

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 21 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Karl Thomson Financial Advisory Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 48 of this circular.

A notice convening the extraordinary general meeting 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 16 December 2013 at 9:30 a.m. is set out on pages 57 to 58 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 26/F., 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 meeting or any adjourned meeting should you so desire.

28 November 2013

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|-----------------|
| CONTENTS |
|-----------------|

| | <i>Page</i> |
|--|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | 5 |
| LETTER FROM THE INDEPENDENT BOARD COMMITTEE | 22 |
| LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER | 24 |
| APPENDIX — GENERAL INFORMATION | 49 |
| NOTICE OF EGM | 57 |

DEFINITIONS

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

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|--|---|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | 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” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “EGM” | an extraordinary general meeting to be held by the Company to approve, among other things, the New Continuing Connected Transaction Agreements and the Proposed Annual Caps contemplated thereunder |
| “Existing Annual Caps” | the annual caps for the Existing Continuing Connected Transaction Agreements |
| “Existing Continuing Connected Transaction Agreements” | the Existing Hallgain Agreements and the Existing KBC Agreements |
| “Existing Hallgain Agreements” | the Existing KBL/Hallgain Purchase Framework Agreement and Existing KBL/Hallgain Supply Framework Agreement |
| “Existing KBC Agreements” | the Existing KBL/KBC Materials Purchase Framework Agreement and Existing KBL/KBC Supply and Service Framework Agreement |
| “Existing KBL/Hallgain Purchase Framework Agreement” | the agreement dated 1 April 2011 entered into between the Company and Hallgain for the purchase of certain materials for the production of laminates, details of which were described in the joint announcement of the Company and KBC dated 1 April 2011 and the circular of the Company dated 26 April 2011, respectively |

DEFINITIONS

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| “Existing KBL/Hallgain Supply Framework Agreement” | the agreement dated 1 April 2011 entered into between the Company and Hallgain for the supply of copper and laminates, details of which were described in the joint announcement of the Company and KBC dated 1 April 2011 and the circular of the Company dated 26 April 2011, respectively |
| “Existing KBL/KBC Materials Purchase Framework Agreement” | the agreement dated 7 November 2011 entered into between KBC and the Company for the purchase of Chemicals by the Group from the KBC Group, details of which were disclosed in the announcement and the circular of the Company dated 7 November 2011 and 30 November 2011, respectively |
| “Existing KBL/KBC Supply and Service Framework Agreement” | the agreement dated 7 November 2011 entered into between KBC and the Company for the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBC Group, details of which were disclosed in the announcement and the circular of the Company dated 7 November 2011 and 30 November 2011, respectively |
| “Group” | the Company and its subsidiaries |
| “Hallgain” | Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Hallgain Agreements” | the New KBL/Hallgain Purchase Framework Agreement and the New KBL/Hallgain Supply Framework Agreement |
| “HKD” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board composed of all independent non-executive Directors, namely Mr Chan Yue Kwong, Michael, Mr Leung Tai Chiu, Mr Mok Yiu Keung, Peter and Mr Ip Shu Kwan, Stephen |

DEFINITIONS

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| “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)” | any Shareholder that is not required to abstain from voting at the EGM to approve the relevant resolution(s) |
| “KBC” | 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 |
| “KBC Agreements” | the New KBL/KBC Materials Purchase Framework Agreement and the New KBL/KBC Service and Supply Framework Agreement |
| “KBC Group” | KBC and its subsidiaries, excluding the Group |
| “Latest Practicable Date” | 25 November 2013, being the latest practicable date prior to the printing of this circular for the purpose of obtaining relevant information for inclusion herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “New Continuing Connected Transaction Agreements” | the Hallgain Agreements and the KBC Agreements |
| “New Continuing Connected Transactions” | the transactions contemplated in the New Continuing Connected Transaction Agreements |
| “New KBL/Hallgain Purchase Framework Agreement” | the agreement dated 5 November 2013 entered into between the Company and Hallgain in relation to the purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the Group for a term of three years from 1 January 2014 to 31 December 2016 |

DEFINITIONS

| | |
|--|--|
| “New KBL/Hallgain Supply Framework Agreement” | the agreement dated 5 November 2013 entered into between the Company and Hallgain in relation to the supply of copper and laminates by the Group to the Hallgain Group for a term of three years from 1 January 2014 to 31 December 2016 |
| “New KBL/KBC Materials Purchase Framework Agreement” | the agreement dated 5 November 2013 entered into between the Company and KBC for the purchase of Chemicals by the Group from the KBC Group for a term of three years from 1 January 2014 to 31 December 2016 |
| “New KBL/KBC Supply and Service Framework Agreement” | the agreement dated 5 November 2013 entered into between the Company and KBC for the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBC Group for a term of three years from 1 January 2014 to 31 December 2016 |
| “PCB(s)” | acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system |
| “Proposed Annual Caps” | the proposed annual caps for the New Continued Connected Transactions |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified, or supplemented from time to time |
| “Share(s)” | ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |



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
Mr Liu Min
Mr Zhou Pei Feng

Non-executive Director:

Mr Lo Ka Leong

Independent Non-executive Directors:

Mr Chan Yue Kwong, Michael
Mr Leung Tai Chiu
Mr Mok Yiu Keung, Peter
Mr Ip Shu Kwan, Stephen

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
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

28 November 2013

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the joint announcement dated 1 April 2011 and 13 April 2011 of the Company and KBC, the announcement of the Company dated 7 November 2011, and the circulars of the Company dated 26 April 2011 and 30 November 2011 in relation to the Existing Continuing Connected Transaction Agreements. Reference is also made to the joint announcement of the Company and KBC dated 5 November 2013 and the announcement of the Company dated 5 November 2013, in which it was announced that the Company and, as the case may be, KBC and Hallgain would like to renew the Existing Continuing Connected Transaction Agreements and the proposed annual caps thereof for the three years commencing on 1 January 2014 and ending on 31 December 2016. The Company proposes to seek the Independent Shareholders' approval for the New Continuing Connected Transaction Agreements and the Proposed Annual Caps contemplated thereunder.

LETTER FROM THE BOARD

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

B. HALLGAIN AGREEMENTS

New KBL/Hallgain Supply Framework Agreement

On 5 November 2013, the Company entered into a supply framework agreement with Hallgain (the “**New KBL/Hallgain Supply Framework Agreement**”) in relation to the supply of copper and laminates by the Group to the Hallgain Group. Details of the New KBL/Hallgain Supply Framework Agreement are set out below:

| | |
|------------------------|---|
| Date: | 5 November 2013 |
| Parties: | (1) Hallgain (2) the Company |
| Nature of transaction: | Pursuant to the New KBL/Hallgain Supply Framework Agreement, the Group agrees to supply copper and laminates to the Hallgain Group. |

The amount of copper and laminates to be supplied is not fixed but is to be determined and agreed between the parties from time to time. The Group will not be obligated to supply a minimum amount of copper and laminates to the Hallgain Group and the Hallgain Group will not be obligated to purchase any set quantity of copper and laminates from the Group during the term of the New KBL/Hallgain Supply Framework Agreement.

The actual quantity, specification and price (with reference to the prevailing market price) of the copper and laminates under the New KBL/Hallgain Supply Framework Agreement will be subject to the individual orders placed by the Hallgain Group with the Group.

LETTER FROM THE BOARD

Term: Three years from 1 January 2014 to 31 December 2016, both days inclusive.

Consideration: The price at which the materials are to be supplied will be 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. To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered to independent third party customers of similar products (based on similar amount and similar specifications). In particular, the relevant sales department of the Group will compare the selling price offered to different customers (both the Hallgain Group and the independent third party customers) in respect of a similar product (based on similar amount and similar specifications) to ensure consistency, and will also monitor the movement of market price from time to time.

The Group will grant a credit period of 90 days to the Hallgain Group. The consideration will be settled in cash.

New KBL/Hallgain Purchase Framework Agreement

On 5 November 2013, the Company entered into a purchase framework agreement with Hallgain (the “**New KBL/Hallgain Purchase Framework Agreement**”) in relation to the purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the Group. Details of the New KBL/Hallgain Purchase Framework Agreement are set out below:

Date: 5 November 2013

Parties: (1) Hallgain
(2) the Company

Nature of transaction: Pursuant to the New KBL/Hallgain Purchase Framework Agreement, the Group agrees to purchase certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group.

LETTER FROM THE BOARD

The amount of materials 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 materials from the Hallgain Group and the Hallgain Group will not be obligated to sell any set quantity of materials to the Group during the term of the New KBL/Hallgain Purchase Framework Agreement.

The actual quantity, specification and price (with reference to the prevailing market price) of materials such as drill bits and machineries under the New KBL/Hallgain Purchase Framework Agreement will be subject to the individual orders placed by the Group with the Hallgain Group.

Term: Three years from 1 January 2014 to 31 December 2016, both days inclusive.

Consideration: The price at which the materials are to be purchased will be 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. To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered by independent third party suppliers of similar materials (based on similar amount and similar specifications). In particular, the relevant purchasing department of the Group will obtain quotations from different suppliers (both the Hallgain Group and the independent third party suppliers) and monitor the movement of market price from time to time.

The Hallgain Group will grant a credit period of 60 days to the Group. The consideration will be settled in cash.

LETTER FROM THE BOARD

Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps and Proposed Annual Caps under each of the following agreements: (i) the Existing KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Supply Framework Agreement; and (ii) the Existing KBL/Hallgain Purchase Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement.

| | Nine months ended 31 December 2011 | | Year ended 31 December 2012 | | Year ending 31 December 2013 | | Year ending 31 December 2014 | Year ending 31 December 2015 | Year ending 31 December 2016 | |
|--|---------------------------------------|------------------|--------------------------------|------------------|---------------------------------|--|--|---------------------------------------|---------------------------------------|-------------------------------------|
| | Annual cap (HKD'000) | Actual amount | Annual cap (HKD'000) | Actual amount | Annual cap (HKD'000) | Actual amount (up to 30 September 2013) (HKD'000) | Estimated amount (up to 31 December 2013) (HKD'000) | Proposed annual cap (HKD'000) | Proposed annual cap (HKD'000) | Proposed annual cap (HKD'000) |
| (i) The Existing KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Supply Framework Agreement | 901,000 | 789,255 | 1,502,000 | 980,479 | 1,878,000 | 653,087 | 870,783 | 1,200,000 | 1,320,000 | 1,452,000 |
| (ii) The Existing KBL/Hallgain Purchase Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement | 168,000 | 163,446 | 280,000 | 160,931 | 350,000 | 173,063 | 230,750 | 335,000 | 486,000 | 705,000 |

New KBL/Hallgain Supply Framework Agreement

The Proposed Annual Caps under the New KBL/Hallgain Supply Framework Agreement were determined with reference to the internal projection of the transactions to be made having regard to (i) the historical amount of supply of copper and laminates by the Group to the Hallgain Group; (ii) the anticipated growth in demand of such materials; (iii) the anticipated increase in market price of such materials; and (iv) inflation. The Proposed Annual Cap for 2014 of HK\$1,200,000,000 represents an increment of approximately 37.81% on the estimated sales amount for 2013. As advised by the Hallgain Group, the Hallgain Group proposed to increase the production lines for the PCB production plants in 2014. On this basis, the Group expects that the demand of laminates from the Hallgain Group for its increased PCB production will be increased substantially in 2014 accordingly. In order to meet the potential increase in sales of laminates to the Hallgain Group, the Group proposes a larger annual cap for 2014. The Group also expects that, after the increase in production capacity in 2014, the Hallgain Group's demand on laminates and copper will be stabilised in 2015 and 2016, and therefore a lower growth rate of 10% is adopted in the calculation of the proposed annual caps for 2015 and 2016. The Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps for the New KBL/Hallgain Supply Framework Agreement are fair and reasonable.

