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.

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

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

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建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

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

"Agreements"	the Purchase Framework Agreement, the KBL Supply Framework Agreement and the KBL Purchase Framework Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened at 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase 2 Hong Kong Science Park, Shatin, New Territories, Hong Kong on 16 May 2011 at 9:30 a.m. to approve the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps (as defined hereunder), the Proposed KBL Supply Annual Caps (as defined hereunder) and the Proposed KBL Purchase Annual Caps (as defined hereunder)
"Group"	the Company and its subsidiaries, excluding the KBL Group
"Hallgain"	Hallgain Management Limited, a Controlling Shareholder of the Company, which was interested in approximately 31.09% of the entire issued share capital of the Company as at the Latest Practicable Date
"Hallgain Group"	Hallgain and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	an independent committee of the Board composed of all independent non-executive Directors, namely Dr. Cheng Wai Chee, Christopher, Mr. Henry Tan, Mr. Lai Chung Wing, Robert and Mr. Tse Kam Hung
"Independent Financial Adviser" or "Karl Thomson"	Karl Thomson Financial Advisory Limited, a corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps
"Independent KBL Shareholders"	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to KBL means the "Inde-291s.2(Annual)e-291sual291spKBLFin-4TD[6.8(214TD[[8BL)]TJ-du

"KBL Supply Framework Agreement"	the agreement dated 1 April 2011 entered into between KBL and Hallgain in relation to the supply of copper and laminates by the KBL Group to the Hallgain Group for a term from 1 April 2011 to 31 December 2013
"Latest Practicable Date"	20 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PCBs"	printed circuit boards
"PRC"	The People's Republic of China
"Purchase Framework Agreement"	the agreement dated 1 April 2011 entered into between the Company and Hallgain in relation to the purchase of certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group by the Group for a term from 1 April 2011 to 31 December 2013
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Warrantholder(s)"	Holder(s) of the Warrant(s)
"Warrants"	84,373,128 warrants expiring on 31 October 2012 to subscribe Shares at a price of HK$40.00 each, subject to adjustments
"%"	per cent.

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The purpose of this circular is to provide you with (i) details of the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps; (ii) a letter from Karl Thomson to the Independent Board Committee and the Independent Shareholders containing its advice on the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps; (iii) the recommendation of the Independent Board Committee in respect of the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps; and (iv) a notice convening the EGM.

Details and reasons for the transaction:

Particulars of the Purchase Framework Agreement are set out below:

Date:	1 April 2011
Parties:	(1) Hallgain
	(2) the Company
Products to be purchased:	purchase of certain materials for the production of PCBs

Details and reasons for the transaction:

Particulars of the KBL Supply Framework Agreement are set out below:

Date:	1 April 2011
Parties:	(1) Hallgain (2) KBL
Products to be supplied:	supply of copper and laminates by the KBL Group to the Hallgain Group, without any limitation on the maximum or minimum quantity of copper and laminates to be purchased by the Hallgain Group
Pricing:	at a price which is not more favourable to the Hallgain Group than the price at which the KBL Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale
Term:	from 1 April 2011 to 31 December 2013, both days inclusive

Under the KBL Supply Framework Agreement, the amount of copper and laminates to be supplied is not fixed but is to be determined and agreed between the parties from time to time. The KBL Group will not be obligated to supply a minimum amount of copper and laminates to the Hallgain Group and the Hallgain Group will not be obligated to purchase any set quantity of copper and laminates from the KBL Group during the term of the KBL Supply Framework Agreement. The actual quantity, specification and price (with reference to the prevailing market price) of the copper and laminates under the KBL Supply Framework Agreement will be subject to the individual orders placed by the Hallgain Group with the KBL Group. The KBL Group grants a credit period of 60 days to the Hallgain Group in respect of the sale of copper and laminates by the KBL Group to the Hallgain Group.

Details and reasons for the transaction:

Products to be purchased:	purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the KBL Group, without any limitation on the maximum or minimum quantity of materials to be purchased by the KBL Group
Pricing:	at a price which is not less favourable to the KBL Group than the price at which the KBL Group purchases, or would be able to purchase similar materials from independent third parties having regard to the quantity and other conditions of the purchase
Term:	from 1 April 2011 to 31 December 2013, both days inclusive

Under the KBL Purchase Framework Agreement, the amount of materials such as drill bits and machineries to be purchased is not fixays

The Board has been informed by the Hallgain Group that the Hallgain Group has acquired PCBs operating plants and therefore the Hallgain Group anticipates a massive increase in the required volume of laminates and copper in the coming years. In this regard, the Board has to increase the amounts of the annual caps to fulfill the demand of the Hallgain Group.

