

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any 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 transferred all your shares in Kingboard Laminates 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.

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**KINGBOARD LAMINATES HOLDINGS LIMITED**

**建滔積層板控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1888)**

**CONTINUING CONNECTED TRANSACTIONS**

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



**Karl Thomson Financial Advisory Limited**

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A letter from the Board is set out on pages 4 to 8 of this circular.

A letter of recommendation from the Independent Board Committee is set out on pages 9 to 10 of this circular and a letter of recommendation from Karl Thomson Financial Advisory Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 20 of this circular.

A notice convening the extraordinary general meeting of Kingboard Laminates Holdings Limited to 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 21 June 2010 at 10:30 a.m. is set out on pages 28 to 29 of this circular. Whether or not you are able to attend the meeting, 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 Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

27 May 2010

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or “PRC”	The People’s Republic of China
“Company”	Kingboard Laminates 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 (Stock Code: 1888)
“connected person”	the meaning ascribed to it under the Listing Rules
“Copper Supply Agreement”	as defined in the joint announcement issued by KBC and the Company dated 22 December 2009
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Drill Bits Agreement”	the agreement dated 1 May 2010 entered into between Hallgain and the Company in relation to the purchase of drill bits from the Hallgain Group by the Group for a term from 1 May 2010 to 31 December 2012
“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 21 June 2010 at 10:30 a.m. to approve the continuing connected transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps
“Group”	the Company and its subsidiaries
“Hallgain”	Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability
“Hallgain Group”	Hallgain and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS

“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 Mr. Chan Charnwut Bernard, Mr. Chan Yue Kwong, Michael, Mr. Leung Tai Chiu and Mr. Mok Yiu Keung, Peter
“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 transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the Shareholders other than KBC and its associates
“Joint Announcement”	joint announcement of KBC and the Company dated 6 May 2010 in relation to the continuing connected transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps
“KBC”	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange (Stock Code: 148), is the ultimate holding company of the Company
“KBC Drill Bits Agreement”	the agreement dated 1 May 2010 entered into Hallgain and KBC in relation to the purchase of drill bits from the Hallgain Group by the KBC Group for a term from 1 May 2010 to 31 December 2012
“KBC Group”	KBC and its subsidiaries, excluding the Group
“Latest Practicable Date”	20 May 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

## DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Machinery Agreement”	as defined in the joint announcement issued by KBC and the Company dated 22 December 2009
“PCBs”	printed circuit boards
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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## KINGBOARD LAMINATES HOLDINGS LIMITED

### 建滔積層板控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1888)**

*Executive Directors:*

Mr. Cheung Kwok Wa (*Chairman*)  
Mr. Cheung Kwok Keung (*Managing Director*)  
Mr. Cheung Kwok Ping  
Mr. Lam Ka Po  
Mr. Cheung Ka Ho  
Ms. Chan Sau Chi  
Mr. Liu Min  
Mr. Zhou Pei Feng

*Non-executive Director:*

Mr. Lo Ka Leong

*Independent Non-executive Directors:*

Mr. Chan Charnwut Bernard  
Mr. Chan Yue Kwong, Michael  
Mr. Leung Tai Chiu  
Mr. Mok Yiu Keung, Peter

*Registered office:*

P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

*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

27 May 2010

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### 1. INTRODUCTION

Reference is made to the Joint Announcement whereby it was announced that on 1 May 2010, the Company entered into the Drill Bits Agreement with Hallgain, pursuant to which the Hallgain Group has agreed to sell and the Group has agreed to purchase drill bits during the term of the Drill Bits Agreement.

The purpose of this circular is to provide you with (i) details of the Drill Bits Agreement and the Proposed Annual Caps (as defined below); (ii) a letter from Karl Thomson to the Independent Board Committee and the Independent Shareholders containing its advice on the Drill Bits Agreement and the Proposed Annual Caps; (iii) the recommendation of the Independent Board Committee in respect of the Drill Bits Agreement and the Proposed Annual Caps; and (iv) a notice convening the EGM. Mr. Cheung Kwok Wa, Mr. Cheung Kwok Ping and Mr. Lam Ka Po, each being a Director and Shareholder and a director and shareholder of Hallgain, are required to abstain from voting on the resolution to be proposed at the EGM.

