets out (i) the ctu l tr ns ction mounts of l min tes n subcontr cting services procure by the echwise Group from the Shir i Group for e ch of the two ye rs en e 31 December 2004 n 2005 n the nine months en e 30 September 2006; (ii) the relev nt nnu l c ps for the FY E 2004, the FY E 2005 n the ye r en ing 31 December 2006; n (iii) the propose nnu l c ps for e ch of the three ye rs en ing 31 December 2007, 2008 n 2009:

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

	Total transaction amounts *(HK$'000)*	**Increase from the preceding year** *(%)*
Procurement of subcontracting services		
Actual transaction amounts:		
2004	7,824	N/A
2005	12,704	62.4
Nine months ended 30 September 2006	12,818	34.5 *(on annualized basis)*
Approved annual caps:		
2004	8,000	N/A
2005	13,000	62.5
2006	19,000	46.2
Proposed annual caps:		
2007	26,600	40.0
2008	37,240	40.0
2009	52,136	40.0

As stated in the Letter from the Board and mentioned above, some the Shirai Group's customers specifically required that the PCB be made by the Techwise Group from laminates produced by certain manufacturers (including the Shirai Group) and/or processed by the Shirai Group. Therefore the increasing demand for Techwise Group's PCB from the Shirai Group will bring about an increase in the demand for the Shirai Group's laminates and subcontracting services from the Techwise Group. It is also stated in the Letter from the Board that the annual caps for the transactions under the Shirai Purchase Agreement are estimated by the Directors with reference to the annual caps for 2006 under the Original Shirai Purchase Agreement and on the assumption that there will be an annual increase of 40% in the demand for the Shirai Group's laminates and subcontracting services from the Techwise Group.

As noted in the above table, the actual transaction amount of the Techwise Group's purchase of laminates from the Shirai Group for the FYE 2004 were approximately HK$46.3 million, representing approximately 92.6% of the approved annual cap of HK$50 million for the FYE 2004. For the FYE 2005, such purchase transaction amount increased by approximately 56.7% to

Similar trend was seen in the procurement of subcontracting services from the Shirai Group. In particular, the actual value of subcontracting services procured by the Techwise Group for both the FYE 2004 and the FYE 2005 represented almost 98% of the approved annual caps for the respective years. The actual value of such services for the first nine months ended 30 September 2006 also exceeded the annual transaction amount for the whole FYE 2005.

It should be noted that in November 2004 and October 2005 respectively, the Group had revised upward the annual caps for the procurement of laminates and subcontracting services from the Shirai Group for the FYE 2004 and the FYE 2005 when the actual transaction amounts were approaching the previously approved annual caps. Furthermore, the Company disclosed by way of announcement on 27 October 2006 that the annual caps for such transactions for the financial year ending 31 December 2006 were revised upward as the total transaction amount for the year was expected to exceed the previously approved annual caps.

As noted in the table above, the historical average annual growth rate in the purchase amount of laminates by the Techwise Group from the Shirai Group from 2003 to 2005 was approximately 51.0%, while that for the procurement of subcontracting services was approximately 48.5%.

In light of the fact that (i) the Group has been very prudent in determining the annual caps for the transaction amounts in previous years and had revised upward repeatedly the previously approved annual caps to avoid unauthorized excess, and (ii) the Techwise Group's demand for laminates and subcontracting services from the Shirai Group has recorded an average annual growth of approximately 51.0% and 48.5%, respectively, over the past three years, we consider that the estimated growth rate of 40% per annum for the procurement of laminates and subcontracting services from the Shirai Group is not excessive. On this basis, we are of the opinion that (i) the annual caps for the purchase of laminates by the Techwise Group under the Shirai Purchase Agreement of HK$161,000,000, HK$225,400,000 and HK$315,560,000 for the three years ending 31 December 2007, 2008 and 2009 respectively; and (ii) the annual caps for the procurement of subcontracting services by the Techwise Group under the Shirai Purchase Agreement of HK$26,600,000, HK$37,240,000 and HK$52,136,000 for the three years ending 31 December 2007, 2008 and 2009 respectively are all fair and reasonable.

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

Pursuant to the Listing Rules, there is restriction of the value of the Continuing Connected Transactions by way of the Annual Caps for each of the three financial years ending 31 December 2007, 2008 and 2009, and the annual review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. Also, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among others, that the Continuing Connected Transactions are conducted in accordance with the relevant agreement governing the transactions and that the Annual Caps not being exceeded. In addition, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded.

