

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 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

A letter from the Board is set out on pages 5 to 14 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Karl Thomson Financial Advisory Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 33 of this circular.

A notice convening an 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 2 February 2009 at 9:30 a.m. is set out on pages 42 to 43 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.

13 January 2009

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DEFINITIONS

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

“Articles”	the articles of association of the Company;
“associate(s)”	the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Chemicals”	chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda;
“Company”	Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	the transactions under the New Material Purchase Agreement, the New Material Supply and Service Agreement, and the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement;
“Controlling Shareholder(s)”	the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“EGM”	extraordinary general meeting to be held by the Company to approve, among other things, the Continuing Connected Transactions and the Proposed Annual Caps;
“Group”	the Company and its subsidiaries;
“Hallgain”	Hallgain Management Limited, a Controlling Shareholder of Kingboard, which was interested in approximately 30.97% of the entire issued share capital of Kingboard as at the Latest Practicable Date, where 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 are not accustomed to act in accordance with any Shareholder’s direction, as at the Latest Practicable Date;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	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 Transactions and the Proposed Annual Caps;
“Independent Shareholder(s)”	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 Kingboard and its associates;
“Independent Third Party(ies)”	a person(s) or company(ies) who/which is or are independent of and not connected with the Company and its connected person(s);
“Jamplan”	Jamplan (BVI) Limited, a Controlling Shareholder of the Company which was interested in either directly or indirectly 74.55 per cent. of the entire issued share capital of the Company as at the Latest Practicable Date;
“Kingboard”	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, is the ultimate holding company of the Company;
“Kingboard Copper Foil”	Kingboard Copper Foil Holdings Limited, a company incorporated in Bermuda with limited liability and a 63.67 per cent. non wholly-owned subsidiary of the Company as at the Latest Practicable Date and whose shares are listed on the Singapore Exchange Securities Trading Limited;

DEFINITIONS

“Kingboard Copper Foil Group”	Kingboard Copper Foil and its subsidiaries;
“Kingboard Group”	Kingboard and, as the context may require, its subsidiaries including the Group;
“Latest Practicable Date”	6 January 2009, 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;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
“Material Purchase Agreement”	an agreement dated 5 November 2006 made between the Company and Kingboard in relation to the purchase of Chemicals and drill bits from the Retained Group for a term from 5 November 2006 to 31 December 2008;
“Material Supply and Service Agreement”	an agreement dated 5 November 2006 made between the Company and Kingboard in relation to the supply of laminate products and related upstream component materials (other than copper foil) and the provision of drilling services by the Group to the Retained Group for a term from 5 November 2006 to 31 December 2008;
“New Material Purchase Agreement”	an agreement dated 13 December 2008 made between the Company and Kingboard in relation to the purchase of Chemicals and drill bits from the Retained Group for a term from 1 January 2009 to 31 December 2011;
“New Material Supply and Service Agreement”	an agreement dated 13 December 2008 made between the Company and Kingboard in relation to the supply of laminate products and related upstream component materials (other than copper foil) and provision of drilling services by the Group to the Retained Group for a term from 1 January 2009 to 31 December 2011;

DEFINITIONS

“Original Copper Foil Supply Agreement”	an agreement dated 29 November 1999 made between Kingboard Copper Foil and Kingboard in relation to the supply of copper foil by Kingboard Copper Foil Group to Kingboard Group (excluding Kingboard Copper Foil Group itself);
“PRC”	the People’s Republic of China, which, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Proposed Annual Caps”	the proposed annual caps for each of the Continuing Connected Transactions for each of the three financial years ending 31 December 2009, 2010 and 2011 and subject to the approval of the Independent Shareholders at the EGM as more particularly set out in this circular;
“Retained Group”	Kingboard and its subsidiaries (excluding the Group);
“Second Supplemental Copper Foil Supply Agreement”	a second supplemental agreement dated 13 December 2008 made between Kingboard Copper Foil and Kingboard in relation to the supply of copper foil by Kingboard Copper Foil Group to the Retained Group for a term from 1 January 2009 to 31 December 2011;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	the meaning ascribed to it under the Listing Rules;
“Supplemental Copper Foil Supply Agreement”	a supplemental agreement dated 5 November 2006 made between Kingboard Copper Foil and Kingboard in relation to the supply of copper foil by Kingboard Copper Foil Group to the Retained Group for a term from 1 January 2006 to 31 December 2008.

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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

13 January 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 16 December 2008 in which it was announced by the Board that the New Material Purchase Agreement and the New Material Supply and Service Agreement were entered into between the Company and Kingboard on 13 December 2008. It was further announced that the Second Supplemental Copper Foil Supply Agreement was entered into between Kingboard Copper Foil and Kingboard on 13 December 2008.

Reference is also made to the prospectus of the Company dated 24 November 2006.

LETTER FROM THE BOARD

The Company and Kingboard entered into the Material Purchase Agreement on 5 November 2006, pursuant to which the Group agreed to purchase Chemicals and drill bits from the Retained Group.

The Company and Kingboard also entered into the Material Supply and Service Agreement on 5 November 2006, pursuant to which the Retained Group agreed to purchase laminate products and related upstream component materials (other than copper foil) from the Group and to engage the Group for the provision of drilling services.

Kingboard Copper Foil, a non wholly-owned subsidiary of the Company, and Kingboard entered into the Original Copper Foil Supply Agreement and Supplemental Copper Foil Supply Agreement on 29 November 1999 and 5 November 2006 respectively, pursuant to which Kingboard Copper Foil Group agreed to sell and Kingboard Group (excluding Kingboard Copper Foil Group itself) agreed to purchase copper foil on a continuing basis.

Kingboard is the ultimate holding company of the Company and owns, directly or indirectly, 74.77 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Kingboard is a connected person of the Company and members of the Retained Group and Kingboard Group will also constitute connected persons of the Company under the Listing Rules. Each of the above transactions constituted non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules, and were subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

At the time of the initial listing of the Shares on the Stock Exchange, the Company obtained from the Stock Exchange a waiver from strict compliance with the requirements under the Listing Rules in respect of the above continuing connected transactions and an annual cap was assigned to each of the above continuing connected transactions for each of the three financial years ended 31 December 2006, 2007 and 2008.