LETTER FROM THE BOARD

New KBL/Hallgain Purchase Framework Agreement

The actual amount for 2012 represents a slight decrease of 5.77% as compared to the figure in 2011. Such decrease was attributable to the European financial crisis and the slow US economic recovery, which dampened the demand for laminates. In the first half of 2013, the market demand on the laminates had a sign of rebound which boosted the purchase amount of drill bits and machineries by the Group from the Hallgain Group. For the nine months ended 30 September 2013, the purchase amount has reached approximately HK\$173,063,000, which has already exceeded the annual purchase amount of the previous year. The total purchase amount for the year ending 31 December 2013 is estimated to be approximately HK\$230,750,000 by annualising the purchase amount for the nine months ended 30 September 2013. Based on the annualised sale for 2013 and the actual purchase amount for 2012, the annual growth rate for 2013 is approximately 43.38%. The proposed annual cap for 2014 of HK\$335,000,000 represents a growth rate of approximately 45.18% over the annualised sales for 2013. The reason for retaining such a large annual cap for 2014 is to allow for the expected increase in demand on drill bits and machinery due to the expansion on production capacity of the laminates plants. As disclosed in the interim report of the Company for the six months ended 30 June 2013, the Group had focused on optimising the product mix by expanding its production capacities in the production of thin and high performance laminates. During the first half of 2013, the trial production of the laminate plant in Jiangmen has been completed. In addition, the laminate plant in Jiangyin will continue to expand its production capacity in the coming years. It is expected that all these production expansion plans will increase the overall consumption of drill bits and machinery by the Group. As advised by the Hallgain Group, the Hallgain Group is currently expanding the factory for manufacturing of the machineries in the PRC. As the expansion of new and current production lines could increase the production capacity on machinery, the Hallgain Group will have the ability to support a greater demand of machinery by the Group. Furthermore, since the technology applied to machinery manufacturing of the Hallgain Group has become mature, more machineries with improved quality and efficiency will be produced with the specifications and models fitting the requirements of the KBL Group. Therefore, it is expected that more machineries will be purchased from the Hallgain Group by the Group to meet the KBL Group's business expansion plan. Taking into account the above, the Group has applied an annual growth rate of 45% in calculating the proposed annual caps for 2014, 2015 and 2016. The Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps for the New KBL/Hallgain Purchase Framework Agreement are fair and reasonable.

Reasons for and benefits of entering into the Hallgain Agreements

The Group is engaged in, among other things, the manufacturing and sale of laminates and related products and the provision of drilling services of laminates, which require materials such as drill bits and specific machineries as a component for its production. The Hallgain Group is engaged in, among other things, the manufacturing and sale of copper balls, drill bits and machineries.

LETTER FROM THE BOARD

The provision of copper and laminates by the Group to the Hallgain Group under the New KBL/Hallgain Supply Framework Agreement not only facilitates the Group to distribute and sell its copper and laminates, thereby increasing the sales and revenue of the Group, it also secures a steady supply of copper and laminates to the Hallgain Group. The Group considers that the Hallgain Group is a reliable business co-operation partner and such co-operation is beneficial to the business of the Group.

The Group has been continuously expanding its laminates business. The Group anticipates that more materials such as drill bits and machineries for the manufacture of laminates will be required for it to further expand its business. Taking into account a range of factors including the reduction in transportation costs, the quality and the price of the machineries manufactured by the Hallgain Group for the production of laminates, the Group considers that the purchase of materials such as drill bits and machineries under the New KBL/Hallgain Purchase Framework Agreement is necessary to facilitate its expansion plan and will improve the competitiveness and the quality of the laminates manufactured by the Group.

The supply of copper and laminates and purchases of drill bits and machineries contemplated under the respective agreements are to be of a recurrent revenue nature to be occurred on a regular and continuing basis in the ordinary and usual course of business of the Group. The agreements provide a framework for the supplies of copper and laminates by the Group to the Hallgain Group from time to time on a non-exclusive basis and the purchase of materials such as drill bits and machineries by the Group from the Hallgain Group from time to time on a non-exclusive basis and regulate the future possible business relationship between the Group and the Hallgain Group in relation to the transactions under the agreements.

In negotiating and determining the pricing terms of each of the subject transactions under the Hallgain Agreements, in order to ensure that the pricing terms are on normal commercial terms and in the interest of the Company and Independent Shareholders as a whole, the general principle is that the Group shall consider the prices offered by independent third party suppliers or to independent third party customers (as the case may be) of similar products (based on similar amount and similar specifications) in arriving at the pricing terms with the Hallgain Group after arm's length negotiations. In particular, as part of the internal control procedures, the relevant purchasing department and sales department (as the case may be) shall obtain quotations from independent third party suppliers or compare prices offered to independent third party customers (as the case may be) in determining the pricing terms with the Hallgain Group from time to time.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Hallgain Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the agreements were arrived at after arm's length negotiation between the parties.

LETTER FROM THE BOARD

C. KBC AGREEMENTS

New KBL/KBC Materials Purchase Framework Agreement

On 5 November 2013, KBC entered into the New KBL/KBC Materials Purchase Framework Agreement with the Company in relation to the purchase of Chemicals by the Group from the KBC Group. Details of the New KBL/KBC Materials Purchase Framework Agreement are set out below:

| | |
|------------------------|---|
| Date: | 5 November 2013 |
| Parties: | (1) KBC (2) the Company |
| Nature of transaction: | The Group will purchase Chemicals from the KBC Group. The amount of Chemicals 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 materials from the KBC Group and the KBC Group will not be obligated to sell any set quantity of Chemicals to the Group during the term of the New KBL/KBC Materials Purchase Framework Agreement. The actual quantity, specification and price (with reference to the prevailing market price) of Chemicals under the New KBL/KBC Materials Purchase Framework Agreement will be subject to the individual orders placed by the Group with the KBC Group. |
| Term: | Three years from 1 January 2014 to 31 December 2016, both days inclusive. |

LETTER FROM THE BOARD

Consideration: The price at which the Chemicals are to be purchased will be 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 Chemicals from independent third parties having regard to the quantity and other conditions of the purchase. To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered by independent third party suppliers of similar Chemicals (based on similar amount and similar specifications). In particular, the relevant purchasing department of the Group will obtain quotations from different suppliers (both the KBC Group and the independent third party suppliers) and will also monitor the movement of market price from time to time.

The KBC Group will grant a credit period of 30 days to the Group. The consideration will be settled in cash.

Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps (including, for the purpose of the table below, the annual cap for the year ended 31 December 2011) in relation to the amounts payable by the Group to the KBC Group under the Existing KBL/KBC Materials Purchase Framework Agreement (and, for the year ended 31 December 2011, the relevant preceding agreement) and the Proposed Annual Caps under the New KBL/KBC Materials Purchase Framework Agreement.

| Year ended 31 December 2011 | | Year ended 31 December 2012 | | Year ending 31 December 2013 | | | Year ending 31 December 2014 | Year ending 31 December 2015 | Year ending 31 December 2016 |
|--------------------------------|------------------|--------------------------------|------------------|------------------------------|--|--|---------------------------------------|---------------------------------------|---------------------------------------|
| Annual cap (HKD'000) | Actual amount | Annual cap (HKD'000) | Actual amount | Annual cap (HKD'000) | Actual amount (up to 30 September 2013) (HKD'000) | Estimated amount (up to 31 December 2013) (HKD'000) | Proposed annual cap (HKD'000) | Proposed annual cap (HKD'000) | Proposed annual cap (HKD'000) |
| 768,320 ¹ | 728,941 | 999,000 | 841,381 | 1,298,000 | 812,771 | 1,083,695 | 1,428,000 ² | 1,571,000 | 1,728,000 |

LETTER FROM THE BOARD

Notes:

1. As disclosed in the announcements of the Company dated 16 December 2008 and 7 November 2011.
2. The annual cap for the financial year ending 31 December 2014 under the Existing KBL/KBC Materials Purchase Framework Agreement is HKD1,688,000,000 which, upon the Independent Shareholders' approval at the EGM, will be superseded by the Proposed Annual Cap under the New KBL/KBC Materials Purchase Framework Agreement for the financial year ending 31 December 2014, namely HKD1,428,000,000. Please see the section headed "Reasons for and benefits of entering into the KBC Agreements" for the reason in seeking the annual cap for the financial year ending 31 December 2014.

The Proposed Annual Caps under the New KBL/KBC Materials Purchase Framework Agreement were determined with reference to the internal projection of the purchases to be incurred having regard to (i) the historical amount of purchase of the Chemicals by the Group from the KBC Group; (ii) the anticipated demand on the Chemicals by the Group for the three financial years ending 31 December 2016; (iii) the anticipated increase in market price of the Chemicals; and (iv) inflation. Under the New KBL/KBC Materials Purchase Framework Agreement, the proposed annual caps were determined by the Company under the assumption that there will be an annual increase of approximately 10% in respect of the purchase of Chemicals from the KBC Group. Based on the historical transaction records, the purchase of Chemicals from the KBC Group has been increasing since 2006. However, the annual growth in purchase has been softened for the recent year. In particular, the growth rate has been substantially dropped from 45% to 15% in 2012 due to the decrease in demand of laminates as a result of the impact brought by the US financial crisis. Regarding the purchase amount of Chemicals for 2013, the annual purchase was estimated by annualising the purchase amount during the nine months ended 30 September 2013. The annualized purchase of approximately HK\$1,083,695,000 represents an annual growth rate of 28.80% over the actual purchase amount of the previous year. In view of the slower pace of the purchase growth, the annual cap for the financial year ending 31 December 2014 has been adjusted from HK\$1,688,000,000 to HK\$1,428,000,000. The proposed annual caps for 2014 represents an increment of approximately 10% over the annual cap of the previous year. The Company expects that the purchase amount of Chemical from the KBC Group for the coming three financial years to be relatively stable. The Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps under the New KBL/KBC Materials Purchase Framework Agreement are fair and reasonable.