We have reviewed the annual reports of the Company for the financial years 2004 and 2005 and notice that the independent non-executive Directors had reviewed the relevant continuing connected transactions of the Company under the Original Shirai Supply Agreement and the Original Shirai Purchase Agreement and had confirmed that the transactions had been entered into in the ordinary and usual course of the Group's business, conducted on normal commercial terms that were fair and reasonable so far as the Shareholders were concerned and were in accordance with the terms of the contracts governing those transactions. The independent non-executive Directors had also confirmed that the previously approved annual caps for the relevant transactions for the FYE 2004 and the FYE 2005 had not been exceeded. We are therefore of the view that there are appropriate measures in place to govern the conduct of the Continuing Connected Transactions and to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

(i) The Shirai Group is a major customer of the Group's PCB business, which in turn represents a significant part of the Group's business.

(ii) The sale and purchase transactions between the Techwise Group and the Shirai Group have been and will continue to be conducted in the ordinary and usual course of the Group's business and the terms of which are no less favourable to the Group than those offered by independent customers or suppliers.

(iii) Internal control procedures, including the annual review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps, are in place to monitor and to compare the terms and conditions of the transactions with the Shirai Group.

(iv) The value of, and the basis for determining, the Annual Caps are reasonable, details of which are set out in the relevant sections headed "Rationale for determining the annual caps".

Based on the above consideration, we are of the opinion that the Shirai Supply Agreement and the Shirai Purchase Agreement are in the interests of the Company and the Shareholders as a whole, and their terms and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution to approve the transactions contemplated under the Shirai Supply Agreement and the Shirai Purchase Agreement and the Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
AMS Corporate Finance Limited
Jinny Mok
Director

1. RESPONSIBILITY STATEMENTS

his circul r inclu es p rticul rs given in compli nce with the isting Rules for the purpose of giving inform tion with reg r to the Group. he Directors collectively n in ivi u lly ccept full responsibility for the ccur cy of the inform tion cont ine in this circul r n confirm, h ving m e ll re son ble enquiries, th t to the best of their no wle ge n belief, there re no other f cts the omission of which woul m e ny st tement herein misle ing.

2. MATERIAL ADVERSE CHANGE

As t the test Prctic ble D te, the Directors re not w re of ny m teri l verse ch nge in the fin nci l or tr ing position of the Group since 31 December 2005, the te to which the l test publishe u ite consoli te fin nci l st tements of the Group were m e up.

3. DISCLOSURE OF INTERESTS

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

As t the test Pr ctic ble D te, the following Directors h interests or short positions in the Sh res, un erlying Sh res or ebentures of the Comp ny n its ssoci te corpor tions (within the me ning of P rt of the SFO) which re require ( ) to be notifie to the Comp ny or the Stoc Exch nge pursu nt to Divisions 7 n 8 of P rt of the SFO (inclu ing interests or short positions which he is t en or eeme to h ve un er such provisions of the SFO); (b) pursu nt to section 352 of the SFO, to be entere in the register referre to therein; or (c) pursu nt to the o el Co e for Securities r ns ctions by Directors of iste Issuers to be notifie to the Comp ny n the Stoc Exch nge:

(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
Cheung wo ing	1,145,000	116,816	3,282,150	0.40
Ch n ing w n	3,026,000	48,100	1,399,540	0.17
m Po	3,559,000	70,052	750,000	0.09
Cheung wo eung	3,559,000	–	917,370	0.11
Cheung wo	3,308,000	194,920	1,582,800	0.19
Cheung wong w n	3,419,000	102,662	573,200	0.07
Cheung wo Ping	3,363,000	201,526	1,900,500	0.23
Ch ng ing Yiu	3,643,000	248,750	2,428,500	0.29
o Ch m Hung, Ch wic	–	–	660,000	0.08
Cheng ing Fun, P ul	–	–	50,000	0.01

Note: he interests re by virtue of sh re options gr nte by the Comp ny to the Directors on 11 October 2002, which entitle the relev nt Directors to subscribe for the Sh res t n exercise price of H $3.74 per Sh re uring the perio from 15 October 2002 to 2 July 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)* No. of shares	Interest in the shares *(note 2)* % of shareholding	Interest in the underlying shares pursuant to the share options *(note 3)*
Cheung wo ing	1,904,400	177,600	0.10%	973,200
Ch n ing w n	1,481,200	–	–%	973,200
m Po	581,900	–	–%	–
Cheung wo eung	529,000	–	–%	–
Cheung wo	1,058,000	278,400	0.16%	973,200
Cheung wong w n	846,400	–	–%	–
Cheung wo Ping	952,200	–	–%	–
Ch ng ing Yiu	423,200	–	–%	973,200
o Ch m Hung, Ch wic	–	74,000	0.04%	973,200

Notes:

(1) It refers to non-voting eferre sh res of H $1.00 e ch in ingbo r min tes imite , wholly-owne subsi i ry of the Comp ny.