The Proposed KBL Purchase Annual Caps were determined with reference to the internal projection of the purchases to be incurred having regard to (i) technological advancement of the machineries provided by the Hallgain Group; (ii) the anticipated growth in demand for materials such as drill bits and machineries; (iii) the anticipated increase in production of machineries by the Hallgain Group; and (iv) historical figures of the purchase amount of drill bits by the KBL Group from 2008 to 2010.

The Board anticipates that the purchase of machineries from the Hallgain Group would be much higher than the historical purchase in 2010, reflecting the new production capacity from the new production lines of the KBL Group. As a

Pursuant to the Purchase Framework Agreement, the Hallgain Group shall produce and supply materials such as copper balls and drill bits to the Group. In order to satisfy the demand of the Group for materials such as copper balls, the Hallgain Group shall purchase copper for the production of copper balls for its sale to the Group. The provision of copper and laminates by the KBL Group to the Hallgain Group under the KBL Supply Framework Agreement not only facilitates the KBL Group to distribute and sell its copper and laminates, thereby increasing the sales and revenue of the KBL Group, it also secures a steady supply of copper and laminates to the Hallgain Group. A reliable supply of materials such as copper balls and drill bits by the Hallgain Group to the Group can also facilitate the Group's production of PCBs. The Group considers that the Hallgain Group is a reliable business co-operation partner and such co-operation is beneficial to the business of the Group.

The KBL Group has been continuously expanding its laminates business. The KBL Group anticipates that more materials such as drill bits and machineries for the

The annual caps of the KBC Copper Ball Agreement, the KBC Drill Bits Agreement, the Machinery Agreement, the Copper Supply Agreement and the KBL Drill Bits Agreement for the year ended 31 December 2010 and for the year ending 31 December 2011, are as follows:

		0 0	**0**
KBC Copper Ball Agreement	HK$275,000,000	HK$302,500,000
KBC Drill Bits Agreement	HK$64,000,000*	HK$116,160,000
Machinery Agreement	HK$7,000,000	HK$8,400,000
Copper Supply Agreement	HK$180,000,000	HK$198,000,000
KBL Drill Bits Agreement	HK$15,607,000*	HK$28,093,000

* *Amounts for the eight months ended 31 December 2010*

The Board confirms that the above mentioned annual caps have not been exceeded for the year ended 31 December 2010 and during the period from 1 January 2011 to 31 March 2011.

The Board and the board of KBL have adequate control procedures to monitor the actual transaction amounts so that the annual caps for 2011 regarding the KBC Copper Ball Agreement, the KBC Drill Bits Agreement, the Machinery Agreement, the Copper Supply Agreement and the KBL Drill Bits Agreement will not be exceeded prior to the EGM.

In light of the above, the Directors are of the view that the terms of the Purchase Framework Agreement, the KBL Supply Framework Agreement and the KBL Purchase Framework 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 Purchase Framework Agreement, the KBL Supply Framework Agreement and the KBL Purchase Framework Agreement are carried out in the ordinary and usual course of business of the Group and the KBL Group respectively.

The Agreements and the transactions contemplated thereunder constit5fe continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules, on the basis that Hallgain is a substantial Shareholder and hence a connected person of the Company under the Listing Rules, and KBL is a subsidiary of the Company. As the applicable percentage ratios in respect of the continuing connected transactions under the Agreements, and the proposed annual caps, under the respective Agreements on an annual basis, are more than 5%, pursuant to Rule 14A.35 of the Listing Rules, the transactions under the Agreements are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and the transactions under the Agreements are subject to the Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Hallgain, being a substantial Shareholder will abstain from voting on the resolution to be proposed at the EGM. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan, each being a Director and Shareholder and a director and shareholder of Hallgain, have abstained from voting at the Board meeting approving the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps, and will abstain from voting on the resolution to be proposed at the EGM.

An Independent Board Committee has been formed to consider and advise Independent Shareholders as to whether (i) the terms of the Agreements; and (ii) the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. Karl Thomson has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

The principal business of the Company is investment holding. The Group is principally engaged in the manufacture and sale of PCBs, chemicals, LCDs, magnetic products, property development and investment.

The principal business of KBL is investment holding. The KBL Group is principally engaged in the manufacture and sale of laminates and related upstream component materials.

The principal business of Hallgain is investment holding. The Hallgain Group is principally engaged in the manufacture and sale of electronic component parts, raw materials and machineries for the production of laminates and PCBs.

A notice convening the EGM is set out on pages 40 to 41 of this circular.