The above continuing connected transactions will continue following the expiration of the financial year ended 31 December 2008.

The purpose of this circular is to provide you with, among others, (i) details of the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Continuing Connected Transactions and the Proposed Annual Caps; (iii) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions and the Proposed Annual Caps; and (iv) a notice convening the EGM.

LETTER FROM THE BOARD

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Purchase of Chemicals and drill bits from the Retained Group

Details and reasons for the transaction:

Particulars of the New Material Purchase Agreement are set out below:

Date :	13 December 2008
Parties:	(1) Kingboard (2) the Company
Products to be purchased:	purchase of Chemicals and drill bits from the Retained Group
Pricing:	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 ordered and other special circumstances
Term:	from 1 January 2009 to 31 December 2011, both days inclusive

Under the New Material Purchase Agreement, the amount of Chemicals and drill bits are not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to purchase a minimum amount of Chemicals and drill bits from the Retained Group and the Retained Group will not be obligated to supply any set quantity of Chemicals or drill bits to the Group during the term of the New Material Purchase Agreement.

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

The Chemicals are essential for the production of phenolic resin and epoxy resin and consequently for the production of laminates and related upstream component materials by the Group and the drill bits are essential machinery components for providing drilling services to customers. Although the Directors consider that the Group does not rely on the Retained Group for the purchase of Chemicals and drill bits since such Chemicals and drill bits are readily available

LETTER FROM THE BOARD

from Independent Third Parties at comparable prices and terms, the purchase of Chemicals and drill bits from the Retained Group allows the Group to benefit from the economies of scale of the Retained Group.

Historical amounts and proposed annual caps:

The following table sets forth the historical purchases made by the Group and the proposed annual caps for the New Material Purchase Agreement:

	Financial year ended/ ending 31 December		
	2006	2007	2008
Historical purchases (HK\$'000)	103,514	165,109	231,660*
	2006	2007	2008
Annual caps (HK\$'000)	113,000	200,000**	280,000**
	2009	2010	2011
Proposed annual caps (HK\$'000)	392,000	548,800	768,320

* *Actual amount for the ten months ended 31 October 2008.*

** *As revised and approved by the Independent Shareholders on 10 December 2007.*

The Board believes that the economic growth in the PRC will stimulate the demand for electronic products, such as mobile phones and consumer products, and as a result, there will be an increasing demand for laminates for the production of electronic products. As such, the increasing demand will lead to the corresponding increasing demand for chemicals which are used for the production of laminates. This also leads to the increasing demand for drill bits which are essential machinery components for the Group to provide drilling services to the Group's customers.

The strong market growth can be illustrated by the historical purchases made by the Group in 2006, 2007 and the first ten months of 2008. The actual transaction amounts under the Material Purchase Agreement in 2007 as compared to those in 2006 increased by approximately 60 per cent. As compared to the actual transaction amounts in 2007, the projected transaction amounts in 2008, being approximately HK\$277,992,000, also increased by approximately 68 per cent.

Having considered the above and the historical revenue, expected growth in production and sales, expected increase in demand, expected increase in production capacity of the Group, and taking into consideration the estimated increase in the price for the sale of Chemicals and drill bits by the Retained Group for the years ending 31 December 2009, 2010 and 2011, and on the assumption that there will be an annual increase of approximately 40 per cent. in 2009, 2010 and 2011, the Directors are of the view that the above proposed annual caps in respect of the purchases of Chemicals and drill bits by the Group from the Retained Group under the New Material Purchase Agreement are fair and reasonable.

LETTER FROM THE BOARD

2. Sale of laminates and related upstream component materials and provision of drilling services to the Retained Group

Details and reasons for the transaction:

Particulars of the New Material Supply and Service Agreement are set out below:

Date :	13 December 2008
Parties:	(1) Kingboard (2) the Company
Products and services to be supplied:	supply of laminate products and related upstream component materials (other than copper foil) and provision of drilling services by the Group to the Retained Group
Pricing:	in accordance with the then-prevailing market prices, but in no event will the terms be more favourable to the Retained Group than those offered by the Group to Independent Third Parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances
Term:	from 1 January 2009 to 31 December 2011, both days inclusive

Under the New Material Supply and Service Agreement, the amount of laminates and related upstream component materials (other than copper foil) to be sold and the drilling services to be provided are not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to supply a minimum amount of laminates and related upstream component materials or to provide drilling services to the Retained Group and the Retained Group will not be obligated to purchase any set quantity of laminates or related upstream component materials or to utilise the drilling services offered by the Group during the term of the New Material Supply and Service Agreement.

The terms of the New Material Supply and Service Agreement were arrived at after arm's length negotiation between the relevant parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the New Material Supply and Service 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 New Material Supply and Service Agreement are carried out in the ordinary and usual course of business of the Group.

LETTER FROM THE BOARD

In light of the terms and conditions of the New Material Supply and Service Agreement, the Directors (including the independent non-executive Directors) believe that the Group does not rely on the Retained Group for the sale of laminates and related upstream component materials and provision of drilling services. However, the Group has established a close working relationship with the Retained Group and the continuation of the transactions under the New Material Supply and Service Agreement will enhance the revenue of the Group through increased sales and thus benefiting the Shareholders as a whole.

Historical amounts and proposed annual caps:

The following table sets forth the historical sales made to the Retained Group and the proposed annual caps for the New Material Supply and Service Agreement:

	Financial year ended/ ending 31 December		
	2006	2007	2008
Historical sales (HK\$'000)	1,318,758	1,633,401	1,658,922*
	2006	2007	2008
Annual caps (HK\$'000)	1,560,000	2,180,000	3,050,000
	2009	2010	2011
Proposed annual caps (HK\$'000)	3,050,000	3,050,000	3,050,000

* *Actual amount for the ten months ended 31 October 2008.*

The Board noticed that the historical annual caps for the three financial years ended 31 December 2006, 2007 and 2008 were not fully utilised during the same period as a result of the slow down in demand by the Retained Group for laminate products and related upstream component materials and drilling services. The Board, however, anticipates that the economic growth in the PRC will stimulate the demand for laminate products and related upstream component materials and drilling services by the Retained Group in the three financial years ending 31 December 2009, 2010 and 2011.