LETTER FROM THE BOARD

New KBL/KBC Supply and Service Framework Agreement

On 5 November 2013, KBC entered into the New KBL/KBC Supply and Service Framework Agreement with the Company in relation to the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBC Group. Details of the New KBL/KBC Supply and Service Framework Agreement are set out below:

Date: 5 November 2013

Parties: (1) KBC
(2) the Company

Nature of transaction: The Group will supply laminates and related upstream component materials and provide drilling services to the KBC Group.

The amount of laminates and related upstream component materials to be supplied 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 KBC Group and the KBC Group will not be obligated to purchase any set quantity of laminates and related upstream component materials or to provide drilling services from the Group during the term of the New KBL/KBC Supply and Service Framework Agreement.

The actual quantity, specification and price (with reference to the prevailing market price) of laminates and related upstream component materials and the drilling services to be provided under the New KBL/KBC Supply and Service Framework Agreement will be subject to the individual orders placed by the KBC Group with the Group.

Term: Three years from 1 January 2014 to 31 December 2016, both days inclusive.

LETTER FROM THE BOARD

Consideration: The materials will be supplied and drilling services will be provided at the then-prevailing market prices, but in no event will the terms be more favourable to the KBC Group than the prices at which the Group sells similar materials or provide similar services to independent third parties having regard to the quantity and other conditions of the sale and services. To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered to independent third party customers of similar products or services (based on similar amount and similar specifications). In particular, the relevant sales department of the KBL Group will compare the selling price offered to different customers (both the KBC Group and the independent third party customers) in respect of a similar product or service (based on similar amount and similar specifications) to ensure consistency, and will also monitor the movement of market price from time to time.

The Group will grant a credit period of 90 days to the KBC Group. The consideration will be settled in cash.

Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps (including, for the purpose of the table below, the annual cap for the year ended 31 December 2011) and Proposed Annual Caps in relation to the amounts payable by the KBC Group to the Group under the Existing KBL/KBC Supply and Service Framework Agreement (and, for the year ended 31 December 2011, the relevant preceding agreements) and the New KBL/KBC Supply and Service Framework Agreement:

| Year ended 31 December 2011 | | Year ended 31 December 2012 | | Year ending 31 December 2013 | | | Year ending 31 December 2014 | Year ending 31 December 2015 | Year ending 31 December 2016 |
|--------------------------------|------------------|--------------------------------|------------------|------------------------------|--|--|---------------------------------------|---------------------------------------|---------------------------------------|
| Annual cap (HKD'000) | Actual amount | Annual cap (HKD'000) | Actual amount | Annual cap (HKD'000) | Actual amount (up to 30 September 2013) (HKD'000) | Estimated amount (up to 31 December 2013) (HKD'000) | Proposed annual cap (HKD'000) | Proposed annual cap (HKD'000) | Proposed annual cap (HKD'000) |
| 3,834,000 ¹ | 2,026,694 | 3,000,000 | 1,618,568 | 3,000,000 | 1,217,874 | 1,623,832 | 2,400,000 ² | 2,400,000 | 2,400,000 |

LETTER FROM THE BOARD

Notes:

1. As disclosed in the announcements of the Company dated 16 December 2008 and 7 November 2011.
2. The annual cap for the financial year ending 31 December 2014 under the Existing KBL/KBC Supply and Service Framework Agreement is HKD3,000,000,000 which, upon the Independent Shareholders' approval at the EGM, will be superseded by the Proposed Annual Cap under the New KBL/KBC Supply and Service Framework Agreement for the financial year ending 31 December 2014, namely HKD2,400,000,000. Please see the section headed "Reasons for and benefits of entering into the KBC Agreements" for the reason in seeking the annual cap for the financial year ending 31 December 2014.

The Proposed Annual Caps under the New KBL/KBC Supply and Service Framework Agreement were determined with reference to the internal projection of the transactions to be made having regard to (i) the historical transaction amount of sales to the KBC Group; (ii) the anticipated demand for the laminate and related upstream component materials and drilling services by the KBC Group for the three financial years ending 31 December 2016; (iii) the anticipated increase in market price of the goods and services; and (iv) inflation. The historical sales to KBC Group has been volatile of which the annual growth rate fluctuates from -21.78% to 23.31%. The average sales amount to the KBC Group for the previous seven year is approximately HK\$2,000,000,000. The total sales amount for the financial year ending 31 December 2013 is estimated as to approximately HK\$1,623,832,000 based on the actual amount recorded in the previous nine months. The estimated sales for 2013 is similar to the actual sales to the KBC Group in the previous year. The steadied sales for 2013 was mainly due to the softened demand for PCB used in the conventional electronic products. As a result, the demand on the laminates from KBC has become stabilised. The proposed annual cap of HK\$2,400,000,000 represent a buffer of 20% on the seven years' average sales of approximately HK\$2,000,000,000. The Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps for the New KBL/KBC Supply and Service Framework Agreement are fair and reasonable.

Reasons for and benefits of entering into the KBC Agreements

The Group is engaged in, among other things, the manufacturing and sale of laminates and related products, which require materials such as the Chemicals for its production, and also in the provision of drilling services of laminates.

The New KBL/KBC Supply and Service Framework Agreement provides flexibility for the Group to supply laminates and related upstream component materials and provide drilling services to the KBC Group. While the Group does not rely on the KBC Group for the sale of laminates and related upstream component materials and provision of drilling services, given that the Group has established a close working relationship with the KBC Group, the Company believes that transactions under the New KBL/KBC Supply and Service Agreement will enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Group has to purchase materials such as the Chemicals for the production of laminates. The purchase of the Chemicals by the Group from the KBC Group under the New KBL/KBC Materials Purchase Framework Agreement secures a steady supply of the materials from the KBC Group, which facilitates the Group's production of laminates. Although the Group does not rely on the KBC Group for the purchase of Chemicals since such Chemicals are readily available from independent third parties at comparable prices and terms, the purchase of Chemicals from the KBC Group allows the Group to benefit from the economies of scale of the KBC Group. Further, the Group considers that the KBC Group is a reliable business co-operation partner and such co-operation is beneficial to the business of the KBC Group.

The Group has been continuously expanding its laminates business. The Group anticipates that more materials such as the Chemicals for the manufacture of laminates will be required for it to further expand its business. Taking into account a range of factors including the reduction in transportation costs, the quality and the price of the Chemicals supplied by the KBC Group for the production of laminates, the Group considers that the purchase of materials under the New KBL/KBC Materials Purchase Framework Agreement is necessary to facilitate its expansion plan and will improve the competitiveness and the quality of the laminates manufactured by the Group.

The transactions contemplated under the KBC Agreements are to be of a recurrent revenue nature to be occurred on a regular and continuing basis in the ordinary and usual course of business of the Group. The KBC Agreements provide a framework for purchases and supplies (as the case may be) from time to time on a non-exclusive basis and regulate the business relationship among the Group and the KBC Group in relation to the transactions thereunder.

In negotiating and determining the pricing terms of each of the subject transactions under the KBC Agreements, in order to ensure that the pricing terms are on normal commercial terms and in the interest of the Company and Independent Shareholders as a whole, the general principle is that the Group shall consider the prices offered by independent third party suppliers or to independent third party customers (as the case may be) of similar products (based on similar amount and similar specifications) in arriving at the pricing terms with the KBC Group after arm's length negotiations. In particular, as part of the internal control procedures, the relevant purchasing department and sales department (as the case may be) shall obtain quotations from independent third party suppliers or compare prices offered to independent third party customers of similar products (as the case may be) in determining the pricing terms with the KBC Group from time to time.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the KBC Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the agreements were arrived at after arm's length negotiation between the parties.

LETTER FROM THE BOARD

The term of, and the proposed annual caps for, the Hallgain Agreements will cover the three financial years from 1 January 2014 to 31 December 2016. Although the term of the Existing Agreements is up to 31 December 2014, to facilitate the Company's management of the various continuing connected transactions and for the Shareholders' ease of understanding of such transactions, the Company is aligning the respective term and period covered by the proposed annual caps for the KBC Agreements and the Hallgain Agreements.

D. LISTING RULES IMPLICATIONS

KBC, directly or indirectly, owns approximately 73.35% of the issued share capital of the Company and therefore KBC is a connected person of the Company. Hallgain owns approximately 34.86% of the issued share capital of KBC and is also a connected person of the Company. Accordingly, the transactions contemplated in the New Continuing Connected Transaction Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the amount on an annual basis under each of the New Continuing Connected Transaction Agreements, for each of the three years ending 31 December 2014, 2015 and 2016 is/are equal to or greater than 5%, the New Continuing Connected Transactions are subject to compliance with the annual review, reporting, announcement and independent shareholders' approval requirements by the Company under Rule 14A.35 of the Listing Rules.

The following Directors have abstained from voting at the Board meeting approving the New Continuing Connected Transaction Agreements and the Proposed Annual Caps as they are shareholders of KBC and (except for Mr Cheung Ka Ho) directors and/or shareholders of Hallgain: (i) Mr Cheung Kwok Wa; (ii) Mr Cheung Kwok Keung; (iii) Mr Cheung Kwok Ping; (iv) Mr Lam Ka Po; and (v) Mr Cheung Ka Ho.

Any connected person with a material interest in the New Continuing Connected Transactions, and any Shareholder who has a material interest in the New Continuing Connected Transactions and its associates will be required to abstain from voting at the EGM. Hallgain, KBC and their respective associates will be required to abstain from voting at the EGM. As at the Latest Practicable Date, Mr Cheung Kwok Wa and Mr Cheung Ka Ho, directly and, as the case may be, through spouse's interest, were interested in approximately 0.30% and 0.003% of the issued share capital of the Company, respectively. Each of them and their respective associates will not vote at the EGM.

E. GENERAL

The Group

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of laminates and related upstream component materials.

LETTER FROM THE BOARD

The KBC Group

KBC is an investment holding company. The KBC Group is principally engaged in the manufacture and sale of, among other things, PCBs, chemicals, liquid crystal displays and magnetic products, and property development and investment.

The Hallgain Group

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

F. EGM

A notice convening the EGM is set out on pages 57 to 58 of this circular. Ordinary resolutions in respect of the New 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 26/F., 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.

G. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendations to the Independent Shareholders on the New Continuing Connected Transactions and the Proposed Annual Caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 24 to 48 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the Proposed Annual Caps.

The Directors (including the independent non-executive Directors) are of the view that the New Continuing Connected Transactions are 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. Therefore, the Directors recommend that the Independent Shareholders to vote in favour of the ordinary resolutions to approve the New Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

LETTER FROM THE BOARD

H. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the appendix on pages 49 to 56 of this circular.