An ordinary resolution will be proposed at the EGM to approve the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar of the Company in Hong Kong, Tricor 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 holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The Board (including the independent non-executive Directors) considers that the continuing connected transactions contemplated by the Agreements have been conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend all the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM.

The Independent Board Committee comprising all the independent non-executive Directors was formed to advise the Independent Shareholders on the terms of the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps. Having considered the information contained in this letter and the advice of the Independent Financial Adviser set out on pages 16 to 30 of this circular, the Independent Board Committee considers that the terms of the continuing connected transactions contemplated by the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular, the letter from the Independent Financial Adviser set out on pages 16 to 30 of this circular and the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board

Chairman

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建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

( )

26 2011

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 26 2011 ("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 continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps are fair and reasonable so far as the interests of the Shareholders are concerned. Accordingly, we have appointed Karl Thomson as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 4 to 13 of the Circular, which sets out information in connection with the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps. We also wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders which contains its advice to us in respect of the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Caps as set out on pages 16 to 30 of the Circular.

* *For identification purpose only*

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation of Karl Thomson, we consider that the terms of the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

, Independent non-executive Director
, Independent non-executive Director
, Independent non-executive Director
, Independent non-executive Director

The following is the text of the letter of advice from Karl Thomson Financial Advisory Limited to the independent board committee of Kingboard Chemical Holdings Limited and its independent shareholders in respect of the continuing connected transactions contemplated under the Purchase Framework Agreement, KBL Supply Framework Agreement and KBL Purchase Framework Agreement for inclusion in this circular.



高信融資服務有限公司

27/F, Fortis Tower, 77-79 Gloucester Road,
Wanchai, Hong Kong
香港灣仔告士打道77-79號富通大廈27樓

26 April 2011

To the independent board committee and the independent shareholders of

Dear Sir or Madam,

We refer to our appointment as the Independent Financial Adviser to advise the independent board committee and the independent shareholders as to whether the terms of the continuing connected transactions contemplated under framework agreements (the "") for purchasing and selling certain materials for the production of printed circuit boards and laminates entered into between Kingboard Chemical Holdings Limited, Kingboard Laminates Holdings Limited and Hallgain Management Limited are fair and reasonable and in the interests of the Company and the independent shareholders of the Company as a whole. Details of the Continuing Connected Transactions are set ou9(e)-2229(as)52.i14asom9(as)52.i14asd"14as 29(as)52.i14ascular of the Company dated 26 April 2011 (the ""), of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 1 April 2011, the Company entered into the Purchase Framework Agreement

On the same date as the Purchase Framework Agreement, KBL and Hallgain entered into the KBL Purchase Framework Agreement and the KBL Supply Framework Agreement. Pursuant to the KBL Purchase Framework Agreement, the KBL Group will purchase materials for the production of laminates such as drill bits and machineries from the Hallgain Group; whereas for the KBL Supply Framework Agreement, KBL Group will supply copper and laminates to the Hallgain Group.

According to the rule of aggregation as required under Rule 14A.25 of the Listing Rules, transactions entered into by the Company with the same party or with parties that are associated with one another will be aggregated and treat as if they were one transaction if they occur within a 12-month period or otherwise related. Upon aggregation of the annual amounts of the continuing connected transactions contemplated under the Agreements, the applicable percentage ratios pursuant to Rule 14A.35 of the Listing Rules is more than 5%, thus the transactions under the Agreements are subject to reporting, announcement and independent shareholders' approval requirements.

Hallgain, being a substantial Shareholder will abstain from voting on the resolution to be proposed at the EGM. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan, each being a Director and Shareholder and a director and shareholder of Hallgain, have abstained from voting at the Board meeting approving the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps, and will abstain from voting on the resolution to be proposed at the EGM.

The Independent Board Committee comprising the independent non-executive directors of the Company has been established to consider and advise the Independent Shareholders on whether the terms of the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole. Karl Thomson has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions in this respect.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules.

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the directors and the management. We have assumed that all statements and representations made or referred to in the Circular were true at the time when they

representations provided to us by the Company, the directors and the management and

	0 0	**00**
	HK$'000	*HK$'000*
Revenue	33,891,522	23,863,373
Profit before tax	5,166,338	3,214,180
Profit after tax	4,650,117	2,965,696

	0 0	**00**
	HK$'000	*HK$'000*
Total asset	51,267,210	43,374,536
Total liabilities	19,684,875	17,250,420
Net asset value	31,582,335	26,124,116

(ii) Information on the KBL Group

KBL is an investment holding company, the subsidiaries of which are principally engaged in the manufacture and sale of laminates and related upstream component materials and providing drilling services of laminates, which requires material such as drill bits and specific machineries as components for its production.