LETTER FROM THE BOARD

Having considered the historical transaction amount and the estimated demand for laminate products and related upstream component materials and drilling services by the Retained Group for the three financial years ending 31 December 2009, 2010 and 2011, the Directors are of the view that the above proposed annual caps in respect of the sale of laminate products and related upstream component materials and provision of drilling services by the Group to the Retained Group under the New Material Supply and Service Agreement are sufficient, fair and reasonable.

3. Sale of copper foil to Kingboard Group (excluding Kingboard Copper Foil Group itself)

On 13 December 2008, Kingboard Copper Foil and Kingboard entered into the Second Supplemental Copper Foil Supply Agreement, pursuant to which the parties agreed to extend the term of the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement, for three years, beginning from 1 January 2009 to 31 December 2011.

The terms of the Second Supplemental Copper Foil Supply Agreement were arrived at after arm's length negotiation between the relevant parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply 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 Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement are carried out in the ordinary and usual course of business of the Group.

In light of the terms and conditions of the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement, the Directors (including the independent non-executive Directors) believe that the Group does not rely on the Retained Group for the sale of copper foil. However, the Group has established a close working relationship with the Retained Group and the continuation of the transactions under the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement will enhance the revenue of the Group through increased sales and thus benefiting the Shareholders as a whole.

LETTER FROM THE BOARD

Historical amounts and proposed annual caps:

The following table sets forth the historical sales made to the Retained Group and the proposed annual caps for the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement:

	Financial year ended/ ending 31 December		
	2006	2007	2008
Historical sales (HK\$'000)	396,218	448,982	337,442*
	2006	2007	2008
Annual caps (HK\$'000)	400,000	560,000	784,000
	2009	2010	2011
Proposed annual caps (HK\$'000)	784,000	784,000	784,000

* *Actual amount for the ten months ended 31 October 2008.*

The Board noticed that the historical annual caps for the three financial years ended 31 December 2006, 2007 and 2008 were not fully utilised during the same period as a result of the slow down in demand by the Retained Group for copper foil. The Board, however, anticipates that the economic growth in the PRC will stimulate the demand for copper foil by the Retained Group in the three financial years ending 31 December 2009, 2010 and 2011.

Having considered the historical transaction amount and the estimated demand for copper foil by the Retained Group for the years ending 31 December 2009, 2010 and 2011, the Directors are of the view that the above proposed annual caps in respect of the sale of copper foil by the Group to the Retained Group under the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement are sufficient, fair and reasonable.

LISTING RULES IMPLICATIONS

The Continuing Connected Transactions and the Proposed Annual Caps, constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules. Any Shareholder who have a material interest in the New Material Purchase Agreement, the New Material Supply and Service Agreement, or the Original Copper Foil Supply Agreement, as supplemented by the

LETTER FROM THE BOARD

Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement will be required to abstain from voting at the EGM. Kingboard and its associates will be required to abstain from voting at the EGM.

On 13 December 2008, the Board approved the New Material Purchase Agreement, the New Material Supply and Service Agreement and the Second Supplemental Copper Foil Supply Agreement as set out in this circular and the Proposed Annual Caps.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether (1) the terms of the New Material Purchase Agreement, the New Material Supply and Service Agreement and the Second Supplemental Copper Foil Supply Agreement; and (2) 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 advise the Independent Board Committee and the Independent Shareholders in this respect.

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 Kingboard is investment holding. The Retained Group is engaged principally in the production and sale of printed circuit boards and chemicals.

The principal business of Kingboard Copper Foil is investment holding. The Kingboard Copper Foil Group is engaged principally in the manufacturing and sale of copper foil.

EGM

A notice convening the EGM is set out on pages 42 to 43 of this circular. Ordinary resolution in respect of the Continuing Connected Transactions and the Proposed Annual Caps will be proposed at the EGM.

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions have been conducted on normal commercial terms and in the ordinary and usual course of business of the Group, are 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.

The Independent Board Committee, having considered the information contained in this letter and taking into account the advice of Karl Thomson, the Independent Financial Adviser, has come to the view that the Continuing Connected Transactions have been conducted on normal commercial terms and in the ordinary and usual course of business of the Company, are 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 that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders set out on pages 17 to 33 of this circular and the general information set out in the appendix on pages 34 to 41 of 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)

13 January 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 13 January 2009 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the New Material Purchase Agreement, the New Material Supply and Service Agreement, and the Second Supplemental Copper Foil Supply 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 5 to 14 of the Circular, which sets out information in connection with the Continuing Connected Transactions 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 Transactions and the Proposed Annual Caps as set out on pages 17 to 33 of the Circular.

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 Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Continuing Connected Transactions 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 and the Independent Shareholders in respect of the Continuing Connected Transactions for inclusion in this circular.



Karl Thomson Financial Advisory Limited

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

13 January 2009

*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 in respect of the Continuing Connected Transactions and the Proposed Annual Caps, particulars of which are set out in the letter from the Board (the "Letter from the Board") of this circular to the Shareholders dated 13 January 2009 (the "Circular"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, the Company and Kingboard entered into the Material Purchase Agreement on 5 November 2006, pursuant to which the Group agreed to purchase Chemicals and drill bits from the Retained Group. On the same date, another agreement, the Material Supply and Service Agreement was entered into between the two parties. Pursuant to which, the Retained Group agreed to purchase laminate products and related upstream component materials (other than copper foil) from the Group and to engage the Group for the provision of drilling services.

On 29 November 1999 and 5 November 2006 respectively, Kingboard Copper Foil, a non-wholly owned subsidiary of the Company, entered into the Original Copper Foil Supply Agreement and Supplemental Copper Foil Supply Agreement with Kingboard, pursuant to which Kingboard Copper Foil Group agreed to sell and Kingboard Group (excluding Kingboard Copper Foil Group itself) agreed to purchase copper foil on continuing basis.

LETTER OF ADVICE FROM KARL THOMSON

The Material Purchase Agreement, the Material Supply and Service Agreement and the Supplemental Copper Foil Supply Agreement (collectively the “Old Agreements”) had expired on 31 December 2008. The New Material Purchase Agreement, the New Material Supply and Service Agreement and the Second Supplemental Copper Foil Supply Agreement (collectively the “New Agreements”) have been entered into between the relevant parties in replacement of the Old Agreements.