## LETTER FROM THE BOARD

### 2. CONTINUING CONNECTED TRANSACTIONS

#### **Purchase of drill bits from the Hallgain Group by the Group**

*Details and reasons for the transaction:*

Particulars of the Drill Bits Agreement are set out below:

Date :	1 May 2010
Parties:	(1) Hallgain (2) the Company
Products to be purchased:	purchase of drill bits from the Hallgain Group by the Group, without any limitation on the maximum or minimum quantity of drill bits 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 May 2010 to 31 December 2012, both days inclusive

Under the Drill Bits Agreement, the amount of drill bits to be purchased is not fixed but is to be determined and agreed between the parties from time to time. The Group will not be obligated to purchase a minimum amount of drill bits from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of drill bits to the Group during the term of the Drill Bits Agreement. The actual quantity, specification and price of the drill bits under the Drill Bits Agreement will be subject to the individual orders placed by the Group with the Hallgain Group. The Hallgain Group grants a credit period of 60 days to the Group in respect of the purchase of drill bits from the Hallgain Group by the Group.

## LETTER FROM THE BOARD

### Proposed Annual Caps

The following table sets out the proposed annual caps for the Drill Bits Agreement for the three financial years ending 31 December 2012 (the “Proposed Annual Caps”):

	Financial year ending 31 December		
	2010	2011	2012
Drill Bits Agreement	HK\$15,607,000*	HK\$28,093,000	HK\$33,711,000

\* *Proposed amount for eight months from 1 May 2010 to 31 December 2010*

The Proposed Annual Caps were determined with reference to the prevailing market conditions relating to the demand for drill bits, the anticipated growth in demand of the drill bits, and the business development plan of the Group.

The Company anticipates that as a result of the buoyant growth in China domestic market and the recovering export market for PCBs and laminates, the Company’s production capacities are expected to increase by approximately 15% in 2010. Having considered the above and the expected growth in production and sales, expected increase in demand, the compound annual growth rate, expected increase in production capacity of the Group, and taking into consideration the estimated increase in the price for the sale of drill bits by the Hallgain Group for each of the financial years ending 31 December 2010, 2011 and 2012, and on the assumption that there will be an annual increase of approximately 20% in 2010, 2011 and 2012 in respect of the purchase of drill bits from the Hallgain Group, the Directors are of the view that the Proposed Annual Caps are fair and reasonable. The audit committee of the Company, comprising all the independent non-executive Directors has been and will continue to monitor each of the continuing connected transactions of the Company periodically and will be presented with information such as quotation of purchase orders at least semi-annually.

### 3. REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Group is engaged in, among others, providing drilling services of laminates, which requires drill bits as a component for its production. The Hallgain Group is engaged in, among others, the manufacturing and sale of drill bits. Prior to this transaction, the Group purchased drill bits from an independent third party until its recent acquisition by Hallgain. Pursuant to the Drill Bits Agreement, the Hallgain Group shall produce and supply drill bits to the Group. The terms of the Drill Bits Agreement were arrived at after arm’s length negotiation between the relevant parties. 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.

In light of the above, the Directors are of the view that the terms of the Drill Bits 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 Drill Bits Agreement are carried out in the ordinary and usual course of business of the Group.

## LETTER FROM THE BOARD

### 4. LISTING RULES IMPLICATIONS

The transaction contemplated in the Drill Bits Agreement constitutes a continuing connected transaction for the Company, on the basis that Hallgain, through its interests in KBC, is a substantial Shareholder, and hence a connected person of the Company under the Listing Rules. Pursuant to Rule 14A.25 of the Listing Rules, the Drill Bits Agreement will be aggregated with the continuing connected transactions entered into between the Group and the Hallgain Group on 22 December 2009 (please refer to the joint announcement issued by KBC and the Company dated 22 December 2009 for details of such transactions). As the aggregate annual amount of the continuing connected transactions under the Drill Bits Agreement, the Machinery Agreement and the Copper Supply Agreement is more than 2.5% under the revenue ratio, pursuant to Rule 14A.35 of the Listing Rules, the transaction contemplated in the Drill Bits Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules and is subject to the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to consider and advise Independent Shareholders as to whether (i) the terms of the Drill Bits Agreement; and (ii) the Proposed 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.

### 5. GENERAL

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

### 6. EGM

A notice convening the EGM is set out on pages 28 to 29 of this circular.

An ordinary resolution will be proposed at the EGM to approve the continuing connected transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend 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 Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later 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 desire.