For the financial year ended 31 December 2010, the KBL Group recorded a remarkable growth whereby the revenue was up by 44% and net profit has posted an increase of 42%. As revealed in the annual report of the Company for the year ended 31 December 2010, such growths was attributable to the robust economic growth in the PRC, which stimulated demand for tablet personal computers ("PCs"), smart phones and high-end communication devices translating into strong demand of laminates and PCB products. Table below summarized the audited financial report of KBL for the two years ended 31 December 2009 and 2010.

	0 0	**00**
	HK$'000	*HK$'000*
Revenue	13,055,205	9,070,983
Profit before tax	2,636,467	1,793,940
Profit after tax	2,366,684	1,665,823

	0 0	**00**
	HK$'000	*HK$'000*
Total asset	16,439,825	13,699,718
Total liabilities	5,586,438	4,487,190
Net asset value	10,853,387	9,212,528

(iii) Information on Hallgain

Hallgain, being a substantial Shareholder, holds 31.09% of the total issued share capital of the Company as at the Latest Practicable Date. The principal business of Hallgain and its subsidiaries are the manufacturing and sale of copper ball, drill bits and machineries for the production of laminates and PCBs.

(i) The Purchase Framework Agreement

The key terms of the Purchase Framework Agreement are summarized as follows:

Date	:	1 April 2011
Parties	:	purchaser: the Group supplier: Hallgain
Products to be purchased	:	purchase of certain materials for the production of PCBs such as copper balls and drill bits from the Hallgain Group by the Group, without any limitation on the maximum or minimum quantity of materials to be purchased by the Group
Pricing	:	at a price which is not less favourable to the Group than the price at which the Group purchases, or would be able to purchase similar materials from independent third parties having regard to the quantity and other conditions of the purchase
Term	:	from 1 April 2011 to 31 December 2013, both days inclusive

(ii) The KBL Supply Framework Agreement

The key terms of the KBL Supply Framework Agreement are summarized as follows:

Date	:	1 April 2011
Parties	:	purchaser: Hallgain supplier: KBL
Products to be supplied	:	supply of copper and laminates by the KBL Group to the Hallgain Group, without any limitation on the maximum or minimum quantity of copper and laminates to be purchased by the Hallgain Group

Pricing	:	at a price which is no more favourable to the Hallgain Group than the price at which the KBL Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale
Term	:	from 1 April 2011 to 31 December 2013, both days inclusive

(iii) The KBL Purchase Framework Agreement

The key terms of the KBL Purchase Framework Agreement are summarized as follows:

Date	:	1 April 2011
Parties	:	purchaser: KBL supplier: Hallgain
Products to be purchased	:	purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the KBL Group, without any limitation on the maximum or minimum quantity of materials to be purchased by the KBL Group
Pricing	:	at a price which is not less favourable to the KBL Group than the price at which KBL Group purchases, or would be able to purchase similar materials from independent third parties having regard to the quantity and other conditions of the purchase
Term	:	from 1 April 2011 to 31 December 2013, both days inclusive

We were advised that a credit period of 60 days was granted to the Group and KBL Group by the Hallgain Group in respect of the Purchase Framework Agreement and KBL Purchase Framework Agreement. Regarding KBL Supply Framework Agreement, according to the management, the KBL Group granted a credit period of 60 days to the Hallgain Group. In this regard, quotations of the Group, KBL Group, Hallgain Group and independent third parties of similar credibility were reviewed. From the documents provided, credit periods ranging from 30 days to 90 days were granted by the Group and KBL Group to their respective independent third party customers. The credit period granted to Hallgain falls into the range of other independent third party customers.

Having considered the principal business of the Group and the KBL Group and the nature of the transactions contemplated under the Agreements, we are of the view that entering into the Agreements falls within the ordinary and usual course of business of the Group and the KBL Group. Pursuant to the Purchase Framework Agreement and the KBL Purchase Framework Agreement, the price of each transaction will be "*not less favourable to the Group/KBL Group than the price at which the Group/KBL Group purchase or would be able to purchase similar materials from independent third parties having regard to the quantity and other conditions of the purchase*"; and similarly, price of each transactions under the KBL Supply Framework Agreement will be "*at a price which is not more favourable to the Hallgain Group than the price at which the KBL Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale*". Since such legally binding agreements with clearly defined terms are in place and the price of products to be purchased and sold by the Group and KBL Group will be set with reference to the prevailing market price, we are of the view that the pricing terms of the Agreements are fair and reasonable. Therefore, we concur with the Directors' view that the Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company as a whole.