Kingboard, being the ultimate holding company of the Company, owns, directly or indirectly, 74.77% of the issued shared capital of the Company as at the Latest Practicable Date, whereas Kingboard Copper Foil is a 63.67% non-wholly owned subsidiary of the Company, therefore Kingboard is also the ultimate holding company of Kingboard Copper Foil. Accordingly, Kingboard is a connected person of the Company and Kingboard Copper Foil under the Listing Rules. The transactions contemplated under the New Agreements will also constitute non-exempt continuing connected transactions of the Company under Rules 14A.35 of the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Rules 14A.45 to 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

Any Shareholders who have a material interest in the New Material Purchase Agreement, the New Material Supply and Service Agreement, or the Original Copper Foil Supply Agreement, as supplemented by the Supplemental Copper Foil Supply Agreement and the Second Supplemental Copper Foil Supply Agreement will be required to abstain from voting at the EGM. Therefore, Kingboard and its associates will be required to abstain from the voting at the EGM.

The Independent Board Committee comprising Mr. Chan Charnwut Bernard, Mr. Chan Yue Kwong, Michael, Mr. Leung Tai Chiu and Mr. Mok Yiu Keung, Peter, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on the Continuing Connected Transactions and the Proposed Annual Caps. Karl Thomson is appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

Karl Thomson is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, is considered eligible to give independent advice to the Independent Board Committee and Independent Shareholders on the Continuing Connected Transactions and the Proposed Annual Caps. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and advice, we have relied upon 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

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that all statements and representations made or referred to in the Circular are true at the time they are made and continue to be true up to 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 issuing 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 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.

To formulate our opinion regarding the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

I. BACKGROUND INFORMATION

A. The Restructuring

The Group was successfully listed on the Main Board of the Stock Exchange on 7 December 2006. As disclosed in the prospectus of the Company dated 24 November 2006 (the "Prospectus"), prior to listing, the Kingboard Group had undergone a number of restructuring steps (the "Restructuring") through which the Company was established as the holding company for the laminate-related operations. As a result of the Restructuring, Kingboard's laminate-related operations (other than its interests in Elec & Eltek International Company Limited), which include its laminate and upstream component material manufacturing operations, sales units for laminate and upstream component materials, including copper foil, glass yarn, glass fabric, epoxy resin and bleached kraft paper, as well as the value-added service for laminates known as drilling, were transferred to the Group. The Group is therefore, principally engaged in the production and sale of laminates and related upstream component materials. Laminates are used in production of printed circuit boards ("PCBs") which in return are used in production of a wide variety of electronic products, ranging from simple consumer products such as toys, electronic games and audio visual equipments, to more sophisticated products such as mobile phone, PDAs, computers, and networking and telecommunication devices.

B. Relationship between the Company and Kingboard

Following the Restructuring, the Retained Group is principally engaged in the remaining business, which is the business of production and sale of PCBs and Chemicals. As the Retained Group and the Group used to be the same group companies before the Restructuring, the Retained Group has been providing and will continue to provide Chemicals to the Group. Such Chemicals are essential for the production of phenolic resin and epoxy resin and consequently for the production of laminates and related upstream components by the Group. In

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addition, the Retained Group also provides drill bits to the Group. Such drill bits are essential machinery components for providing drilling services to its customers. In return, the Group has been providing and will continue to provide the laminate products and related upstream component materials (other than copper foil) and drilling services to the Retained Group.

As mentioned in the Prospectus, the Directors (including the independent non-executive Directors) considered that the purchase of Chemicals and drill bits from the Retained Group allowed the Group to benefit from the economies of scale of the Retained Group.

C. Relationship between Kingboard Copper Foil, the Company and Kingboard

Kingboard Copper Foil, which used to be a non-wholly owned subsidiary of Kingboard, had been focusing on the production of copper foil, a key raw material used in the production of laminates. Before the Restructuring, Kingboard Copper Foil Group had been purchasing Chemicals from other members of the Kingboard Group for the manufacture of copper foil on a continuing basis. In return, Kingboard Copper Foil Group sold copper foil to members of the Kingboard Group (excluding Kingboard Copper Foil Group itself). After the Restructuring, Kingboard Copper Foil became a non-wholly owned subsidiary of the Company and an indirect non-wholly owned subsidiary of Kingboard. The transactions continue to exist between Kingboard Copper Foil Group and the Retained Group, which constitutes continuing connected transactions of the Company pursuant to the Listing Rules.

II. OLD AGREEMENTS ENTERED INTO AFTER THE RESTRUCTURING

A. The Material Purchase Agreement

The Material Purchase Agreement was entered into between the Company and Kingboard on 5 November 2006 pursuant to which the Group agreed to purchase Chemicals and drill bits from the Retained Group.

B. Material Supply and Service Agreement

On 5 November 2006, the Company and Kingboard entered into the Material Supply and Service Agreement, pursuant to which the Retained Group agreed to purchase laminate products and related upstream component materials (other than copper foil) from the Group and to engage the Group for the provision of drilling services.

C. The Supplemental Copper Foil Supply Agreement

On 29 November 1999, Kingboard Copper Foil entered into the Original Copper Foil Agreement with Kingboard in order to satisfy the requirement of the Listing Manual of the Singapore Exchange Securities Trading Limited. Due to the Restructuring, Kingboard Copper Foil entered into the Supplemental Copper Foil Supply Agreement on 5 November 2006 with Kingboard to ensure compliance with the Listing Rules.

D. Expiry of the Old Agreements

As mentioned in the Prospectus, the Directors considered that the transactions contemplated under the Old Agreements had been and would be entered into in the ordinary and usual course of business and on normal commercial terms and on an arm-length basis and the terms under the relevant agreements were fair and reasonable and in the interest of the Shareholders as a whole.

It was disclosed in the Prospectus that the transactions contemplated under the Old Agreements constituted non-exempt continuing connected transactions of the Company and were subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. On 27 October 2006, the Stock Exchange granted a waiver to the Company from compliance with the announcement and Independent Shareholders' approval requirements under the Listing Rules in relation to the Old Agreements.