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



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)

28 November 2013

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 28 November 2013 (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 Continuing Connected Transactions Agreements, and the Proposed Annual Caps are fair and reasonable so far as the interests of the Company and 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 21 of the Circular, which sets out information in connection with the New 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 New Continuing Connected Transactions and the Proposed Annual Caps as set out on pages 24 to 48 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 the Independent Financial Adviser, we, the Independent Board Committee, consider that the terms of the New Continuing Connected Transactions are 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 Group and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the New Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Chan Yue Kwong, Michael, *Independent non-executive Director*

Leung Tai Chiu, *Independent non-executive Director*

Mok Yiu Keung, Peter, *Independent non-executive Director*

Ip Shu Kwan, Stephen, *Independent non-executive Director*

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

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



Karl Thomson Financial Advisory Limited

27/F, Fortis Tower,
77-79 Gloucester Road,
Wanchai, Hong Kong

28 November 2013

*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 terms of the continuing connected transactions contemplated under (i) the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement between the Company and Hallgain Management Limited and (ii) the New KBL/KBC Materials Purchase Framework Agreement and the New KBL/KBC Supply and Service Framework Agreement between the Company and Kingboard Chemical Holdings Limited (the “**Continuing Connected Transactions**”) and the sizes of the proposed annual caps for each of the Continuing Connected Transactions for the financial years ending 31 December 2014, 2015 and 2016 (the “**Proposed Annual Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 28 November 2013 (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.

On 5 November 2013, the Company entered into the New KBL/Hallgain Purchase Framework Agreement and the New KBL/Hallgain Supply Framework Agreement with Hallgain. Pursuant to the New KBL/Hallgain Purchase Framework Agreement, the Group will purchase materials for the production of laminates such as drill bits and machineries from the Hallgain Group; whereas for the New KBL/Hallgain Supply Framework Agreement, the Group will supply copper and laminates to the Hallgain Group. Hallgain,

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

by virtue of its 34.86% shareholding in KBC, is a substantial shareholder of KBC while the Company is a non-wholly owned subsidiary of KBC. Accordingly, Hallgain is a connected person of the Company. According to Chapter 14A of Listing Rules, the transactions between the Group and the Hallgain Group have constituted continuing connected transactions of the Company.

On the same date as the New Hallgain Agreements, the Company has entered into the New KBL/KBC Materials Purchase Framework Agreement and the New KBL/KBC Supply and Service Framework Agreement with KBC respectively. Pursuant to the New KBL/KBC Materials Purchase Framework Agreement, the Group will purchase Chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda from the KBC Group whereas for the New KBL/KBC Supply and Service Framework Agreement, the Group will supply laminates and related upstream component materials and provide drilling services to the KBC Group. KBC, being the ultimate holding company of the Company, owns, directly or indirectly, 73.35% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, KBC is a connected person of the Company as defined under the Listing Rules. Any transactions between the Group and the KBC Group, as a result, will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Proposed Annual Caps for each of the Continuing Connected Transactions on an annual basis exceeds 5% and the annual consideration is more than HK\$10,000,000, the Continuing Connected Transactions 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 Chapter 14A of the Listings Rules.

Any connected person with a material interest in the New Continuing Connected Transactions, and any Shareholder who has a material interest in the New Continuing Connected Transactions and its associates will be required to abstain from voting at the EGM. Hallgain, KBC and their respective associates will be required to abstain from voting at the EGM. As at the Latest Practicable Date, Mr. Cheung Kwok Wa and Mr. Cheung Ka Ho, directly and, as the case may be, through spouse's interest, were interested in approximately 0.30% and 0.003% of the issued share capital of the Company, respectively. Each of them and their respective associates will not vote at the EGM.

An independent board committee has been established to advise Independent Shareholders as to whether the terms of the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable, and are in the interest of the Company and the Independent Shareholders as a whole. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in this regard.

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.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

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 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 are reasonably 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.

BACKGROUND INFORMATION

The Group is principally engaged in the production and sale of laminates and related upstream component materials. Laminates are used in the production of PCBs which in turn are used in the production of a wide variety of electronic products. KBC, being the ultimate holding company of the Company, is principally engaged in the business of production and sale of PCBs and chemicals and property development and investment. Against this background, the KBC Group has been providing and will continue to provide chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda to the Group. Such chemicals are essential for the production of laminates and related upstream components by the Group. In return, the Group has been providing and will continue to provide the laminates products and related upstream component materials and provision of drilling services to the KBC Group.

Hallgain and its subsidiaries are principally engaged in, among other things, the manufacture and sale of copper balls, drill bits and machineries. The Group has been making purchase from and sales to the Hallgain Group since 2010.

As stated in the annual report of the Company for the financial year ended 31 December 2012, the sale of laminates was affected by the decrease in demand for the electronic products due to slow global economy recovery. Besides, there was a downward adjustment on the average selling price for laminates caused by the decline in copper price. Therefore, the revenue generated from the laminates operation of the Group in 2012 has decreased from HK\$13,205 million to HK\$12,409 million, representing a decrease of 6.03% in comparison to the preceding year.

The Group has been continuously expanding its laminates business by investing in production capacity expansion. The construction for the Jiangmen laminates plant has been completed and the current monthly production capacity of the KB Group has reached 10 million square meters. In order to capture higher market share for the thin and high performance laminates, the Group plans to further expand the production capacity of Jiangyin laminates in the current year.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. Continuing Connected Transactions with the Hallgain Group

(i) Reasons and benefit of entering into the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement with the Hallgain Group

The Group has been making purchase from and sales to the Hallgain Group since 2010. As advised by the management of the Company, as a result of the established business relationship between the Group and the Hallgain Group, they are both familiar with each other's standards and specifications on the goods and services. In view of the business expansion plans of the Group, it is expected that the overall consumption of drill bits and machinery by the Company will be increase accordingly. By entering into New KBL/Hallgain Purchase Framework Agreement, the Company can secure a continuing and reliable supply of drill bits and machineries with a prescribed standard of quality. On the other hand, the turnover of the Group could be further increased by selling laminates and copper to the Hallgain Group under the New KBL/Hallgain Supply Framework Agreement. We are further advised that the principal business of Hallgain Group is carried out in the PRC, where the Group existing production plants are situated. By making the purchase from and sales to the Hallgain Group, the Group can take advantage of the close proximity of the Hallgain Group so as to lower the logistics and transportation costs.

Given the Existing KBL/Hallgain Supply Framework Agreement and the Existing KBL/Hallgain Purchase Framework Agreement will expire on 31 December 2013 and shall subject to renewal, the company has proposed to enter into the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement with the Hallgain Group for term of three years up to 31 December 2016. The Directors have confirmed that the transactions contemplated under the respective agreements are of a recurrent nature and will be carried out on a regular and continuing basis in the ordinary and usual course of business of the Group and the agreements are only to provide framework for the supplies and purchases from time to time on a non-exclusive basis.

In light of the above, we are of the view that the entering into of the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement are in the interests of the Group and the Shareholders as a whole.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

(ii) Terms of the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement

(a) Key terms of the New KBL/Hallgain Supply Framework Agreement are summarized as below:

- Date : 5 November 2013
- Parties : (1) Hallgain
(2) the Company
- Products to be supplied : supply of copper and laminates by the Group to the Hallgain Group, without any limitation on the maximum and minimum quantity of copper and laminates to be purchased by the Hallgain Group
- Pricing : at a price which is no more favourable to the Hallgain Group than the price at which the Group sells similar products to independent third parties having regard to the quantity and other conditions of the sale
- Term : from 1 January 2014 to 31 December 2016, both days inclusive

(b) The key terms of the New KBL/Hallgain Purchase Framework Agreement are summarized as below:

- Date : 5 November 2013
- Parties : (1) the Company
(2) Hallgain
- Products to be purchased : purchase of certain materials for the production of laminates such as drill bits and machineries from the Hallgain Group by the Group, without any limitation on the maximum or minimum quantity of materials to be purchased by the Group

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

- Pricing : at a price which is not less favorable 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 January 2014 to 31 December 2016, both days inclusive

Pursuant to the terms of the New KBL/Hallgain Purchase Framework Agreement, the amount of materials to be purchased by the Company is not fixed and it is to be determined and agreed between the parties from time to time. As advised by the management of the Company, the Group does not exclusively rely on the Hallgain Group for the supply of drill bits and machineries. Therefore, the Group is free to select other materials supplier to allow a great room for price negotiation. And similarly, there is no limitation on the quantity of copper and laminates to be supplied by the Group to the Hallgain Group under the New KBL/Hallgain Supply Framework Agreement. The actual quantity, specification and price of the materials will be determined and agreed between the parties from time to time.

Regarding the pricing mechanism, the price at which the materials to be purchased in each transaction under the New KBL/Hallgain Purchase Framework Agreement is agreed to 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”*; and similarly, price of each transactions under the New KBL/Hallgain Supply Framework Agreement will be *“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”*. Since the price of products to be purchased and sold by the Group will be set with reference to the prevailing market price, we are of the view that the pricing terms of the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement are fair and reasonable.

For the purpose of this letter of advice, we have reviewed records of historical transactions contemplated under the Existing KBL/Hallgain Supply Framework Agreement and the Existing KBL/Hallgain Purchase Framework Agreement during the twelve months ended September 2013 (the **“Period under Review”**).

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Regarding the transactions on supply of copper by the Group to the Hallgain Group, we were advised that Hallgain was the only customer of the Group. During the Period under Review, one sample was picked in every month, the execute price of the copper under the transaction were compared with the historical copper price trading on the London Metal Exchange. Based on the comparisons, the selling prices show no significant deviation from the historically market price of copper. Therefore, we are of the view that the Group has been selling copper to the Hallgain Group at the market price of copper in general. For the sale of laminates by the Group to the Hallgain Group, we have reviewed six sample invoices for historical sales transactions between the Group and the Hallgain Group against those of similar transactions between the Group and other independent customers. We noted that the price and the payment terms offered by the Group to the Hallgain Group regarding sale of laminates are comparable to and no more favourable to those offered by the Group to other independent customers.

For the transactions between the Group and Hallgain Group in respect of the provision of drill bits and machineries by the Hallgain Group, similar investigations have been conducted as section (i) above. Six sets of quotations in relation to the purchase of drill bits and machineries by the Group were reviewed respectively. Comparing with the price and terms offered by other independent third party suppliers to the Company. Again, the aforesaid pricing mechanism had been duly applied by the Company.

Regarding the payment term, we are advised by the Company that a credit period of 60 days will be offered to the Group by the Hallgain Group in respect of the New KBL/Hallgain Purchase Framework Agreement. Having reviewed the quotations from the independent third parties suppliers, we realized that the credit period offered by the Hallgain Group to the Group is similar to the credit period offered by other independent third parties supplier. Regarding New KBL/Hallgain Supply Framework Agreement, according to the management, the Group normally grants a credit period of 90 days to the Hallgain Group. In this regard, invoices of the Group and Hallgain Group and independent third parties of similar credibility were reviewed. From the documents provided, credit periods ranging from 30 days to 120 days were granted by the Group to their respective independent third party customers. The credit period granted to Hallgain falls into the range of other independent third party customers.