## LETTER FROM THE BOARD

### 7. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the continuing connected transaction contemplated by the Drill Bits Agreement has been conducted on normal commercial terms and is 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 transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps. Having considered the information contained in this letter and the advice of the Independent Financial Adviser set out on pages 11 to 20 of this circular, the Independent Board Committee considers that the terms of the continuing connected transaction contemplated by the Drill Bits Agreement 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 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.

### 8. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

### 9. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 9 to 10 of this circular, the letter from the Independent Financial Adviser set out on pages 11 to 20 of this circular and the additional information set out in the Appendix to this circular.

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

**KB**

**KINGBOARD LAMINATES HOLDINGS LIMITED**

**建滔積層板控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1888)**

27 May 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**

We refer to the circular of the Company dated 27 May 2010 (“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 transaction contemplated by the Drill Bits Agreement and the Proposed 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 8 of the Circular, which sets out information in connection with the continuing connected transaction contemplated by the Drill Bits Agreement and the Proposed 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 transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps as set out on pages 11 to 20 of the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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 transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps 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 transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps at the EGM.

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

**Chan Charnwut Bernard**, *Independent non-executive Director*  
**Chan Yue Kwong, Michael**, *Independent non-executive Director*  
**Leung Tai Chiu**, *Independent non-executive Director*  
**Mok Yiu Keung, Peter**, *Independent non-executive Director*

## LETTER OF ADVICE FROM KARL THOMSON

*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee of Kingboard Laminates Holdings Limited and its Independent Shareholders in respect of the continuing connected transactions contemplated under the Drill Bits Agreement for inclusion in this circular.*



高信融資服務有限公司

**Karl Thomson Financial Advisory Limited**

Room 701, Tower One, Lippo Centre,  
89 Queensway  
Hong Kong

27 May 2010

*To the Independent Board Committee and the Independent Shareholders of  
Kingboard Laminates Holdings Limited*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

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 the Drill Bits Agreement (the “**Continuing Connected Transactions**”) related thereto are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Details of the Continuing Connected Transactions are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 27 May 2010 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 1 May 2010, Hallgain entered into the KBC Drill Bits Agreement and the Drill Bits Agreement with KBC and the Company respectively, pursuant to which the Hallgain Group agreed to sell and each of the KBC Group and the Group has agreed to purchase drill bits during the term of the KBC Drill Bits Agreement and the Drill Bits Agreement respectively. Hallgain is a substantial shareholder of KBC and hence a connected person of the Company under the Listing Rules.

## LETTER OF ADVICE FROM KARL THOMSON

On 22 December 2009, Hallgain and the Company entered into the Machinery Agreement and Copper Supply Agreement, pursuant to which, the Group agreed to purchase machineries for the manufacture of laminates from Hallgain Group and on the other hand, the Group agreed to sell copper to Hallgain Group, both for the term of three years commencing from 1 January 2010.

According to the rule of aggregation as required under Rule 14A.25 of the Listing Rules, transactions entered into by a 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 amount of the continuing connected transactions contemplated under the Machinery Agreement, the Copper Supply Agreement and the Drill Bits Agreement, the revenue ratio (which is defined as the transaction amount over the total revenue of the Company) pursuant to Rule 14A.35 of the Listing Rules is more than 2.5%, thus the Drill Bits Agreement is subject to reporting, announcement and Independent Shareholders' approval requirements.

An Independent Board Committee has been established to consider and advise the Independent Shareholders on whether the terms of the Drill Bits Agreement are fair and reasonable and in the interests of the Company and the 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 of the Company. We have assumed that all statements and representations made or referred to in the Circular were true at the time when they were made and continue to be true at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Company, the Directors and the management of the Company in the Circular were reasonable made after due enquiry. We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company and have no reason to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

To formulate our opinion regarding the Continuing Connected Transactions contemplated under the Drill Bits Agreement, we have taken into account the following principal factors and reasons:

**I. Background Information**

*(i) Information on the Company*

The principal business of the Company is investment holding. The Group is principally engaged in manufacturing and distribution of laminates. Its major products include paper and glass epoxy laminates. Other activities of the Group include manufacturing and distributing upstream component materials, including copper foil, glass yarn, glass fabric, bleached kraft paper and epoxy resin and investment holding.