Based on the foregoing information on the history of the Restructuring and background of signing the Old Agreements, the transactions in-between members of the Kingboard Group are usual practice. The Continuing Connected Transactions are for the purpose of bringing benefits to each member in the Kingboard Group by adopting economy of scale and providing stable source of materials and components for further upstream manufacturing. As such, we believe that the initiation of entering into the Old Agreements is for the benefit of the Group and in the interest of the Shareholders as a whole.

To ensure compliance with the Listing Rules, the Old Agreements were in a term of three years. On 31 December 2008, the Old Agreements matured. It is necessary to enter into the New Agreements to ensure smooth operation of members of the Group in the coming financial years. Besides, as disclosed in the Circular, the continuation of the transactions under the New Material Supply and Service Agreement and Second Supplemental Copper Foil Supply Agreement will enhance the revenue of the Group through sales. Therefore, the New Agreements have been entered into between relevant parties with terms and conditions sets out below in replacement of the Old Agreements.

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III. THE NEW AGREEMENTS AND THE PROPOSED ANNUAL CAPS

A. The New Material Purchase Agreement

1. *Terms of the New Material Purchase Agreement*

Key terms of the New Material Purchase Agreement are summarized as below:

Date:	13 December 2008
Parties:	(1) Kingboard (2) the Company
Product to be purchased:	Chemicals and drill bits from the Retained Group
Pricing:	in accordance with the then-prevailing market prices, but in no event will the terms be less favorable to the Group than those offered to Independent Third Parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances
Term:	from 1 January 2009 to 31 December 2011, both days inclusive.

The Company further disclose that under the New Material Purchase Agreement, the amount of Chemicals and drill bits are not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to purchase a minimum amount of Chemicals and drill bits from the Retained Group and the Retained Group will not be obligated to supply any set quantity of Chemicals and drill bits to the Group during the term of the New Material Purchase Agreement.

From the above summary of terms of the New Material Purchase Agreement, we notice that neither the price nor amount of Chemicals and drill bits to be purchased is pre-determined. Rather, the price will be in accordance to the then-prevailing market prices, whereas the quantity is to be determined and agreed between the parties from time to time. In particular, there is a clause attached in the agreement stating clearly "in no event will the terms be less favourable to the Group than offered to independent third parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances". With such clause attached, we believe that the interest of the Company will be protected and the purchasing price will be fair to both parties under the New Material Purchase

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Agreement as the terms and conditions of each transaction will be determined by market force, which is an interaction of supply and demand of the product to be purchased at an open market economy.

We were also advised by the management of the Company that the terms and conditions of the New Material Purchase Agreement were arrived at after arm's length negotiation between the relevant parties. Therefore, we opine that the New Material Purchase Agreement has been entered into in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable.

2. *The proposed annual caps*

The proposed annual caps for the three financial years ending 31 December 2009, 2010 and 2011 are as follows:

	Financial year ended			
	31 December			
	2006	2007	2008	2008
Historical purchases (HK\$'000)	103,514	165,109	231,660 (Note 1)	277,992 (Note 2)
Annual growth rate (%)	–	59.50	40.30	68.37
Historical annual caps (HK\$'000)	113,000	200,000 (Note 3)	N/A	280,000 (Note 3)
	Financial year ending			
	31 December			
	2009	2010	2011	
Proposed annual caps (HK\$'000)	392,000	548,800	768,320	
Annual growth rate (%)	40.00	40.00	40.00	

Notes:

1. Actual amount for the ten months ended 31 October 2008.
2. Estimated figures by straight-line multiplication from the historical purchases of ten months ended 31 October 2008.
3. As revised and approved by the Independent Shareholders on 10 December 2007.

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We are advised by the management of the Company that the proposed annual caps for the New Material Purchase Agreement are estimated by the Directors with reference to:

- i. the unaudited amount of purchase in the ten months ended 31 October 2008; and
- ii. the assumption that there will be an annual increase of 40.00% for each of the three financial years ending 31 December 2009, 2010 and 2011.

The estimated transaction amount in 2008 is HK\$277,992,000 assuming straight-line multiplication from the historical purchase in the ten months ended 31 October 2008. Based on this figure, we further calculate the growth rate of the historical purchase using a compound growth rate method to find out the compound annual growth rate ("CAGR") for the three financial years ended 31 December 2006, 2007 and 2008, which is approximately 63.88%.

Therefore, using an annual growth rate of 40.00% for deciding the proposed annual caps is a rather prudent approach as it is substantially smaller than the CAGR. Given the conservative estimation of the future purchase growth, we are in the opinion that the size of the proposed annual caps for the New Material Purchase Agreement are determined by a prudent approach and are fair and reasonable.

B. The New Material Supply and Service Agreement

1. Terms of the New Material Supply and Service Agreement

Key terms of the New Material Supply and Service Agreement are summarized as below:

Date:	13 December 2008
Parties:	(1) Kingboard (2) the Company
Products and services to be supplied:	supply of laminate products and related upstream component materials (other than copper foil) and provision of drilling services by the Group to the Retained Group

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Pricing:	in accordance with the then-prevailing market prices, but in no event will the terms be more favorable to the Retained Group than those offered by the Group to Independent Third Parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances
Term:	from 1 January 2009 to 31 December 2011, both days inclusive.

The Company further disclosed that under the New Material Supply and Service Agreement, the amount of laminates and related upstream component materials (other than copper foil) to be sold and the drilling services to be provided are not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to supply a minimum amount of laminate products and related upstream component materials or to provide drilling services to the Retained Group and the Retained Group will not be obligated to purchase any set quantity of laminate products or related upstream component materials or to utilize the drilling services offered by the Group during the term of the New Material Supply and Service Agreement.

Similar to the terms of the New Material Purchase Agreement, we notice that neither the price nor amount of products and services to be sold to Kingboard is pre-determined. Rather the price will be in accordance to the then-prevailing market prices, whereas the quantity is to be determined and agreed between the parties from time to time. Again, there is a clause attached in the agreement stating clearly that "in no event will the terms be more favorable to the Retained Group than those offered by the Group to independent third parties having regard to the quantity, quality and special specifications of the products and services ordered and other special circumstances". Under the same principle, we believe that the interest of the Company will be protected and the selling price will be fair to both parties under the New Material Supply and Service Agreement as the terms and conditions of each transaction will be determined by market force, which is an interaction of supply and demand of the product to be purchased at an open market economy.