In light of the above, we are of the view that the terms and conditions of the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement are on normal commercial terms and are fair and reasonable and the entering

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

into the New KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Purchase Framework Agreement are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

(iii) Historical transaction amounts and the proposed annual caps

(a) New KBL/Hallgain Supply Framework Agreement

The table below sets out the historical figures, the existing annual caps and the proposed annual caps in relation to the New KBL/Hallgain Supply Framework Agreement:

| | For the year ended 31 December | | For the year ending 31 December | |
|------------------------------------|---|-------------|--|---------------------|
| | 2011 | 2012 | 2013 | 2013 |
| Historical sales (HK\$'000) | 838,256 | 980,479 | 653,087 (Note 1) | 870,783 (Note 2) |
| Annual growth rate (%) | - | 16.97 | - | -11.19 |
| Annual Caps (HK\$'000) | 950,500 (Note 3) | 1,502,000 | - | 1,878,000 |
| % of utilization | 88.19 | 65.28 | - | 46.37 |
| | | | For the year ending 31 December | |
| | | | 2014 | 2015 |
| Proposed annual caps (HK\$'000) | | | 1,200,000 | 1,320,000 |
| Annual growth rate (%) | | | - | 10.00 |

Notes:

1. This is the actual amount for the nine months ended 30 September 2013.
2. These are estimated figures by straight-line multiplication from the historical sales of nine months ended 30 September 2013.
3. Annual cap for 2011 consist of the annual caps of (i) the Former KLHL Supply Framework Agreement for the period of three months from 1 January 2011 to 31 March 2011; and (ii) the Existing KBL/Hallgain Supply Framework Agreement for the period of nine months from 1 April 2011 to 31 December 2011. On 22 December 2009, the KBL and Hallgain entered into Former KLHL Supply Framework Agreement pursuant to which KBL agreed to supply copper to the Hallgain Group from 1 January 2010 to 31 December 2012. The Former KLHL Supply Framework Agreement was superseded by the Existing KBL/Hallgain Supply Framework Agreement with effect from 1 April 2011.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

In determining the proposed annual caps for the New KBL/Hallgain Supply Framework Agreement for each of the three years ending 31 December 2016, the management of the Company has taken into account:

- (i) the historical amount of purchase of copper and laminates by the Hallgain Group from the Group;
- (ii) the anticipated growth in demand of copper and laminates from the Hallgain Group;
- (iii) the anticipated increase in market price of copper and laminates; and
- (iv) inflation.

As indicated in the table above, the historical sales of copper and laminates by the Group to the Hallgain Group for 2011 and 2012 were amounted to approximately HK\$838,256,000 and approximately HK\$980,479,000 respectively. And the estimated sales to the Hallgain Group for the financial year ending 31 December 2013 as calculated by annualizing the sale figure for the nine months ended 30 September 2013 is approximately HK\$870,783,000 which represents a decrease of 11.19% in comparison with the sales of the previous year. The utilization rate of the annual caps was decreasing since 2011. The historical utilization rate of the annual caps for 2011 and 2012 was approximately 88.19% and 65.28% respectively while the estimated utilization rate for 2013 calculated based on the annualized sales for the year ending 31 December 2013 was only approximately 46.37%.

For the purpose of this letter of advice, we have reviewed the breakdown of historical sales of the laminates and copper to the Hallgain Group since 2010:

| | For the | | | | |
|---------------------------------|--------------------------------|---------|---------|---------------------------------|------------------------|
| | For the year ended 31 December | | | For the nine months ended | For the year ending |
| | 2010 | 2011 | 2012 | 30 September 2013 | 31 December 2013 |
| Sale of laminates (HK\$'000) | - | 678,596 | 671,521 | 537,192 | 716,256 (Note) |
| Sale of Copper (HK\$'000) | 170,242 | 159,660 | 308,958 | 115,895 | 154,527 (Note) |
| Total Sales (HK\$'000) | 170,242 | 838,256 | 980,479 | 653,087 | 870,783 (Note) |

Note: this is a estimated figure by straight-line multiplication from the historical sale of nine months ended 30 September 2013.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Since the transactions between the Group and the Hallgain Group started since 2010, there are only historical records for the previous four financial years available for our review. Based on the table above, we noted that the historical sale of copper to the Hallgain Group has been quite volatile, fluctuating between around HK\$150,000,000 and HK\$300,000,000. For the nine months ended 30 September 2013, since the sales amount of copper to Hallgain is recorded to only approximately HK\$115,000,000, it is expected that the sales amount will be sharply decreased by around 50% in comparison to the sale of the previous year. As mentioned above, the Group is principally engaged in the production and distribution of laminates and therefore copper is one of the fundamental component raw material used in the production of laminates. As advised by the management of the Company, the Company has been continuously purchasing copper from the overseas supplier at a comparatively lower price to the local supplier. The Company will then sell the copper to Hallgain group at a markup price. However, the Hallgain Group does not exclusively rely on the Group for the supply of copper and is free to select other suppliers. In recent years, the copper supplier in the PRC has offered better terms and price in comparison with that of offered by the Company to the Hallgain Group, therefore the amount of copper purchased from the PRC supplier by the Hallgain Group has been increased accordingly. Regarding the sale of laminates, we note that the historical sale amount is comparatively stable of which the sale has been steadied from around HK\$600,000,000 to HK\$700,000,000.

The proposed annual cap for 2014 of HK\$1,200,000,000 represents an increment of approximately 37.81% on the estimated sales amount for the financial year ending 31 December 2013. Comparing with the historical sales, it appears that a relatively large growth rate has been applied on the annual cap for 2014. Upon further discussion with the management of the Company, we are advised that the Hallgain Group has proposed to increase the production lines for the PCBs production plants in the coming financial year. Furthermore, having considered the demand growth on laminates from the existing production lines, it is expected that the demand on laminates from the Hallgain Group in 2014 will be increased by around 20% accordingly. In order to meet the potential increase in sales of laminates to the Hallgain Group, a larger annual cap for 2014 has been proposed. In this regard, we have reviewed the sale forecast of PCBs of the Hallgain Group for the coming three financial years as provided by the Company. Having reviewed the sale forecast, we note that the percentage increase in the expected sale amount of PCBs of the Hallgain Group in 2014 is in line with the growth in demand on laminates from the Hallgain Group of approximately 20% as estimated by the management of the Company for 2014. For the calculation of the annual caps for 2015 and 2016, the Company expected that the demand on laminates and copper will be relative stable in 2015 and 2016, a lower growth rate of 10% has been adopted by the Company.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

For the purpose of formulating our advice, we have also conducted a review on the historical copper price. Since copper will be sold to the Hallgain Group under the New KBL/Hallgain Supply Framework Agreement, the fluctuation of selling price of copper will affect the sale amount to the Hallgain Group. Based on the historical copper metal price quoted on the London Metal Exchange in US Dollar (“USD”) per ton from January 2013 up to October 2013, the copper metal price has plunged significantly from USD8,100/ton to around USD6,700/ton in the first half of 2013. However, the downward trend did not sustained and the copper price has started to rebound since June 2013. The price climbed from the lowest level to its current level of around USD7,200/ton. Given the fact that the global economy is not yet on a firm recovery path and the economic growth continues to pick up, it is expected that the commodity price will continue to fluctuate at high level.

In light of the above, it is reasonable for the management of the Company to add certain buffer on the annual caps so as to accommodate the continuous price fluctuation of copper. Given the fact that the demand on laminates from the Hallgain Group is expected to increase by around 20% in 2014, a larger size of annual cap for 2014 is necessary which allow for more flexibility for the Group to accommodate in fluctuation in sale amounts in the coming year. However, taking into account i) a relative larger annual cap has been proposed for 2014; and ii) the historical annual caps for the previous three financial years were over-estimated, we are of the opinion that larger annual cap for 2014 has allowed certain buffer and flexibility to accommodate in fluctuation in sale amounts in 2015 and 2016 and thus it is rational for the Company to adopt a lower growth rate of 10% on the annual caps for 2015 and 2016.

(b) New KBL/Hallgain Purchase Framework Agreement

The table below sets out the historical figures, the existing annual caps and the proposed annual caps in relation to the New KBL/Hallgain Purchase Framework Agreement:

| | For the year ended 31 December | | For the year ending 31 December | |
|------------------------------------|-----------------------------------|---------|------------------------------------|---------------------|
| | 2011 | 2012 | 2013 | 2013 |
| Historical purchases (HK\$'000) | 170,792 | 160,931 | 173,063 (Note 1) | 230,750 (Note 2) |
| Annual growth rate (%) | - | -5.77 | - | 43.38 |
| Annual Caps (HK\$'000) | 177,123 (Note 3) | 280,000 | - | 350,000 |
| % of utilization | 96.43 | 57.48 | - | 65.93 |

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| LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER |
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| | For the year ending | | |
|------------------------------------|----------------------------|-------------|-------------|
| | 31 December | | |
| | 2014 | 2015 | 2016 |
| Proposed annual caps (HK\$'000) | 335,000 | 486,000 | 705,000 |
| Annual growth rate (%) | – | 45.00 | 45.00 |

Notes:

1. This is the actual amount for the nine months ended 30 September 2013.
2. These are estimated figures by straight-line multiplication from the historical purchase of nine months ended 30 September 2013.
3. The annual cap for 2011 consists of the annual caps of (i) the KBL Machinery Agreement and the KBL Drill Bits Agreement for the period of three months from 1 January 2011 to 31 March 2011; and (ii) the Existing KBL/Hallgain Purchase Framework Agreement for the period of nine months from 1 April 2011 to 31 December 2011. On 22 December 2009, KBL and Hallgain entered into KBL Machinery Agreement pursuant to which KBL agreed to purchase machineries from the Hallgain Group from 1 January 2010 to 31 December 2012. On 1 May 2010, KBL and Hallgain entered into KBL Drill Bits Agreement pursuant to which KBL agreed to purchase drill bits from the Hallgain Group from 1 May 2010 to 31 December 2012. The KBL Machinery Agreement and the KBL Drill Bits Agreement were superseded by the Existing KBL/Hallgain Purchase Framework Agreement with effect from 1 April 2011.

According to the management of the Company, the Proposed Annual Caps for New KBL/Hallgain Purchase Framework Agreement were determined with reference to the internal projection of the sales to be incurred having regarded to:

- (i) the technical advancement of the machineries provided by the Hallgain Group;
- (ii) the anticipated growth in demand of drill bits and machineries from the Group;
- (iii) the anticipated increase in production of machineries by the Hallgain Group; and
- (iv) inflation.

In assessing the fairness and the reasonableness of the Proposed Annual Caps under the New KBL/Hallgain Purchase Framework Agreement, we have investigated the historical transaction amount regarding the purchases of drill bits and machineries by the Group from the Hallgain Group.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

Based on the historical purchase amount as shown table above, we noted that the purchase in 2012 has slightly dropped by 5.77% to HK\$160,931,000 in comparison with 2011. Such decrease was attributable to the European financial crisis and the slow US economic recovery, which dampened the demand for laminates. In the first half of 2013, the market demand on the laminates had a sign of rebound which boost the purchase amount of drill bits and machineries by the Group from the Hallgain Group. For the nine months ended 30 September 2013, the purchase amount has reached HK\$173,063,000, which has already exceeded the annual purchase amount of the previous year. The total purchase amount for the year ending 31 December 2013 is estimated as to HK\$230,750,000 by annualizing the purchase amount for the nine months ended 30 September 2013. Based on the annualized sale for 2013 and the actual purchase amount for 2012, the estimated annual growth rate for 2013 is approximately 43.38%.

The proposed annual cap for 2014 of HK\$335,000,000 represents a growth rate of approximately 45.18% over the annualized sales for 2013. The reason for retaining such a large annual cap for 2014 is to allow for the expected increase in demand on drill bits and machinery due to the expansion on production capacity of the laminates plants.

As stated in the interim report of the Company for the six months ended 30 June 2013, the Group had focused on optimizing the product mix by expanding its production capacities in the production of thin and high performance laminates. During the first half of 2013, the trial production of the laminate plant in Jiangmen has been completed. In addition, the laminate plant in Jiangyin will continue to expand its production capacity in the coming years. It is expected that all these production expansion plans will increase the overall consumption of drill bits and machinery by the Company.

Upon further discussion with the management of the Company, we are advised that Hallgain is currently expanding the factory for manufacturing of the machineries in the PRC. As the expansion of new and current production lines could increase the production capacity on machinery, the Hallgain Group will have the ability to support a greater demand of machinery by the Group. In this regard, a sale forecast in relation to the provision of machineries of Hallgain for coming three financial years is provided by the Company for our review. Based on the sale forecast, we noted that the annual growth rate on the supply of machineries from the Hallgain Group for the coming three financial years will be approximately 40%. Since the technology applied to machinery manufacturing of the Hallgain Group has become mature, more machineries with improved quality and efficiency will be produced, of which the specifications and models could fit the requirements of the Group. In view of expansion of production capacity of the laminates plants of the Group, the management foresees the

growth in demand of machineries from the Group could fully accommodate the increasing supply of machinery by the Hallgain Group. As a result, larger sizes of annual caps are set to allow for more flexibility for the Group regarding the sourcing of machineries and drill bits from the Hallgain to meet the future demand of the Group.

Furthermore, during the investigation on the previous transactions records between the Group and Hallgain Group in respect of the provision of machineries by the Hallgain Group, we note that the price range of machineries is much wider than other components and materials like copper balls and drill bits due to its great variety in terms of machine efficiency, complexity and specification. It is more difficult for the Company to make estimation on the future purchases solely based on the historical purchase amount. Therefore, the management of the Company has taken reference to the business expansion plan of the Group and the expected increase in supply of the machineries from the Hallgain Group determining the annual caps.

As mentioned in the section above, the new production plants will continue to expand in the coming years which will require more machineries with higher efficiency, we consider that a higher proposed annual cap is reasonable which can fit the business development plan of the Company. Moreover, the annual growth rate of 45% on the proposed annual caps allows for more flexibility for the Group regarding the sourcing of machineries and drill bits from the Hallgain to meet the future demand of the Group, and thus we consider that the sizes of the proposed annual caps under the New KBL/Hallgain Purchase Framework Agreement are fair and reasonable.

B. The Continuing Connected Transactions with the KBC Group

(i) Reasons and benefit of entering into the New KBL/KBC Materials Purchase Framework Agreement and the New KBL/KBC Supply and Service Framework Agreement with the KBC Group

As mentioned above, the Group is principally engaged in the production and sale of laminates and related upstream component materials. Chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda are essential for the production of laminates and related upstream components, therefore the Group has to regularly purchase Chemicals for the production of laminates. KBC, being the ultimate holding company of the Company, is principally engaged in the business of production and sale of PCBs and chemicals and property development and investment. Against this background, the KBC Group has been supplying Chemicals to the Group since 2006. As mentioned in the Letter from the Board, the Group considers the KBC Group as a reliable supplier who has provided steady supply of the Chemicals to the Group, which facilitates the Group's production of laminates.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

On the other hand, the Group has been providing the laminates products and related upstream component materials and provision of drilling services to the KBC Group since 2006. As advised by the management of the Company, the KBC Group has been one of the top five customers of the Group in term of revenue for many years. Since 2006, the amount of sale to the KBC Group has attributed around 20% of the total revenue of the Group. In particular, the sales to the KBC amounted to approximately HK\$1.6 billion for the year ended 31 December 2012. As such, the KBC Group is undoubtedly an important customer to the Group. By entering into the New KBL/KBC Supply and Service Framework Agreement, the Company will able to secure the demand from the KBC Group on for its products and service which help broaden its revenue base and further enhance its market position.

As mentioned in the Letter from the Board, the term of the Existing KBC Agreements will be up to 31 December 2014. In order to facilitate the Company's management of various continuing connected transactions and for the Shareholders' ease of understanding of such transactions, the Company intends to align the respective term and period covered by the proposed annual caps for the KBC Agreements and the Hallgain Agreements. Upon the Independent Shareholders approval, the Existing KBC Agreements and Hallgain Agreements will be terminated and replaced by the terms and the proposed annual caps under the New Continuing Connected Transaction Agreements accordingly. Since the New Continuing Connected Transaction Agreements only represent an extension of the Existing Continuing Connected Transaction Agreements such that other terms and conditions of the Existing Continuing Connected Transaction Agreements remain unchanged. Having considered the above, we concur with the view of the Directors that the transactions contemplated under the New KBL/KBC Materials Purchase Framework Agreement and the New KBL/KBC Supply and Service Framework Agreement, fall within the ordinary and usual course of business of the Group.

(ii) Terms of the New KBL/KBC Materials Purchase Framework Agreement and New KBL/KBC Supply and Service Framework Agreement

(a) Key terms of the New KBL/KBC Materials Purchase Framework Agreement are summarized as below:

Date : 5 November 2013

Parties : (1) the Company

(2) KBC

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

- Product to be purchased : purchase of Chemicals from the KBC Group, without any limitation on the maximum or minimum quantity of Chemicals to be purchased by the Group
- Pricing : in accordance with the then-prevailing market prices, but in no event will the terms be less favorable to the Group than the price at which the Group purchases, or would be able to purchase similar Chemicals from 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 2014 to 31 December 2016, both days inclusive

As confirmed by the management of the Company, the transactions contemplated under the New KBL/KBC Materials Purchase Framework Agreement are to be of a recurrent revenue nature and it will be conducted on a regular and continuing basis in the ordinary and usual course of business of the Group. The New KBL/KBC Materials Purchase Framework Agreement provides a framework for the purchases from time to time on a non-exclusive basis. Therefore, the Group does not rely solely on the KBC Group for the purchase of Chemicals and is free to select other Chemicals suppliers to allow a greater room for price negotiation. We are further advised by the Company that relevant internal control policies and procedures (including but not limited to conduct checks on market prices of the relevant products that are offered by independent suppliers from time to time) are already in place to ensure that the terms of the transactions to be entered into by the Group with the KBC Group pursuant to the New KBL/KBC Materials Purchase Framework Agreement will be no less favourable to those entered into by the Group with other independent suppliers. In this regard, we have reviewed 12 sample quotations for historical purchase transactions between the Group and the KBC Group against those of similar quotations from other independent suppliers for the twelve months ended 30 September 2013. We noted that the price and payment terms of individual purchases of the products by the Group from the KBC Group are comparable to and no less favourable to those offered to the Group by other independent suppliers. In light of the above, we are of the view that the terms of the New KBL/KBC Materials Purchase Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

(b) *Key terms of the New KBL/KBC Supply and Service Framework Agreement are summarized as below:*

- Date : 5 November 2013
- Parties : (1) KBC
(2) the Company
- Product and services to be supplied : supply of laminates products and related upstream component materials and provision of drilling services by the Group to the KBC Group, without any limitation on the maximum and minimum quantity of copper and laminates to be purchased by the KBC Group
- Pricing : in accordance with the then-prevailing market prices, but in no event will the terms be more favorable to the KBC Group than the prices at which the Group sells similar materials or provide similar services 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 2014 to 31 December 2016, both days inclusive

Laminates and related upstream component materials and drilling services are principal products produced and services provided by the Company and its subsidiaries in the ordinary course of business.

As confirmed by the management of the Company, the terms of the New KBL/KBC Supply and Service Framework Agreement were arrived at after arm's length negotiations between the Group and the KBC Group and the Directors consider that the terms of the New KBL/KBC Supply and Service Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We have reviewed 12 sample invoices for historical sales transactions between the Group and the KBC Group against those of similar transactions between the Group and other independent customers for the twelve months ended 30 September 2013. We noted that the price and payment terms under each transaction

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

between the Group to the KBC Group are comparable to and no more favourable to those offered by the Group to other independent customers.

Similarly, the Company has implemented a set of control procedures in order to ensure the sales transactions with the KBC Group will not be more favorable. As advised by the Company, the flow of sale merely follows the steps of order enquiry, price negotiation, order confirmation, product delivery and payment. The sale procedures to the KBC Group are identical to other independent customers. In particular, the payment terms are determined from time to time based on each transaction. Given the above, we are of the view that the terms of the New KBL/KBC Supply and Service Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Historical amounts and the Proposed Annual Caps

(a) New KBL/KBC Materials Purchase Framework Agreement

The table below set out the historical figures, the existing annual caps and the proposed annual caps in relation to the New KBL/KBC Materials Purchase Framework Agreement:

| | For the year ended 31 December | | For the year ending 31 December | |
|------------------------------------|-----------------------------------|---------|------------------------------------|-----------------------|
| | 2011 | 2012 | 2013 | 2013 |
| Historical purchases (HK\$'000) | 728,941 | 841,381 | 812,771 (Note 1) | 1,083,695 (Note 2) |
| Annual growth rate (%) | - | 15.43 | - | 28.80 |
| Annual Caps (HK\$'000) | 768,320 | 999,000 | N/A | 1,298,000 |
| % of utilization | 94.87 | 84.22 | N/A | 83.49 |
| | | | For the year ending 31 December | |
| | | | 2014 | 2015 |
| Proposed annual caps (HK\$'000) | | | 1,428,000 | 1,571,000 |
| Annual growth rate (%) | | | - | 10.00 |

Notes:

1. This is the actual amount for the nine months ended 30 September 2013.
2. These are estimated figures by straight-line multiplication from the historical purchase of nine months ended 30 September 2013.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

In determining the proposed annual cap for the New KBL/KBC Materials Purchase Framework Agreement for each of the three years ending 31 December 2016, the management of the Company has taken into account:

- (i) the historical amount of purchase of the Chemicals by the Group from the KBC Group;
- (ii) the anticipated demand on the Chemicals by the Group for the three financial years ending 31 December 2016;
- (iii) the anticipated increase in market price of the Chemicals; and
- (iv) inflation.