*(ii) Information on Hallgain*

As at the Latest Practicable Date, Hallgain was interested in 30.01% of the issued share capital of KBC. Hallgain was incorporated in the British Virgin Islands in 1993 and the principal businesses of its subsidiaries are the manufacturing and sale of electronic components, materials and machineries for the production of laminates and PCBs.

*(iii) Drill bits manufacturing outsourcing*

Drill bits are cutting tools used to create cylindrical holes on a tough surface. As thousands of holes are drilled on the surface of laminates at a high speed during the manufacturing process, drill bits usually wear out easily. Due to the huge internal consumption, KBC, through its subsidiaries, had been engaged in drill bits manufacturing since 2005 for supplying drill bits to the Company. Starting from 2009, the management of KBC decided to close down its drill bit manufacturing division because of the increasing production costs. Thereafter, the Company has to seek for other channels for supplying the drill bits. One of the suppliers who used to be an independent third party of the Company, was acquired by Hallgain in 2010 (the "Acquisition"). Therefore, any future transactions between the supplier and members of the Group will become connected transactions of the Company under the Listing Rules.

## LETTER OF ADVICE FROM KARL THOMSON

### II. The Drill Bits Agreement

The key terms of the Drill Bits Agreement are summarised as follow:

Date	:	1 May 2010
Parties	:	(1) Hallgain (2) the Company
Products to be purchased	:	purchase of drill bits from the Hallgain Group by the Group, without any limitation on the maximum or minimum quantity of drill bits 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 May 2010 to 31 December 2012, both days inclusive

According to the terms of the Drill Bits Agreement, no price or quantity of products has been pre-determined. Therefore, there is no limitation on the maximum or minimum quantity of drill bits to be purchased by the Group and price of each transaction will be *“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”*.

Furthermore, we are advised by the Company that a credit period of 60 days will be offered to the Group for purchasing the drill bits. Having reviewed the quotations from the independent third party suppliers, we realised that the credit period offered by Hallgain to the Company is within the range of 60 to 90 days credit term being offered by other independent suppliers.

In light of the above, we are in the view that the terms and conditions of the Drill Bits Agreement are on normal commercial terms, and there is nothing out of ordinary course of business that requires the Shareholders to pay special attentions to.

## LETTER OF ADVICE FROM KARL THOMSON

### III. Other Continuing Connected Transactions

For the purpose of formulating our advice in this letter, we have tried to review agreements entered into between by the Company and the independent third parties. However, the management of the Company confirms that it has not signed contracts with supplier other than its connected persons as it is not necessary to enter into such contracts in an open market. As an alternative, we have reviewed all subsisting supply agreements other than the Drill Bits Agreement, being the agreements entered into by the Company and its connected person under the Listing Rules during the three financial years ended 31 December 2009 and up to the Latest Practicable Date.

Date of agreement	Parties	Product	Pricing	Term
22 December 2009	Hallgain as supplier; and the Company as purchaser	Machineries for the manufacturing of laminates, without limitation on maximum or minimum quantity	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 machineries from independent third parties having regard to the quantity and other conditions of the purchase	From 1 January 2010 to 31 December 2012, both days inclusive
22 December 2009	The Company as supplier; and Hallgain as purchaser	Copper, without limitation on maximum or minimum quantity	At a price which is not more favourable to the Hallgain Group than the price at which the Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale	From 1 January 2010 to 31 December 2012, both days inclusive

<b>LETTER OF ADVICE FROM KARL THOMSON</b>
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<b>Date of agreement</b>	<b>Parties</b>	<b>Product</b>	<b>Pricing</b>	<b>Term</b>
13 December 2008	KBC as supplier; and the Company as purchaser	Chemicals	In accordance with the then-prevailing market prices, but in no event will the terms be less favourable to the Group than those offered to independent third parties having regard to the quantity, quality and special specifications of the products and services order and other special circumstances	From 1 January 2009 to 31 December 2011, both days inclusive
13 December 2008	The Company as supplier; and KBC as purchaser	Laminate products and related upstream component materials (other than copper foil); and provision of drilling services	In accordance with the then-prevailing market prices, but in no event will the terms be more favourable to KBC than those offered by independent third parties having regard to the quantity, quality and special specifications of the products and services order and other special circumstances	From 1 January 2009 to 31 December 2011, both days inclusive

Having reviewed and compared the terms of the above agreements with the Drill Bits Agreement, we are of the view that the Drill Bits Agreement is a standard supply agreement in terms of conditions and prices.