(2) It refers to the or in ry sh res of S$0.80 e ch in Elec & Elte Intern tion l Comp ny imite ("**EEIC**"), non-wholly owne subsi i ry of the Comp ny.

(3) he relev nt irectors re entitle to subscribe for sh res in EEIC t n exercise price of S$2.033 per EEIC Sh re. he sh re options re exercis ble in whole or in p rt t the st ggere m nner within five option perio s, commencing on 26 ovember 2006, 26 ovember 2007, 26 ovember 2008, 26 ovember 2009 n 26 rch 2010 respectively n ll en ing on 24 y 2010.

S ve s isclose bove, s t the test Pr ctic ble D te, none of the Directors n chief executive of the Comp ny h ny interests or short positions in the Sh res, un erlying Sh res or ebentures of the Comp ny n its ssoci te corpor tions (within the me ning of P rt of the SFO) which were require ( ) to be notifie to the Comp ny or the Stoc Exch nge pursu nt to Divisions 7 n 8 of P rt of the SFO (inclu ing interests or short positions which he is t en or eeme to h ve un er such provisions of the SFO); (b) pursu nt to section 352 of the SFO, to be entere in the register referre to therein; or (c) pursu nt to o el Co e for Securities r ns ctions by Directors of iste Issuers to be notifie to the Comp ny n the Stoc Exch nge.

(b) Interest or short position of entities (other than a Director or chief executive of the Company) in the Shares which is discloseable under Divisions 2 and 3 of the SFO

As t the est Pr ctic ble D te, the following entities h ve, irectly or in irectly, interests or short position in the Sh res n the un erlying Sh res which f ll to be isclose to the Comp ny un er Divisions 2 n 3 of P rt of the SFO (other th n Director or chief executive of the Comp ny), or h ve, irectly or in irectly, interests in 10% of more of the nomin l v lue of ny cl ss of sh re c pit l c rrying rights to vote in ll circumst nces t gener l meetings of ny other member of the Group:

Name of shareholder	Name of the company	Interest in underlying shares	Nature of interests	Number of shares held	Approximate percentage of shareholding (%)
H llg in n gement imite *(note 1)*	the Comp ny	2,406,340 *(note 2)*	Benefici l owner	248,574,640	30.10
Gryphon Investment Counsel, Inc.	the Comp ny	409,740 *(note 2)*	Investment m n ger	39,308,908	4.76
he C pit l Group Comp nies, Inc *(note 3)*	the Comp ny	–	Investment m n ger	79,651,400	9.64
Gre t E se r ing imite *(note 4)*	t o echnology imite	–	Benefici l owner	40,000	25.00
ee Pui , Stew rt	t o echnology imite	–	Interest of controlle corpor tion	40,000	25.00

Notes:

(1) essrs. Cheung wo ing, Ch n ing w n n m Po, ll of whom re Directors, re lso irectors of H llg in n gement imite .

(2) It refers to the 2006 rr nts.

(3) he interests re in irectly hel by he C pit l Group Comp nies, Inc. through its 100% controlle corpor tions, n mely C pit l Rese rch n n gement Comp ny, C pit l Gu r i n rust Comp ny, C pit l Intern tion l, Inc, C pit l Intern tion l imite n C pit l Intern tion l S.A..

(4) Gre t E se r ing limite is wholly-owne by r. ee Pui , Stew rt.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who has, directly or indirectly, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or have directly or indirectly, interests in 10% of more of the nominal value of any class of Share Capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the directors of the Group and his associates are considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, with the business of the Group, other than those business in which such directors have been appointed to represent the interests of the Company and/or other members of the Group.

5. DIRECTORS' INTEREST IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or is proposing to enter into a service contract with any member of the Group which may not be terminated by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or lease to, or which are proposed to be acquired or disposed of by, or lease to, the Company or any of its subsidiaries since 31 December 2005, the date of which the latest published audited consolidated financial statements of the Group were made up.

No contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

7. EXPERT'S QUALIFICATION AND CONSENT

(a) A S is a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

(b) As at the Latest Practicable Date, A S does not have any shareholding in any member of the Company and its subsidiaries nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company and its subsidiaries.

(c) A[illegible]S has on 21 November 2006 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion made on 21 November 2006 and reference to its name in the form and context in which they appear.

(d) The letter and recommendation given by A[illegible]S are given as of the date of this circular for incorporation herein.