To further confirm that there has been no preferential treatment of purchase and sales of the Group and KBL Group in relation to the Continuing Connected Transactions, we have reviewed records of historical transactions between the relevant parties. The methodologies of our investigation and the results are set out under the section headed "Historical Transaction Records and Internal Control".

Upon enquiry, we were advised that the Company and KBL follow a routine mechanism of purchase for its raw materials. For transactions with their connected persons, quotations are made by the sourcing department periodically from independent third party suppliers in comparison to the connected persons. For the purpose of this letter of advice, we have retrieved records of historical transactions contemplated under the Agreements between the Group, the KBL Group and Hallgain Group and their respective subsidiaries in the year ended 2010 (the "[illegible]").

(i) Historical transactions between the Group and Hallgain Group

Two sets of invoices of the Group regarding purchase of copper balls were reviewed in each month during the Reviewed Period, totaling 24 sets of samples; whereas for the purchase of drill bits, only 16 sets of sample were available for our review due to the fact that there was no purchase of drill bits by the Group until May 2010. Apart from the invoices, we have also reviewed the quarterly quotations of copper balls and drill bits from independent third party suppliers during the Reviewed Period. We realized that the aforesaid flow of purchase had been duly applied by the Company on the transactions with Hallgain.

(ii) Historical transactions between the KBL Group and Hallgain Group

Regarding transactions on supply of copper by the KBL Group to the Hallgain Group, we were advised that Hallgain was the only customer of the KBL Group. Due to the limited amount of copper sold, only one sample was picked in every month during the Reviewed Period, the price of which were compared with the historical copper price trading on the London Metal Exchange. The selling prices show no significant deviation from the historically market price of copper. Therefore, we are of the view that price of copper sold to Hallgain followed the market price of copper in general. Furthermore, we were advised that there had been no sale of laminates by the KBL Group to the Hallgain Group during the Reviewed Period, therefore no sample was available for our review.

For the transactions between the KBL Group and Hallgain Group in respect of the purchase of drill bits and machineries, similar investigations have been conducted as section (i) above. Ten sets of invoices of the KBL Group in relation to the purchase of drill bits were reviewed in 2010; and another 10 sets of invoices for the purchase of machineries were reviewed and compared with that offered by other independent third party suppliers of KBL. Again, the aforesaid flow of purchase had been duly applied by KBL.

(iii) Internal Control

For continuing connected transactions, an ongo.6(Again,)-Cenconwas

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(i) Proposed annual caps for the Purchase Framework Agreement

Table below sets out the proposed annual caps for the Purchase Framework Agreement for the three years ending 31 December 2013 (the "[illegible]"):

	0	0	0
Proposed Annual Caps	HK$388,000,000*	HK$647,000,000	HK$809,000,000
Annualized Proposed Annual Caps	HK$517,000,000	–	–
Annualized growth rate	53%	25%	25%

* *Proposed amount for nine months from 1 April 2011 to 31 December 2011*

According to the management of the Company, the Proposed Annual Caps were determined with reference to the internal projection of the purchases to be incurred having regarded to:

(i) the historical figures of the purchase of copper balls and drill bits by the Group from 2008 to 2010;

(ii) the anticipated growth in demand of materials such as copper balls and drill bits;

(iii) the prevailing market prices of materials such as copper balls and drill bits; and

(iv) inflation.

In formulating our opinion, we were advised that there was a substantial increase in actual purchase amount of copper balls and drill bits in the year ended 31 December 2010 in comparison to the preceding year. Overall, the purchase amount increased by 50%, out of which 25% was due to increase in volume of purchase and another 25% was due to the increase in price of copper metal. The annual cap for 2011 was based on the actual purchase in the financial year ended 31 December 2010 of approximately HK$337,554,000 plus a growth rate of approximately 53%; whereas the annual caps for 2012 and 2013, a growth rate of 25% is set with reference to the compound annual growth rate of the total revenue of the Company of approximately 29% since 2004.

As disclosed in the annual report of the Company for the financial year ended 31 December 2010, the management observed a continued growth in average price of laminate products as stimulated by the increasing demand of electronic products worldwide. The Company was under capacity expansion for thin laminate production capacity in Jiangmen laminate plant. Moreover, the Group was constructing a new PCB facility with phase one monthly capacity of 1 million square feet in Yi Zheng Industrial Park in Jiangsu Province; and another two high density interconnect PCB plants in Jiangsu Province and Guangdong Province and a PCB plant in Thailand would be expanded in the production capacities in 2011. It is expected that all these production expansion plans will increase the overall consumption of production components like copper balls and drill bits by the Group.