#### IV. Order Making Procedures and Internal Control

Upon enquiry, the management of the Company advises that the Company follows a routine flow of purchase for its raw materials. For transactions with its connected person, quotations are made by the sourcing department from at least two independent third party suppliers in comparison to the connected person.

Since the Acquisition and up to the Latest Practicable Date, no drill bits had been purchased by the Company from Hallgain as these transactions would trigger continuing connected transaction subject to the Independent Shareholders' approval at the EGM. Therefore, there is no purchase order for us to make comparison with the purchase from independent drill bits suppliers. Alternatively, we have reviewed quotations of machineries from Hallgain and from the independent machinery suppliers since 22 December 2009. We realised that the aforesaid flow of purchase had been duly applied by the Company on the transactions with Hallgain.

Apart from the abovementioned material sourcing procedures, the audit committee (the "**Audit Committee**") comprising all the independent non-executive Directors of the Company has been and will continue to monitor the continuing connected transactions of the Company periodically. In particular, materials of the connected transactions including but not limited to summaries of continuing connected transactions during the period and quotations of purchase orders are presented to the Audit Committee members at least semi-annually. During the meeting amongst the Audit Committee members, questions are raised should they have enquiries on any of the connected transactions.

As there are no previous records of drill bits purchase from Hallgain for investigation, being the Independent Financial Adviser, we have reviewed the board minutes of the Audit Committee for the year ended 31 December 2009 ("**FY 2009**"). In the board minutes, the Audit Committee gave its opinion that the continuing connected transactions between the connected persons of the Company as of FY 2009 were on normal commercial terms.

In light of the above, we are of the view that the Company has adopted a fair and effective mechanism to ensure that the materials will be purchased "*at a price which is not less favourable to the Group than the price at which the Group purchases*". For continuing connected transactions, an ongoing monitoring procedure is more important than a one off investigation. As a sound internal control procedure is in place to oversee the continuing connected transactions of the Company, we are of the view that the interests of the Company and the Shareholders will be protected.

## LETTER OF ADVICE FROM KARL THOMSON

### V. Availability of Independent Third Party Suppliers

The management of the Company reveals that they will not rely exclusively on Hallgain for the supply of drill bits. The Company is free to select other drill bits suppliers should other more competitive candidates are available in the market. Given the fact that both the price and quantity of drill bits to be purchased are not fixed pursuant to the Drill Bits Agreement, the Company will be able to make the purchase order of drill bits and adjust the price and quantity under the prevailing marketing conditions. Therefore, it will allow a greater room for price negotiation and at the same time, more flexibilities as to the quantity of drill bits to be purchased.

### VI. The Proposed Annual Caps

#### (i) Proposed Annual Caps

The following table sets out the proposed annual caps for the Drill Bits Agreement for the three financial years ending 31 December 2012 (the "Proposed Annual Caps").

	Financial year ending 31 December		
	2010	2011	2012
Proposed Annual Caps	HK\$15,607,000*	HK\$28,093,000	HK\$33,711,000
Annualised Proposed Annual Caps	HK\$23,410,500	HK\$28,093,000	HK\$33,711,000
Annualised growth rate	–	20.0%	20.0%

\* Proposed amount for eight months from 1 May 2010 to 31 December 2010.

According to the management of the Company, the Proposed Annual Caps were determined with reference to the prevailing market conditions relating to the demand for drill bits, the anticipated growth in demand of the drill bits and the business development plan of the Group. In the calculation of the Proposed Annual Caps, an annualised growth rate of 20% has been used for each year.

To assess the fairness of the sizes of the Proposed Annual Caps, we have examined the historical annual consumption of drill bits by the Group for the last four financial years ended 31 December 2009 (the "Review Period"). The historical purchase figures show that the annual consumption of drill bits is increasing in general. In 2007 and 2008, the total amount of drill bits purchase grew by more than 20% per annum. In 2009, due to the outbreak of the 2008 financial crisis, total consumption volume in the year only recorded a mild growth. As the market price of drill bits dropped drastically, the overall

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annual consumption fell in 2009. During the Review Period, total value of drill bits consumption recorded a compound annual growth rate of approximately 12.5%.