Similarly, the management of the Company advised that the terms and conditions of the New Material Supply and Service Agreement were arrived at after arm's length negotiation between the relevant parties. Therefore, we opine that the New Material Supply and Service Agreement has been entered into in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable.

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2. *The proposed annual caps*

The proposed annual caps for the three financial years ending 31 December 2009, 2010 and 2011 are as follows:

	Financial year ended			
	31 December			
	2006	2007	2008	2008
Historical sales (HK\$'000)	1,318,758	1,633,401	1,658,922 (Note 1)	1,990,706 (Note 2)
Annual growth rate (%)	–	23.86	1.56	21.87
% of sales to historical annual caps	84.54	74.93	N/A	65.27
Historical annual caps (HK\$'000)	1,560,000	2,180,000	N/A	3,050,000

	Financial year ending		
	31 December		
	2009	2010	2011
Proposed annual caps (HK\$'000)	3,050,000	3,050,000	3,050,000
Annual growth rate (%)	0.00	0.00	0.00

Notes:

1. Actual amount for the ten months ended 31 October 2008.
2. Estimated figure by straight-line multiplication from the historical sales of ten months ended 31 October 2008.

We are advised by the management of the Company that the proposed annual caps for the New Material Supply and Service Agreement are estimated by the Directors with reference to:

- i. historical amount of sales from the Group to the Retained Group;
- ii. the unaudited amount of sale in the ten months ended 31 October 2008; and
- iii. the estimated demand for laminate products and related upstream component material and drilling services by the Retained Group for the years ending 31 December 2009, 2010 and 2011.

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To assess the fairness of the proposed annual caps under the New Material Supply and Service Agreement, we have conducted a similar analysis as the section headed "Proposed annual caps" of the New Material Purchase Agreement in the above. Thus the CAGR of the historical sales is calculated. Under the assumption that 2008 sales will amount to HK\$1,990,706,400 upon straight-line multiplication to the figure in ten months ended 31 October 2008, the CAGR of the sales to the Retained Group for the three financial years ended 31 December 2006, 2007 and 2008 is approximately 22.86%, which is substantially higher than the zero growth rate of the proposed annual caps.

We notice that the historical annual cap for the financial year ended 31 December 2007 was not fully utilized. The situation will most probably repeat again in the current financial year given the first ten months' figure. After enquiry, we are advised by the management of the Company that this is due to a slowing down of demand for laminate products and related upstream component materials and drilling services by the Retained Group. The management of the Company further revealed that another cause of the decline was due to a general decrease in selling price of product and services. Therefore, a more detailed analysis on historical sales price is conducted. The Chemicals, being raw materials for production of laminate products and related upstream component materials, are chemicals extracted from refinery of crude oil. As the price of crude oil has been a major factor for determination of the price of laminate products and related upstream component materials, we have taken a closer look on the historical crude oil price since 1 January 2008 and up to 31 December 2008. According to historical prices quoted on the New York Mercantile Exchange, the crude oil price has plunged from more than US\$140/barrel to the current level of around US\$40.0/barrel in the past six months, which is less than one third to the record high of US\$146.08/barrel quoted on 4 July 2008. As a result, market prices of laminate products and related upstream component materials has fallen by more than 20% since mid-2008. After such significant decline, the market expects the oil price to adjust upward to a more reasonable level in the coming financial year. Thus the management of the Company expects price of laminates products and related upstream component materials to increase accordingly.

Furthermore, if we assume the sales turns around after a bad year of 2008 and continue to grow at the CAGR of the sales to the Retained Group for the three financial years ended 31 December 2006, 2007 and 2008 at 22.86%, the projected amount of sales in 2009 will be approximately HK\$2,445,782,000, which already accounts for approximately 80.2% of the proposed 2009 annual cap of HK\$3,050,000,000. To cope with the highly volatile crude oil price in recent months and possible rebound in 2009, the management of the Company has imposed a slightly higher annual cap in 2009. Based on the same estimated growth rate, the proposed annual caps will be utilized and even be exceeded in financial years 2010 and 2011.

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Given the historically fluctuation in sales and the highly volatile oil price, we are in the view that an accurate estimation of future sales by the management of the Company is difficult. Therefore having a slightly higher proposed annual cap in 2009 is necessary, even though historically the caps were not fully utilized. To balance between the unexpected decrease in historical sales, potential future sales growth and a possible rebound in the oil price, the Directors proposed flat annual caps for the three financial years ending 31 December 2009, 2010 and 2011. Therefore we consider that the size of the proposed annual caps for the New Material Supply and Service Agreement are determined on a reasonable ground and are fair and reasonable.

C. The Second Supplemental Copper Foil Supply Agreement

1. Terms of the Second Supplemental Copper Foil Supply Agreement

After discussing the terms and conditions of the Second Supplemental Copper Foil Supply Agreement, the Supplemental Copper Foil Supply Agreement and the Original Copper Foil Supply Agreement with the management of the Company, we recognize that the Second Supplemental Copper Foil Supply Agreement is only an extension of the term of the Original Copper Foil Supply Agreement and a replica of the Supplemental Copper Foil Supply Agreement.

Similar to the terms and conditions of the New Material Purchase Agreement and New Material Supply and Service Agreement, the price and amount of products and services are not pre-determined. Rather, the price will be in accordance with the market prices. Furthermore, under the clause “in no event will the terms be more favorable to the Retained Group than those offered by the Group to independent third parties at relevant point of time (generally having regard to the quantity, quality and special specifications of the product ordered and other special circumstances)”, we believe that the interest of Kingboard Copper Foil and the Company will be protected.

Based on the above, we opine again that the Second Supplemental Copper Foil Supply Agreement has been entered into in the ordinary and usual course of business and on normal commercial terms and are fair and reasonable.

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2. *The proposed annual caps*

The proposed annual caps for the three financial years ending 31 December 2009, 2010 and 2011 are as follows:

	Financial year ended			
	2006	31 December		2008
		2007	2008	2008
Historical sales (HK\$'000)	396,218	448,982	337,442 (Note 1)	404,930 (Note 2)
Annual growth rate (%)	–	13.32	–24.84 (Note 1)	–9.81
Historical annual caps (HK\$'000)	400,000	560,000	N/A	784,000
% of sales to historical annual caps	99.05	80.18	N/A	51.65
		Financial year ending		
		31 December		
		2009	2010	2011
Proposed annual caps (HK\$'000)		784,000	784,000	784,000
Annual growth rate (%)		0.00	0.00	0.00

Notes:

1. Actual amount for the ten months ended 31 October 2008.
2. Estimated figure by straight-line multiplication from the historical sales of ten months ended 31 October 2008.

We are advised by the management of the Company that the proposed annual caps for the Second Supplemental Copper Foil Supply Agreement are estimated by the Directors with reference to:

- i. historical amount of sales from the Kingboard Copper Foil Group to the Retained Group;
- ii. the unaudited amount of sale in the ten months ended 31 October 2008; and
- iii. the estimated demand for copper foil by the Retained Group for the years ending 31 December 2009, 2010 and 2011.

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In formulating our advice regarding fairness of the size of the proposed annual caps on the Second Supplemental Copper Foil Supply Agreement, we have conducted analyses on (i) the historical trend of the amount of purchase by the Retained Group; and (ii) the price of copper metal since 1 January 2008 and up to 31 December 2008. Detailed discussion is set out in the sections hereunder.

(i) Historical trend of sales amount:

From the above table, we notice that the annual cap for the current financial year will probably not be fully utilized. This is mainly due to a slowing down in demand by the Retained Group for copper foil. A more detailed analysis of the historical sales of copper foil to the Retained Group has been done.

	Financial year ended 31 December						
	2003	2004	2005	2006	2007	2008 <i>(Note 1)</i>	2008 <i>(Note 2)</i>
Historical sales <i>(HK\$'000)</i>	9,000	22,100	167,200	396,218	448,982	337,442	404,930
Annual growth rate (%)	-	145.56	656.56	136.97	13.32	N/A	-9.81

Notes:

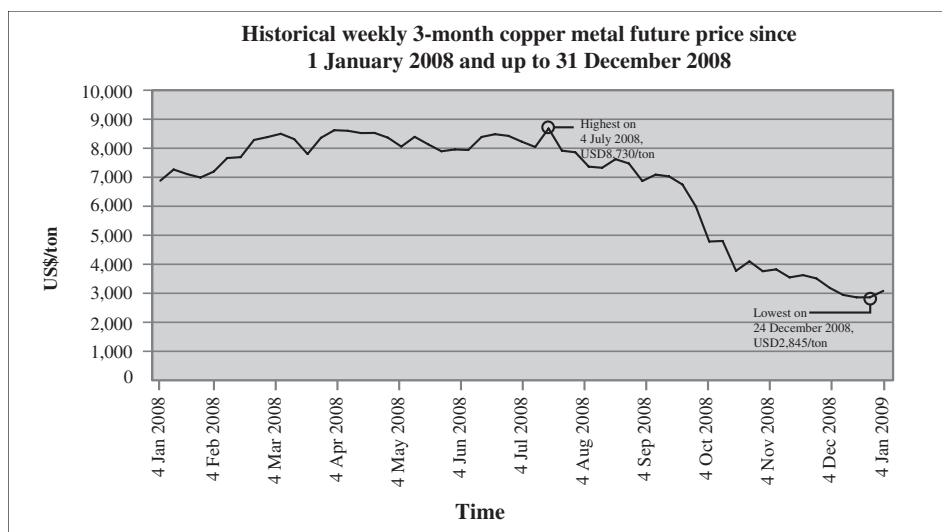
1. Actual amount for the ten months ended 31 October 2008.
2. These are estimated figures by straight-line multiplication from the historical sales of ten months ended 31 October 2008.

The table above lays out the historical sales of copper foil by Kingboard Copper Foil to the Retained Group since 2003. During the six years time, the sales figures more than doubled in 2004 and 2006 and in 2005, the sales increased to the greatest extent by more than six folds, while in 2007, a moderate growth rate was recorded. A decrease or level off of sales will most probably occur in financial year 2008. We further calculated the standard deviation, a statistical measurement of spread of data from the average value, of historical sales from 2003 to 2008. The standard deviation amounts to approximately HK\$200.7 million, which shows that the recorded sales have been volatile. Unlike the historical data of the Material Purchase Agreement and Material Supply and Service Agreement showing stable growth, the historical sales of copper foil to the Retained Group do not have a persistent pattern. Therefore, estimation of future sales has been difficult.

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(ii) Historical price of copper metal

The selling price of copper foil is positively correlated with the price of copper metal. That means the market price of copper foil fluctuates with the copper metal price. Because of such relationship, the price of copper metal has been one of the most important reference for determination of price of copper foil. We have conducted an analysis on historical copper price. The diagram shown below is a graph of 3-month copper metal future price quoted on the London Metal Exchange in US Dollar (“USD”) per ton from 1 January 2008 up to 31 December 2008, being the latest trading day in 2008.



Price of copper metal had been fluctuated between a band of more than USD7,000/ton to around USD8,500/ton during the period from early 2008 to mid 2008. The price climbed to its record high of USD8,730/ton on 4 July 2008. However, the upside trend cannot be sustained and has turned to its declining track since mid 2008. Thereafter, the copper metal price plunged significantly to lower than USD4,000/ton in less than a half year time. At the same time, market price of copper foil fell by half comparing to mid 2008. This is another reason for the deviation of the 2008 annual cap from its actual sales value.

Based on the above discussion, it is unlikely that the Directors have set a high cap intentionally. Rather, it was much to do with the increasing volatility of copper metal price since mid 2008 and the slowing down of demand of copper foil by the Retained Group. As the copper metal price recorded its historical low of USD2,845/ton on 24 December 2008, the market expected a rebound to a more reasonable level in 2009. Thus the Directors decide to maintain the annual cap of 2008 as the proposed annual cap for the coming years. The size of the proposed annual caps has taken into account the possible business growth in the future financial years and the unexpected price fluctuation of copper metal.

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Based on the foregoing, we consider that the Company has taken careful considerations in deciding the size of the annual caps under the Second Supplemental Copper Foil Supply Agreement and the size of which is fair and reasonable so far as the Independent Shareholders are concerned.