For the purpose of this letter of advice, we have conducted an investigation on the outlook of PCB manufacturing industry in 2011 and beyond. According to the National Bureau of Statistics of China, since the outbreak of the global financial crisis in 2008, production on integrated circuits in the PRC has recorded a compound annual growth rate of approximately 21.93% from 2008 to 2010. The increasing trend is expected to persist as the global economy picks up and prosper, stimulating the demand of electronic products worldwide. Moreover, apart from the PRC, Japan used to be the major exporter of PCBs, producing approximately 20% of the total world consumption. The earthquake in March 2011 has caused shutting down of a great number of PCB manufacturing plants in the north eastern region of Japan. Serving as a substitute to the Japanese electronic components, PCB manufacturers in the PRC will probably be one of the sectors to be benefited from the chaotic disasters in Japan.

Apart from the factors affecting the potential volume of consumption of copper balls and drill bits of the Company, inflation in the PRC has been affecting price of production materials as well. The massive quantitative easing scheme announced by the US government in mid 2010 leads to a global inflation and China, where most production of the Company is located, is no exception. China reported an inflation rate of 4.9% in 2010 according to the data released by National Bureau of Statistics of China. Moreover, dearer oil price caused by the Middle East crisis further stokes the inflation in the PRC. The inflationary economy has resulted soaring in costs of raw materials for many industries. It is reasonable for the management to take the future inflation into consideration.

In light of the above, we are of the view that the sizes of the Proposed Annual Caps are determined reasonably with reference to the production expansion plans of the Company, historical consumption of the materials in 2010 and possible unpredictable economic factors in the PRC.

(ii) The proposed annual caps for the KBL Supply Framework Agreement

Table below sets out the proposed annual caps for the KBL Supply Framework Agreement for the three years ending 31 December 2013 (the "[illegible]"):

	0	0	0
Proposed KBL Supply Annual Caps	HK$901,000,000*	HK$1,502,000,000	HK$1,878,000,000
Annualized Proposed KBL Supply Annual Caps	HK$1,201,000,000	–	–
Growth rate	–	25%	25%

* *Proposed amount for nine months from 1 April 2011 to 31 December 2011*

According to the management of the Company, the Proposed KBL Supply Annual Caps were determined with reference to the internal projection of the sales to be incurred having regarded to:

(i) the anticipated growth in demand of copper and laminates;

(ii) the historical figures of the revenue of the KBL Group from 2003 to 2010;

(iii) the anticipated increase in market prices of copper and laminates; and

(iv) inflation.

According to the management, the actual sale of copper by the KBL Group to the Hallgain Group amounted to approximately HK$170,242,000 in the financial year ended 31 December 2010 and there was no sale of laminates to the Hallgain Group by KBL in the year. In arriving the proposed annual caps for 2011, a growth of approximately seven-folds on the actual sales in 2010 has been incorporated. The reason for setting such a large annual cap is to allow for the potential increase in demand of copper and laminates by the Hallgain Group, which has recently acquired PCB operating plants in the PRC in April 2010. In this regard, we have reviewed breakdown of expected demand of laminates by the Hallgain Group in 2011 for each of the newly acquired manufacturing plants. The data reflects that there will probably be a massive increase in the required volume of laminates and copper by Hallgain in the coming years as a result of the aggregated production capacity. From the perspective of the KBL Group, as the construction and expansion of new and current production lines are underway to increase the total production capacity, the KBL Group will have the ability to support a greater demand of product by Hallgain. As a result, sizes of the annual caps have been adjusted to

fulfill the future demand of the Hallgain Group. Moreover, a growth rate of 25% has been used for setting the annual caps for 2012 and 2013, which is determined with reference to the approximately 24% compound annual growth rate of the total revenue of KBL since 2003.

As discussed in the above, the trend of increasing demand of PCB will persist due to the global recovery from the financial crisis in 2008 and the robust economic growth in the PRC. Laminates, being the upstream component in PCB manufacturing will follow the trend of PCB consumption; whereas copper, being the raw material for producing copper balls, another important material in the upstream production of PCB, will face an increase in consumption as well.

As disclosed in the annual report of the KBL Group for the year ended 31 December 2010, the KBL Group had focused on expanding the production capacities in the production of thin and high performance laminates. The annual report further disclosed that KBL was underway to build a new glass fabric plant and a glass yarn plant in Jiangsu province over the next two years to secure the supply of key upstream materials for laminates division in eastern China. The KBL Group was under discussion with local authorities in Shenzhen to explore the feasibility of redeveloping the existing laminates manufacturing plant in the province.