(e) A[illegible]S has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

The Articles of Association of the Company provides that at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of poll is required by the rules of the Designated Stock Exchange as defined in the Articles of Association of the Company or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least five members present in person or by proxy for the time being entitled to vote at the general meeting; or

(c) by a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

9. GENERAL

(a) The registered office of the Company is situated at Ground Floor, Caledonian House, Mary Street, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands, British West Indies.

(b) The principal address of the Company in Hong Kong is 5th Floor, Block [illegible], Valiant Industrial Centre, 2-12 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.

(c) he Comp ny's br nch sh re registr r n tr nsfer office in Hong ong is Secret ries imite of 26th Floor, esbury Centre, 28 Queen's Ro E st, nch i, Hong ong.

( ) he English text of this circul r sh ll prev il over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following ocuments will be m e v il ble for inspection t the Comp ny's princip l pl ce of business in Hong ong t 5th Floor, Bloc , li nt In ustri l Centre, 2–12 Au Pui n Street, Fo n, Sh tin, ew erritories, Hong ong uring norm l business hours on ny wee y (except for public holi ys) up to n inclu ing 8 December 2006:

( ) the Shir i Supply Agreement n the Shir i Purch se Agreement;

(b) the letter of recommen tion from the In epen ent Bo r Committee, the text of which is set out on p ge 12 of this circul r;

(c) the letter issue by A S to the In epen ent Bo r Committee n the In epen ent Sh rehol ers, the text of which is set out on p ges 13 to 28 of this circul r;

( ) the written consent of A S referre to in p r gr ph 7(c) bove;

(e) the memor n um n rticles of ssoci tion of the Comp ny; n

(f) the nnu l reports of the Comp ny for the two fin nci l ye rs en e 31 December 2004 n 2005.

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 th t n Ext r or in ry Gener l eeting of ingbo r Chemic l Hol ings, imite (the "Comp ny") will be hel t 5th Floor, Bloc , li m In ustri l Centre, 2-12 Au Pui n Street, Fo n, Sh tin, e w erritories, Hong ong on 8 December 2006 t 9:30 .m. for the purpose of consi ering n , if thought fit, p ssing the following resolution s n Or in ry Resolution:

"**THAT** the tr ns ctions un er the Shir i Supply Agreement n the Shir i Purch se Agreement n the Annu l C ps (such terms sh ll h ve the me ning s efine in the circul r to the sh rehol ers of the Comp ny te 21 ovember 2006) be n re hereby pprove n **THAT** ny one irector of the Comp ny be n is hereby uthorize to o, pprove n tr ns ct ll such cts n things s they m y in their iscretion consi er necess ry or esir ble in connection therewith."

By or er of the Bo r
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

Hong ong, 21 ovember 2006

* *For identification purpose only*

Head Office and
Principal Place of Business in Hong Kong
5th Floor, Bloc
li nt In ustri l Centre
2–12 Au Pui n Street
Fo n, Sh tin
ew erritories
Hong ong

Notes:

1. Any sh rehol er of the Comp ny entitle to tten n vote t the meeting convene by the bove notice is entitle to ppoint proxy to tten n vote in his ste . A proxy nee not be sh rehol er of the Comp ny.

2. here there re joint registere hol ers of ny sh re in the issue sh re c pit l of the Comp ny (" Sh re"), ny one of such persons m y vote t the meeting, either person lly or by proxy, in respect of such Sh re s if he/she/it were solely entitle thereto; but if more th n one of such joint hol ers be present t the meeting person lly or by proxy, th t one of the s i persons so present whose n me st n s first on the register of members of the Comp ny in respect of such Sh re sh ll lone be entitle to vote in respect thereof.

3. In or er to be v li , the proxy form, together with po wer of ttorney or other uthority (if ny) un er which it is signe , or not ri lly certifie copy of such power of ttorney, or uthority must be eposite with the Comp ny's br nch sh re registr r in Hong ong, Secret ries imite , t 26th Floor, esbury Centre, 28 Queen's Ro E st, nch i, Hong ong not less th n 48 hours before the time ppointe for hol ing the meeting or ny journe meeting s the c se m y be or, in the c se of poll t en subsequently to the te of the meeting or journe meeting, not less th n 24 hours before the time ppointe for the t ing of the poll.

4. he Or in ry Resolution s set out bove will be etermine by w y of poll.

5. As t the te hereof, the bo r of irectors of the Comp ny consists of essrs. Cheung wo ing, Ch n ing w n, m Po, Cheung wong w n, Cheung wo , Cheung wo Ping, Cheung