IV. OUR RECOMMENDATION

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

- i. the historical relationship between the Company, Kingboard Copper Foil Group and the Retained Group before the Company's listing on the Main Board of the Stock Exchange;
- ii. the background of entering into the New Agreements is for the purpose of replacing the Old Agreements to ensure smooth operation of the Group in the coming financial years;
- iii. the New Material Purchase Agreement and the New Material Supply and Service Agreement will enhance the revenue of the Group through sales;
- iv. the terms and conditions of the New Agreements are normal commercial terms and no less favorable to the Group than those offered to or by Independent Third Parties;
- v. the economic growth in the PRC in stimulating the demand for laminates and copper foil by the Retained Group;
- vi. the historical growth of the transaction figures between the relevant parties under the Old Agreements;
- vii. the size of the Proposed Annual Caps are determined by the Directors under a prudent approach and are fair and reasonable; and
- viii. other factors including the potential sales growth and price fluctuation effecting the future amount of sales from the Group and Kingboard Copper Foil Group to the Retained Group;

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we conclude that the terms of the Continuing Connected Transactions and the size of the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution be proposed at the EGM to approve the New Agreements and the Proposed Annual Caps.

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 Group. 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.

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 2007, being the date to which the latest published audited consolidated financial statements of the Group 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 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 are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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	801,500	0.026
Mr. Cheung Ka Ho	Beneficial owner	89,000	0.002

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Ms. Chan Sau Chi	Beneficial owner	60,000	0.002
Mr. Lo Ka Leong	Beneficial owner	100,000	0.003
Mr. Mok Yiu Keung, Peter (<i>Note</i>)	Beneficial owner	150,000	0.005

Note: The 150,000 Shares were held by his spouse.

- (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 (<i>Note</i>)
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 Kingboard (“Kingboard Shares”)

Name of Director	Capacity	Number of issued Kingboard Shares held	Approximate percentage of the issued share capital of Kingboard (%)
Mr. Cheung Kwok Wa	Beneficial owner	1,536,900	0.183
Mr. Cheung Kwok Keung	Beneficial owner	1,138,852	0.135
Mr. Cheung Kwok Ping	Beneficial owner	2,093,653	0.249
Mr. Lam Ka Po	Beneficial owner	1,214,734	0.144
Mr. Cheung Ka Ho	Beneficial owner	50,000	0.005
Ms. Chan Sau Chi	Beneficial owner	10,000	0.001

(iv) Share options of Kingboard

Name of Director	Capacity	Interest in underlying Kingboard Shares pursuant to share options of Kingboard
Mr. Cheung Kwok Wa	Beneficial owner	1,623,600
Mr. Cheung Kwok Keung	Beneficial owner	1,874,600
Mr. Cheung Kwok Ping	Beneficial owner	1,678,600
Mr. Lam Ka Po	Beneficial owner	1,874,600

- (v) Ordinary shares (“EEIC Shares”) of Elec & Eltek International Company Limited (“EEIC”), a fellow subsidiary of the Company

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC (%)
Mr. Cheung Kwok Wa	Beneficial owner	281,400	0.15

- (vi) Share options of EEIC

Name of Director	Capacity	Interest in underlying EEIC Shares pursuant to share options (Note)
Mr. Cheung Kwok Wa	Beneficial owner	973,200

Note: The interests were by virtue of an aggregate of 811,000 share options accepted by that Director on 24 June 2005. The number of share options were subsequently adjusted pursuant to the 1 for 5 bonus issue by EEIC effected on 13 October 2005. The relevant Director is entitled to subscribe for EEIC Shares at an adjusted exercise price of US\$2.033 per share. The share options are exercisable in whole or in part at a staggered manner within 5 option periods, commencing on 26 November 2006, 26 November 2007, 26 November 2008, 26 November 2009 and 26 March 2010 respectively, and all ending on 24 May 2010.

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 were required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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.

(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

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the Directors and chief executive of the Company, who has an interests or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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

Ordinary shares of HK\$0.10 each in the Company ("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 a controlled corporation	2,243,050,500	74.77
Kingboard	(c)	Beneficial owner	6,468,500	0.22
		Interest of a controlled corporation	2,236,582,000	74.55
Jamplan	(d)	Beneficial owner	2,175,000,000	72.50
		Interest of a controlled corporation	61,582,000	2.05

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 Kingboard directly and indirectly. As at the Latest Practicable Date, Kingboard was owned by Hallgain as to approximately 30.97% of the entire issued share capital of Kingboard.
- (c) The interests were held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of Kingboard. 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. Mr. Cheung Kwok Wa and Mr. 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 any 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 does 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 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

The Articles provides that at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of such meeting; or
- (b) at least five members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (c) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

8. 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 2007, the date of which the latest published audited consolidated financial statements of the Group were made up. No contract or arrangement in which a Director was materially interested and which was significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

9. 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.

10. 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) up to and including the date of the EGM:

- (a) the New Material Purchase Agreement;
- (b) the New Material Supply and Service Agreement;
- (c) the Original Copper Foil Supply Agreement;
- (d) the Supplemental Copper Foil Supply Agreement;
- (e) the Second Supplemental Copper Foil Supply Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;
- (g) 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 17 to 33 of this circular;
- (h) the written consent of Karl Thomson referred to in paragraph 6(c) above;
- (i) the service contracts entered into between the Directors and the Company;
and
- (j) the memorandum of association and the Articles of the Company.

NOTICE OF EGM

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 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 2 February 2009 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** the Continuing Connected Transactions and the Proposed Annual Caps (such terms shall have the meaning as defined in the circular to the shareholders of the Company dated 13 January 2009) 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
Tsoi Kin Lung
Company Secretary

Hong Kong, 13 January 2009

Head Office and Principal Place

of Business in Hong Kong

2/F, Harbour View 1

No. 12 Science Park East Avenue

Phase 2 Hong Kong Science Park

Shatin, New Territories

Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint any number of proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share in the issued share capital of the Company (“Share”), 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 in respect of such Share shall alone be entitled to vote in respect thereof.

NOTICE OF EGM

3. In order to be valid, the form of proxy, together with any of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney 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 or, in the case of poll taken subsequently to the date of the meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll.
4. As at the date of hereof, the Board 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.