The KBL Group, as the same as the Group, is operating under the environment of vigorous inflation. Annual caps of sufficient sizes are set to allow for the future business growth of the KBL Group and to tolerate for the rising costs of production.

(iii) The proposed annual caps for the KBL Purchase Framework Agreement

Table below sets out the proposed annual caps for the KBL Purchase Framework Agreement for the three years ending 31 December 2013 (the "[illegible]"):

	0	0	0
Proposed KBL Purchase Annual Caps	HK$168,000,000*	HK$280,000,000	HK$350,000,000
Annualized Proposed KBL Purchase Annual Caps	HK$224,000,000	–	–
Growth rate	–	25%	25%

* *Proposed amount for nine months from 1 April 2011 to 31 December 2011*

According to tg3Esanagement7.4(tg3Eof67.4(to)-367.4(tg3ECompany)110.8(,67.4(to)-367.4(tg3E

bits from Hallgain to meet the future demand of the KBL Group upon the completion of construction of the new production lines.

As mentioned in the section above, the business development plan of KBL Group are in progress, especially new plants will commence operations in two years requiring more and newer machineries with higher productivities, we consider that a higher annual cap for 2011 is reasonable and appropriate to meet the business development plan of KBL. Moreover, growth rate of 25% is set on the annual caps for 2012 and 2013. As the size of growth is similar to the compound annual growth in total revenue of the KBL Group of approximately 24% since 2003, we consider that the sizes of the annual caps are fair and reasonable.

Having considered the abovementioned principal factors and reasons and in particular, the followings:-

1. the Agreements falls within the ordinary and usual course of business of the Group and the KBL Group;

2. the Agreements are of standard commercial terms with specific clauses to ensure that there is no preferential or exclusive treatment to the Hallgain Group;

3. a sound internal control system is in place in both the Group and the KBL Group to monitor the continuing connected transactions contemplated under the Agreements and to ensure compliance with the Listing Rules; and

4. the sizes of annual caps of the Agreements have been projected based on the business plan of the Group and the KBL Group and economic factors in the PRC with reasonable supports.

Having considered the above, we are of the opinion that terms of the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps.

Yours faithfully,
For and on behalf of

Director

This circular for which the Directors collectively and individually accept full rinecular

21.ATRIAL.ADVERSEr

As at the Latest Practicable Date, the following Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short

(2) The interests are by virtue of Warrants which entitled the Warrantholders to subscribe for Shares at an exercise price of HK$40.00 per Share during the period from 5 May 2010 and up to 31 October 2012 (both days inclusive).

(3) Out of the 78,025 Warrants, 72,025 Warrants were held by Mr. Chan Wing Kwan and 6,000 Warrants were held by his spouse.

(4) Out of the 1,555,250 Shares, 1,495,250 Shares were held by Mr. Chan Wing Kwan and 60,000 Shares were held by his spouse.

(5) Out of the 335,527 Warrants, 267,707 Warrants were held by Mr. Chang Wing Yiu and 67,820 Warrants were held by his spouse.

(6) Out of the 4,095,274 Shares, 3,397,074 Shares were held by Mr. Chang Wing Yiu and 698,200 Shares were held by his spouse.

(7) Out of the 5,040,000 share options, 2,600,000 share options were held Mr. Ho Yin Sang and 2,440,000 share options were held by his spouse.

(8) Out of the 219,4120ion696.3(219,412)-290.1(W)93(219,ons)-290.1(w3(219,8(e)-23(219,(held)-250(3(219,3.9(.)-2537

		(note 1)		*(%)*
Mr. Ho Yin Sang	Beneficial owner	9,000,000 *(note 3)*	540,000 *(note 4)*	0.018
Mr. Chang Wing Yiu	Beneficial owner	–	100,000 *(note 5)*	0.003
Mr. Mok Cham Hung, Chadwick	Beneficial owner	10,000,000 *(note 6)*	60,000 *(note 7)*	0.002

Note:

(1) The interests are by virtue of share options granted to the directors on 21 March 2011, which entitled the relevant directors to subscribe for KLHL Shares at an exercise price of HK$6.54 per KLHL Share during the period from 21 March 2011 to 17 May 2017.

(2) The 100,000 KLHL Shares were held by the spouse of Mr. Chan Wing Kwan.

(3) The 9,000,000 KLHL share options were held by the spouse of Mr. Ho Yin Sang.

(4) The 540,000 KLHL Shares were held by the spouse of Mr. Ho Yin Sang.