Under the New KBL/KBC Materials Purchase Framework Agreement, the proposed annual caps were determined by the Company under the assumption that there will be an annual increase of approximately 10% in respect of the purchase of Chemicals from the KBC Group.

Based on the historical transaction records, the purchase of Chemicals from the KBC Group has been increasing since 2006. However, we noted that the annual growth in purchase has been softened for the recent year. In particular, the growth rate has been substantially dropped from 45% to 15% in 2012 due to the decrease in demand of laminates as a result of the impact brought by the US financial crisis. Regarding the purchase amount of Chemicals for 2013, the annual purchase was estimated by annualizing the purchase amount during the nine months ended 30 September 2013. The annualized purchase of HK\$1,083,695,000 represents an annual growth rate of 28.80% over the actual purchase amount of the previous year.

In view of the slower pace of the purchase growth, the annual cap for the financial year ending 31 December 2014 has been adjusted from HK\$1,688,000,000 to HK\$1,428,000,000. The proposed annual cap for 2014 of HK\$1,428,000,000 represents an increment of approximately 10% over the annual cap of the previous year. As advised by the management of the Company, the purchase amount of Chemical from the KBC Group for the coming three financial years is expected to be relatively stable.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

In determining the proposed annual cap, the Company has taken into account of the anticipated increase in selling price of Chemicals. Chemicals are extracted from refinery of the crude oil. Therefore, the price of the crude oil has been the major factor for determination of the price of Chemicals. In this regard, we have conducted an analysis on the historical price of the crude oil. According to the historical prices quoted on New York Mercantile Exchange during the period from 1 January 2013 to 31 October 2013, the crude oil price has been ranging from around US\$98/barrel to around US\$108/barrel. In the first half of the year, the crude oil price has slowly dropped from US\$107/barrel to around US\$99/barrel. Starting from June 2013, the price has rebounded from the lowest level to the current level of around US\$108/barrel. Despite the short term price fluctuation, the market expected that the commodity price especially the crude oil price will continue to go upward in long trend.

Apart from the price of the crude oil, inflation in the PRC has been affecting price of Chemicals as well. The PRC government is currently seeking keep inflation below 3.5%. According to the data released by National Bureau of Statistics of China, the inflation rate for September 2013 has reached 3.1%. The market expects that the pace of inflation will stay high for the rest of the year given rising labor costs and abundant liquidity. In view of soaring in costs of raw materials and labor cost among the industries. It is reasonable for the management to take the future inflation into consideration.

Having considered that (i) the stabilized demand of Chemicals from the KBC Group for the coming three financial years; (ii) the expected increase in the selling price of Chemicals due to the fluctuation in crude oil and inflation, we concur with the Directors that using an annual growth rate of 10% for each year is actually a prudent estimation for the size of the proposed annual caps. We also consider that the size of the proposed annual caps and the assumptions in which the Company has taken into account in determining the size of the proposed annual caps of the New KBL/KBC Materials Purchase Framework Agreement are fair and reasonable.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

(b) *New KBL/KBC Supply and Service Framework Agreement*

The table below set out the historical figures, the existing annual caps and the proposed annual caps in relation to the New KBL/KBC Supply and Service Framework Agreement:

| | For the year ended 31 December | | For the year ending 31 December | |
|------------------------------------|-----------------------------------|-----------|--|-----------------------|
| | 2011 | 2012 | 2013 | 2013 |
| Historical sales (HK\$'000) | 2,026,694 | 1,618,568 | 1,217,874 (Note 1) | 1,623,823 (Note 2) |
| Annual growth rate (%) | - | -20.14 | - | 0.32 |
| Annual caps (HK\$'000) | 3,834,000 | 3,000,000 | N/A | 3,000,000 |
| % of utilization | 52.86 | 53.95 | N/A | 54.13 |
| | | | For the year ending 31 December | |
| | | | 2014 | 2015 |
| Proposed annual caps (HK\$'000) | | | 2,400,000 | 2,400,000 |
| Annual growth rate (%) | | | - | - |

Notes:

1. This is the actual amount for the nine months ended 30 September 2013.
2. These are estimated figures by straight-line multiplication from the historical sales of nine months ended 30 September 2013.

In determining the proposed annual cap for the New KBL/KBC Supply and Service Framework Agreement for each of the three years ending 31 December 2016, the management of the Company has taken into account:

- i. the historical transaction amounts of sale to the KBC Group;
- ii. the anticipated demand for the laminate and related upstream component materials and drilling services by the KBC group for the three financial years ending 31 December 2016;
- iii. the anticipated increase in market price of the goods and service; and
- iv. inflation.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

In formulating our advice regarding fairness of the size of the proposed annual caps on the New KBL/KBC Supply and Service Framework Agreement, we have conducted analyses on (i) the historical trend of the amount of sales the KBC Group; (ii) anticipated increase in market price of the good and service and (iii) anticipated demand on goods and services from the KBC Group. Detailed discussion is set out in the sections hereunder.

(i) Historical trend of sales amount

The table above lays out the historical sales of laminate and related upstream component materials and drilling services to the KBC Group since 2006:

| | For the year ending 31 December | | | | | | For the nine months ended | For the year ending | |
|---|---------------------------------|-----------|-----------|-----------|-----------|-----------|---------------------------------|--------------------------------------|-----------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 30 September 2012 | 31 December 2013 <i>(Note)</i> | |
| Sales to the KBC Group (HK\$'000) | 1,714,976 | 2,082,383 | 2,302,441 | 2,101,289 | 2,591,093 | 2,026,694 | 1,618,568 | 1,217,874 | 1,623,832 |
| Growth rate (%) | - | 21.42 | 10.57 | -8.74 | 23.31 | -21.78 | -20.14 | - | 0.33 |
| Annual caps (HK\$'000) | 1,960,000 | 2,740,000 | 3,834,000 | 3,834,000 | 3,834,000 | 3,834,000 | 3,000,000 | - | 3,000,000 |
| Utilization rate on the annual caps (%) | 87.50 | 76.00 | 60.05 | 54.81 | 67.58 | 52.86 | 53.95 | - | 54.13 |

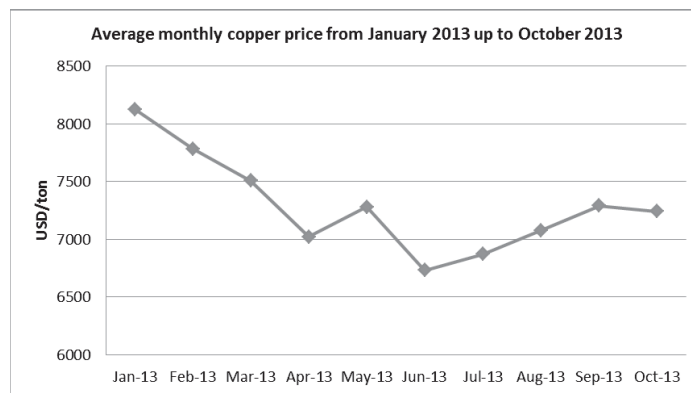
Note: this is a estimated figure by straight-line multiplication from the historical sale of nine months ended 30 September 2013.

As shown in the table above, the historical sales to KBC Group has been very volatile of which the annual growth rate is fluctuating from -21.78% to 23.31%. The average sales amount to the KBC Group for the previous seven years is approximately HK\$2 billion. The total sales amount for the financial year ending 31 December 2013 is estimated as to approximately HK\$1.6 billion based on the transaction amount recorded in the previous nine months. We noted that the estimated sale for 2013 is similar to the actual sales to the KBC Group in the previous year without significant growth. As advised by the management of the Company, the steadied sale amount for 2013 was mainly due to the softened demand for PCB used in the conventional electronic products. As a result, the demand on the laminates from KBC has become stabilized. Regarding the utilization rate on the historical annual caps, the sales to the KBC Group has been ever over-estimated. In particular, the utilization rate was amounted to around 50% for the recent years. Since the growth in historical sales is rather volatile, the Company has taken into account the average sales amount to the KBC Group for the previous seven years in estimating the future sale for 2014, 2015 and 2016. We noted that the proposed annual caps of HK\$2,400,000,000 represent a buffer of 20% on the seven years' average sales of approximately HK\$2,000,000,000.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

- (ii) Anticipated increase in market price of the goods and service

Since copper foil is one of the materials to be sold to KBC Group under the New KBL/KBC Supply and Service Framework Agreement, the fluctuation of selling price of copper foil will affect the sale amount to the KBC Group. In this regard, we have conducted a review on the historical copper price. The diagram shown below is a graph of copper metal price quoted on the London Metal Exchange in US Dollar (“USD”) per ton from January 2013 up to October 2013.



In the first half of the year, the copper metal price has plunged significantly from USD8,100/ton to around USD6,700/ton. However, the downward trend did not sustained and the copper price has started to rebound since June 2013. The price climbed from the lowest level to its current level of around USD7,200/ton, represents an increase of 7.46% in comparison with the price in June 2013. Given the fact that the global economy is not yet on a firm recovery path and the economic growth continues to pick up, it is expected that the commodity price will remain at high level.

Moreover, as mentioned in above section, the PRC inflation rate for September 2013 has reached 3.1%. And it is expected that the pace of inflation will stay high for the rest of the year given rising labor costs and abundant liquidity. In view of soaring in costs of raw materials and labor cost among the industries, the selling price of good and service will keep rising.

- (iii) Anticipated demand on goods and services from the KBC Group

We have also considered the anticipated demand on the laminate and related upstream component materials and drilling services from the KBC Group for the coming years. As mentioned in the KBC's annual report for the financial year ending 31 December 2012, the KBC Group has allocated additional resources to expand its production capacity on high density interconnect ("HDI") PCB which mainly applied in the high end electronic products. In view of the release of the fourth generation (4G) mobile network in the coming year and government policy on the development of information products and services under the 12th Five-Year Plan, it is expected that the domestic consumption for the electronic products, especially smart-phones and high end technology products will continue to maintain strong growth. Therefore, we noted that the sales of laminates to the KBC Group might increase accordingly.

Taking into account of the persistent over-estimation in sales as shown in the historical record, it is reasonable for the Directors to have downward adjustment on the proposed annual caps for the coming three financial years. However, we noted that the proposed an annual cap of HK\$2,400,000,000 still represents an increment of approximately 33.71% as compared to the estimated transaction amounts for the financial years ending 31 December 2013. As discussed above, it is expected that there might be an increasing demand for laminates used for the production of high-end electronic product such as smartphones driven by domestic consumption in the PRC. Therefore, having a slightly higher proposed annual cap in 2014 is reasonable in order to avoid any circumstance that the future annual caps will be under-estimated, even though historically the caps were not fully utilized.

Given the proposed annual caps is determined with reference to (i) the historical sale for the previous seven years and the buffer has been added to enable the company more flexibility to tolerate the fluctuation in future sales, (ii) the expected increase in market price of the good and service; and (iii) the potential increase in demand of the laminates in the PRC market, we are of the opinion that it is fair and reasonable for the Directors to propose flat annual caps for the three financial years ending 31 December 2016.

LETTER OF ADVICE FROM INDEPENDENT FINANCIAL ADVISER

OUR RECOMMENDATION

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

1. the background of entering into the New Hallgain Agreements is for the purpose of the renewal of the Existing Hallgain Agreements to ensure smooth operation of the Group in the coming financial years;
2. the purpose of entering into the New KBL/KBC Materials Purchase Framework Agreement and New KBL/KBC Supply and Service Framework Agreement only represents an extension of the Existing KBC Agreements such that other terms and conditions of the existing Agreements remain unchanged;
3. the terms and conditions of the New Continuing Connected Transaction Agreements are normal commercial terms and no less favorable to the Hallgain Group and KBC Group than those offered to or by Independent Third Parties; and
4. the size of the proposed annual caps of each of the New Continuing Connected Transaction Agreements are determined by the Directors under a prudent approach and are fair and reasonable;

We conclude that the terms of the Continuing Connected Transactions and the size of corresponding Proposed Annual Caps are on normal commercial terms, in the ordinary an 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 Continuing Connected Transactions and the corresponding proposed annual caps.

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

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document 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 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS**(a) Interests (long position) 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 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:

(i) *the Shares and share options of the Company*

| Name of Director | Capacity | Interest in underlying Shares pursuant to Share options (note 1) | Number of issued Shares held | Approximate percentage of the issued share capital of the Company (%) (note 2) |
|-------------------------|---|---|------------------------------|---|
| Mr Cheung Kwok Wa | Beneficial owner/ Interest of spouse | 12,500,000 | 8,968,000 (note 3) | 0.72 |
| Mr Cheung Kwok Keung | Beneficial owner | 11,500,000 | – | 0.38 |
| Mr Cheung Kwok Ping | Beneficial owner | 10,000,000 | – | 0.33 |
| Mr Lam Ka Po | Beneficial owner | 10,000,000 | – | 0.33 |
| Mr Cheung Ka Ho | Beneficial owner | 10,000,000 | 89,000 | 0.34 |
| Mr Mok Yiu Keung, Peter | Interest of spouse | – | 200,000 | 0.007 |

Notes:

- (1) The interests are by virtue of share options granted to the Directors on 21 March 2011, which entitled the relevant Directors to subscribe for the Shares at an exercise price of HK\$6.54 per Share during the period from 21 March 2011 to 17 March 2017.
- (2) Calculated based on the aggregate of the number of Shares and underlying Shares divided by the total number of issued Shares as at the Latest Practicable Date.
- (3) Out of the 8,968,000 Shares, 75,000 Shares were held by his spouse.

(ii) *Non-voting deferred shares 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 KBC ("KBC Shares") and share options of KBC*

| Name of Director | Capacity | Interest in underlying KBC Shares pursuant to share options (note 1) | Number of issued KBC Shares held | Approximate percentage of the issued share capital of KBC (%) (note 2) |
|----------------------|---|---|----------------------------------|--|
| Mr Cheung Kwok Wa | Beneficial owner/ Interest of spouse | – | 6,963,800 (note 3) | 0.67 |
| Mr Cheung Kwok Keung | Beneficial owner | 2,928,000 | 432,422 | 0.33 |
| Mr Cheung Kwok Ping | Beneficial owner/ Interest of spouse | – | 3,382,383 (note 4) | 0.33 |
| Mr Lam Ka Po | Beneficial owner | – | 2,917,360 | 0.28 |
| Mr Cheung Ka Ho | Beneficial owner | – | 384,000 | 0.04 |
| Mr Liu Min | Beneficial owner/ Interest of spouse | – | 231,800 (note 5) | 0.02 |

Notes:

- (1) The interests are by virtue of share options granted to Mr Cheung Kwok Keung on 21 March 2011, which entitled him to subscribe for the KBC Shares at an exercise price of HK\$40.7 per share during the period from 21 March 2011 to 22 March 2019.
- (2) Calculated based on the aggregate of the number of KBC Shares and underlying KBC Shares divided by the total number of issued KBC Shares as at the Latest Practicable Date.
- (3) Out of the 6,963,800 KBC Shares, 6,889,400 KBC Shares were held by Mr Cheung Kwok Wa and 74,400 KBC Shares were held by his spouse.
- (4) Out of the 3,382,383 KBC Shares, 3,346,383 KBC Shares were held by Mr Cheung Kwok Ping and 36,000 KBC Shares were held by his spouse.
- (5) Out of the 231,800 KBC Shares, 120,000 KBC Shares were held by Mr Liu Min and 111,800 KBC Shares were held by his spouse.

(iv) *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 | 706,200 | 0.38 |
| Mr Cheung Kwok Ping | Beneficial owner | 500,000 | 0.27 |
| Mr Lam Ka Po | Beneficial owner | 486,600 | 0.26 |

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company 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

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 had, directly or indirectly, an interest or short position in the Shares and the underlying Shares 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 had directly or indirectly, interest in 10% 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:

| Name of shareholder | Nature of interest | Number of issued Shares held | Approximate percentage of the issued share capital of the Company (%) |
|---|-------------------------------------|---|---|
| Hallgain | Interest of controlled corporations | 2,200,484,500(L) <i>(note 1&2)</i> | 73.35(L) |
| KBC | Beneficial owner | 120,284,500(L) | 4.01(L) |
| | Interest of controlled corporations | 2,080,200,000(L) <i>(note 3)</i> | 69.34(L) |
| Jamplan (BVI) Limited ("Jamplan") | Beneficial owner | 1,790,000,000(L) | 59.67(L) |
| | Interest of controlled corporation | 290,200,000(L) <i>(note 4)</i> | 9.67(L) |
| Capital Research and Management Company | Investment Manager | 177,205,851(L) | 5.91(L) |
| Citigroup Inc. | Investment Manager | 174,619,675(L) | 5.82(L) |
| | | 415,366(S) | 0.01(S) |
| | | 19,952,342(P) <i>(note 5)</i> | 0.67(P) |

(L) The letter "L" denotes a long position.

(S) The letter "S" denotes a short position.

(P) The letter "P" denotes interest in a lending pool.

Notes:

- (1) 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 are not accustomed to act in accordance with any shareholder's direction; and (ii) Messrs. Cheung Kwok Wa, Cheung Kwok Ping and Lam Ka Po, all of whom are Directors, are also directors of Hallgain.
- (2) The interests are held by KBC directly and indirectly. KBC is owned as to approximately 34.86% of the entire issued capital of KBC by Hallgain as at the Latest Practicable Date.
- (3) The interests are held by Jamplan directly and indirectly. Jamplan is a wholly-owned subsidiary of KBC, Mr Lam Ka Po, being a Director, is also a director of Jamplan.
- (4) The interests are indirectly held by Jamplan through its wholly-owned subsidiary, Kingboard Investments Limited ("KIL"). Messrs. Cheung Kwok Wa and Cheung Kwok Ping, being Directors, are also directors of KIL.
- (5) Citigroup Inc. wholly controlled (a) Citigroup Holdings Inc., a company wholly controlled Citibank N.A.. Citibank N.A. was interested in a long position of 19,952,342 Shares as a beneficial owner; (b) Citigroup Global Markets Holdings Inc., a company wholly controlled Citigroup Financial Products Inc..

Umbrella Asset Services Hong Kong Limited, which was interested in a long position of 25,678,500 Shares and a short position of 6,333 Shares as a beneficial owner, was wholly controlled by Citigroup Financial Products Inc..

Citigroup Global Markets Inc., which was interested in a long position of 51,386,000 Shares as a beneficial owner, was wholly controlled by Citigroup Financial Products Inc.

Citigroup Financial Products Inc. wholly controlled Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG. Citigroup Global Markets Limited, which was interested in a long position of 77,596,833 Shares and a short position of 409,033 Shares as a beneficial owner, was wholly controlled by Citigroup Global Markets Europe Limited, which was 64.67% controlled by Citigroup Financial Products Inc., 35.22% controlled by Citigroup Global Markets International LLC and 0.11% controlled by Citigroup Global Markets (International) Financial AG.

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 are likely to compete, 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, any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company 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, any member of the Group since 31 December 2012, 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 309, Ugland House, Grand Cayman KY1-1104, 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) up to and including the date of the EGM:

- (a) the Existing KBL/Hallgain Purchase Framework Agreement;
- (b) the Existing KBL/Hallgain Supply Framework Agreement;
- (c) the Existing KBL/KBC Materials Purchase Framework Agreement;
- (d) the Existing KBL/KBC Supply and Service Framework Agreement;
- (e) the New KBL/Hallgain Purchase Framework Agreement;
- (f) the New KBL/Hallgain Supply Framework Agreement;
- (g) the New KBL/KBC Materials Purchase Framework Agreement;
- (h) the New KBL/KBC Supply and Service Framework Agreement; and
- (i) this circular.



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 16 December 2013 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as an ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the entering into of the New KBL/Hallgain Purchase Framework Agreement (as defined in the circular to the shareholders of the Company dated 28 November 2013 (the “**Circular**”)), and the transactions and the Proposed Annual Caps (as defined in the Circular) contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”
2. “**THAT** the entering into of the New KBL/Hallgain Supply Framework Agreement (as defined in the Circular), and the transactions and the Proposed Annual Caps (as defined in the Circular) contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”
3. “**THAT** the entering into of the New KBL/KBC Materials Purchase Framework Agreement (as defined in the Circular) and the transactions and the Proposed Annual Caps (as defined in the Circular) contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”

NOTICE OF EGM

4. “**THAT** the entering into of the New KBL/KBC Supply and Service Framework Agreement (as defined in the Circular) and the transactions and the Proposed Annual Caps (as defined in the Circular) contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”

By order of the Board of
Kingboard Laminates Holdings Limited
Tsoi Kin Lung
Company Secretary

Hong Kong, 28 November 2013

Hong Kong 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 is entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and to 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, 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, 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 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 of hereof, the board of the directors of the Company consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho, Liu Min and Zhou Pei Feng, being the executive directors, Mr Lo Ka Leong, being the non-executive director, and Messrs. Chan Yue Kwong, Michael, Leung Tai Chiu, Mok Yiu Keung, Peter, and Ip Shu Kwan, Stephen, being the independent non-executive directors.