As drill bit is an important material in laminates manufacturing, its market price is highly correlated with the demand and supply of laminates and other related products. Since major usages of laminates are for the manufacturing of electronic products including televisions, computers and mobile phones, demand of these products will affect demand of laminates. China is the major market of the Company's products, therefore we focus on consumption of laminates in the country. In 2008, the PRC government announced the "Home Appliances Going to the Countryside" policy, which would subsidise rural residents to purchase electrical appliances. The expansionary economic policy has boosted domestic consumption on electronic products by more than 500% comparing with a year ago, according to the announcement made by the Ministry of Commerce of the PRC in May 2010. As the coverage of common electronic applicants is still low in the rural area, it is expected that the demand will surge in the coming years with the support of the PRC government. Driven by the robust economic growth and the strong demand of electronic products in the PRC, the management of the Company expects that the price of drill bits will pick up again as stimulated by the increasing demand of laminates. Furthermore, as disclosed in the chairman's statement in the annual report of the Company dated 1 March 2010, the Company planned to scale up its laminates production capacity by about 15% in 2010. In other words, both the consumption volume and price of drill bits will most probably increase in 2010.

As year 2009 is an exceptional year during which demand of laminates shrank and market prices of drill bits was extremely volatile, the management of the Company is of the view that 2007 and 2008 serve as better references for future consumption estimation. Therefore, an annual growth rate close to the growth rates in 2007 and 2008 is used for the determination of the Proposed Annual Caps.

After considering the above factors, we are of the view that a reasonable base has been employed for the estimation of the Proposed Annual Caps with reference to the historical consumptions and production plan of the Company and the overall economic outlook.

### RECOMMENDATION

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

- (i) terms and conditions of Drill Bits Agreement are standard commercial terms similar to other agreements entered into between the Company and its connected persons;

**LETTER OF ADVICE FROM KARL THOMSON**

- (ii) a sound internal control procedure has been and will be adopted to monitor the continuing connected transactions of the Company;
- (iii) the Company will not depend solely on Hallgain to supply the drill bits; instead, other candidates will be considered should the terms are more favourable to the Group; and
- (iv) the sizes of Proposed Annual Caps have been projected based on historical figures with reasonable basis and not being excessive.

Having considered the above, we are of the opinion that terms of the Drill Bits Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Continuing Connected Transactions.

Yours faithfully,  
For and on behalf of  
**Karl Thomson Financial Advisory Limited**  
**Alex Chow**  
*Director*

## 1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Directors (including any who may have delegated detailed supervision of the preparation of this circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this circular are fair and accurate and that no material facts in relation thereto have been omitted from this circular, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this circular.

## 2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 3. DISCLOSURE OF INTERESTS

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

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 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:

*Long Positions*

(i) Ordinary shares of HK\$0.10 each in the Company (“Shares”)

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Kwok Wa	Beneficial owner	1,539,500	0.051
Mr. Cheung Kwok Keung	Beneficial owner	701,500	0.023
Mr. Cheung Ka Ho	Beneficial owner	89,000	0.003
Ms. Chan Sau Chi	Beneficial owner	60,000	0.002
Mr. Lo Ka Leong	Beneficial owner	50,000	0.002

(ii) Non-voting deferred shares of HK\$1.00 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company

Name of Director	Capacity	Number of non-voting deferred shares held (Note)
Mr. Cheung Kwok Wa	Beneficial owner	1,058,000
Mr. Cheung Kwok Keung	Beneficial owner	529,000
Mr. Cheung Kwok Ping	Beneficial owner	952,200
Mr. Lam Ka Po	Beneficial owner	581,900

*Note:* None of the non-voting deferred shares of Kingboard Laminates Limited are held by the 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 of HK\$0.10 each of KBC (“KBC Shares”)

Name of Director	Capacity	Number of issued KBC Shares held	Approximate percentage of the issued share capital of KBC (%)
Mr. Cheung Kwok Wa	Beneficial owner	1,933,900	0.229
Mr. Cheung Kwok Keung	Beneficial owner	1,058,852	0.125
Mr. Cheung Kwok Ping	Beneficial owner	2,468,653	0.292
Mr. Lam Ka Po	Beneficial owner	1,659,734	0.196
Mr. Cheung Ka Ho	Beneficial owner	50,000	0.006
Ms. Chan Sau Chi	Beneficial owner	10,000	0.001

## (iv) Share options of KBC

Name of Director	Capacity	Interest in underlying KBC Shares pursuant to share options of KBC
Mr. Cheung Kwok Wa	Beneficial owner	998,600
Mr. Cheung Kwok Keung	Beneficial owner	1,271,600
Mr. Cheung Kwok Ping	Beneficial owner	1,053,600
Mr. Lam Ka Po	Beneficial owner	589,600

**(v) Warrants of KBC**

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in underlying KBC Shares pursuant to warrants of KBC</b>
Mr. Cheung Kwok Wa	Beneficial owner	230,290
Mr. Cheung Kwok Keung	Beneficial owner	215,985
Mr. Cheung Kwok Ping	Beneficial owner	246,865
Mr. Lam Ka Po	Beneficial owner	165,973
Mr. Cheung Ka Ho	Beneficial owner	5,000
Ms. Chan Sau Chi	Beneficial owner	1,000

**(vi) Ordinary shares ("EEIC Shares") of Elec & Eltek International Company Limited ("EEIC"), a fellow subsidiary of the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued EEIC Shares held</b>	<b>Approximate percentage of the issued share capital of EEIC (%)</b>
Mr. Cheung Kwok Wa	Beneficial owner	1,254,600	0.70

**(b) Interests or short position of substantial shareholders (other than a Director or chief executive of the Company) discloseable under Divisions 2 and 3 under Part XV of the SFO**

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:

*Long Positions*

Shares

Name of Shareholders	Notes	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Hallgain	(a)	Beneficial owner	1,500,000	0.05
	(b)	Interest of controlled corporations	2,181,581,500	72.72
KBC	(c)	Beneficial owner	45,652,500	1.52
		Interest of controlled corporations	2,135,929,000	71.20
Jamplan (BVI) Limited ("Jamplan")	(d)	Beneficial owner	2,015,000,000	67.17
		Interest of a controlled corporation	120,929,000	4.03

*Notes:*

- (a) As at the Latest Practicable Date, (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors were not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, being Directors, were also directors of Hallgain.
- (b) The interests were held by KBC directly and indirectly. As at the Latest Practicable Date, KBC was owned by Hallgain as to approximately 30.01% of the entire issued share capital of KBC.
- (c) The interests were held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KBC. Mr. Lam Ka Po, being a Director, is a director of Jamplan.
- (d) The interests were indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited, a company incorporated in Hong Kong. Cheung Kwok Wa and Cheung Kwok Ping, who were Directors, were also directors of Kingboard Investments Limited.

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.

**4. DIRECTORS' INTEREST IN SERVICE CONTRACTS**

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 which may not be terminated by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

**5. COMPETING INTEREST**

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, 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.

**6. EXPERT'S QUALIFICATION AND CONSENT**

- (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 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.
- (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 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**7. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE**

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 2009, 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 subsisted as at the Latest Practicable Date.

**8. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (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 Investor Services Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

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 Kong during normal business hours on any weekday (except for public holidays) from the date of this circular up to and including 21 June 2010:

- (a) the Drill Bits Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 9 to 10 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 20 of this circular;
- (d) the written consent of Karl Thomson referred to in paragraph 6(c) above; and
- (e) the memorandum and articles of association of the Company.

# KB

## KINGBOARD LAMINATES HOLDINGS LIMITED 建滔積層板控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1888)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of Kingboard Laminates Holdings Limited (“**Company**”) 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 21 June 2010 at 10:30 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:

#### ORDINARY RESOLUTION

“**THAT** the continuing connected transaction contemplated by the Drill Bits Agreement and the Proposed Annual Caps (such terms shall have the meaning as defined in the circular to the shareholders of the Company dated 27 May 2010) be and are hereby approved and **THAT** 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  
**Kingboard Laminates Holdings Limited**  
**CHEUNG Kwok Wa**  
*Chairman*

Hong Kong, 27 May 2010

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

## NOTICE OF EGM

*Notes:*

1. Any shareholder of the Company (“Shareholder(s)”) entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder.
2. Where there are joint registered holders of any share in the issued share capital of the Company (“Share(s)”), any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company (“Register of Members”) in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting as the case may be.
4. As at the date hereof, the board of Directors consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho, Chan Sau Chi, Liu Min and Zhou Pei Feng, being the executive Directors, Mr. Lo Ka Leong, being the non-executive Director, and Messrs. Chan Charnwut Bernard, Chan Yue Kwong, Michael, Leung Tai Chiu and Mok Yiu Keung, Peter, being the independent non-executive Directors.