(5) The 100,000 KLHL Shares were held by the spouse of Mr. Chang Wing Yiu.

(6) The 10,000,000 KLHL share options were held by the spouse of Mr. Mok Cham Hung, Chadwick.

(7) The 60,000 KLHL Shares were held by the spouse of Mr. Mok Cham Hung, Chadwick.

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

		(note)
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chan Wing Kwan	Beneficial owner	1,481,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000
Mr. Chang Wing Yiu	Beneficial owner	423,200

Note: None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group (including the KBL Group). Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

(iii) Ordinary shares ("E&E Shares") in the share capital of Elec & Eltek International Company Limited ("E&E"), a non wholly-owned subsidiary of the Company

		&,	&, *(%)*
Mr. Cheung Kwok Wing	Beneficial owner	1,312,200	0.703
Mr. Chan Wing Kwan *(note)*	Beneficial owner	1,018,600	0.546
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260
Mr. Mok Cham Hung, Chadwick	Beneficial owner	1,120,200	0.600

Note: Out of the 1,018,600 E&E Shares, 978,600 E&E Shares were held by Mr. Chan Wing Kwan and 40,000 E&E Shares were held by his spouse.

(iv) *Ordinary shares of US$0.10 each ("KCFL Shares") in the share capital of Kingboard Copper Foil Holdings Limited ("KCFL"), a non wholly-owned subsidiary of the Company*

			(%)
Mr. Cheung Kwok Wing	Beneficial owner	1,000,000	0.14
Mr. Ho Yin Sang *(note)*	Beneficial owner	2,000	0.0003
Mr. Lai Chung Wing, Robert	Beneficial owner	72,000	0.01

Note: The 2,000 KCFL Shares were held by the spouse of Mr. Ho Yin Sang.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

( )

As at the Latest Practicable Date, so far as the Directors are aware, the register required to be maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following entities have, directly or indirectly, interests or short position in the shares and the underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (other than a Director or chief executive of the Company), or have, directly or indirectly, interests in ten per cent. or 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 (including the KBL Group):

Long Positions

Shares

				(%)
Hallgain *(note)*	Beneficial owner	25,975,442	265,503,429	31.09
Capital Research and Management Company	Investment manager	–	85,351,244	9.99
FMR LLC	Investment manager	–	50,755,000	5.94
Value Partners Limited	Investment manager	–	42,970,500	5.03

Note: Messrs. Cheung Kwok Wing and Chan Wing Kwan, being Directors, were also directors of Hallgain.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

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

As at the Latest Practicable Date, none of the Directors and their respective associates was 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 (including the KBL Group), other than those business in which such directors have been

(a) Karl Thomson is a corporation deemed licensed under the transitional arrangement to carry on type 6 (advising on corporate finance) regulated activities under the SFO.

(b) As at the Latest Practicable Date, Karl Thomson did not have any shareholding in any member of the Group (including the KBL Group) nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including the KBL Group).

(c) Karl Thomson has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

(d) The letter and recommendation given by Karl Thomson are given as of the date of this circular for incorporation herein.

(e) Karl Thomson 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 2010, being the date to which the latest published audited consolidated financial statements of the Group (including the KBL Group) were made up.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests 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 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up. No contract or arrangement in which a Director was materially interested and which was significant in relation to the business of the Group (including the KBL Group) subsisted as at the Latest Practicable Date.

(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 head office and principal place of business of the Company in Hong Kong is 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase 2 Hong Kong Science Park, Shatin, New Territories, Hong Kong.

(c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase 2 Hong Kong Science Park, Shatin, New Territories, Hong

KB

建滔化工集團*

(Incorporated in the Cayman Islands with limited liability)

( )

that the Extraordinary General Meeting of Kingboard Chemical Holdings Limited ("") will be held at 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase 2 Hong Kong Science Park, Shatin, New Territories, Hong Kong, on 16 May 2011 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

" the continuing connected transactions contemplated by the Agreements, the Proposed Annual Caps, the Proposed KBL Supply Annual Caps and the Proposed KBL Purchase Annual Caps (such terms shall have the meaning as defined in the circular to the shareholders of the Company dated 26 April 2011) be and are hereby approved and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as they may in their discretion consider necessary or desirable in connection therewith."

By order of the Board of

Company Secretary

Hong Kong, 26 April 2011

Hong Kong Head Office and principal place of business:
2/F., Harbour View 1,
No. 12 Science Park East Avenue,
Phase 2 Hong Kong Science Park,
Shatin, New Territories,
Hong Kong

* *For identification purpose only*

Notes: