THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

高信融資服務有限公司
Karl Thomson Financial Advisory Limited

A letter from the Board is set out on pages 5 to 19 of this circular.

A letter of recommendation from the Independent Board Committee is set out on pages 20 to 21 of this circular and a letter of recommendation from Karl Thomson Financial Advisory Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 43 of this circular.

A notice convening the EGM 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 Monday, 12 December 2016 at 9:30 a.m. is set out on pages 51 to 52 of this circular. Whether or not you intend to be present at 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

21 November 2016

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Chemicals"	chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda
"Company" or "KBL"	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)"	the 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 for the three years ending 31 December 2016
"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 5 November 2013 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 5 November 2013 and the circular of the Company dated 28 November 2013, respectively

"Existing KBL/Hallgain Supply Framework Agreement"	the agreement dated 5 November 2013 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 5 November 2013 and the circular of the Company dated 28 November 2013, respectively
"Existing KBL/KBC Materials Purchase Framework Agreement"	the agreement dated 5 November 2013 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 5 November 2013 and 28 November 2013, respectively
"Existing KBL/KBC Supply and Service Framework Agreement"	the agreement dated 5 November 2013 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 5 November 2013 and 28 November 2013, respectively
"Group"	the Company and its subsidiaries
"Hallgain"	Hallgain Management Limited, a company incorporated in the British Virgin Islands with limited liability
"Hallgain Group"	Hallgain and its subsidiaries
"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. Leung Tai Chiu, Mr. Ip Shu Kwan, Stephen, Mr. Zhang Lu Fu and Mr. Lau Ping Cheung, Kaizer
"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 New Continuing Connected Transactions and the Proposed Annual Caps

"Independent Shareholder(s)"	any Shareholder that is not required to abstain from voting at the EGM
"INEDs"	the independent non-executive Directors
"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 Supply and Service Framework Agreement
"KBC Group"	KBC and its subsidiaries, excluding the Group
"Latest Practicable Date"	15 November 2016, 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 New KBL/Hallgain Supply Framework Agreement and the KBC Agreements
"New Continuing Connected Transactions"	the transactions contemplated in the New Continuing Connected Transaction Agreements
"New KBL/Hallgain Supply Framework Agreement"	the agreement dated 26 October 2016 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 2017 to 31 December 2019
"New KBL/KBC Materials Purchase Framework Agreement"	the agreement dated 26 October 2016 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 2017 to 31 December 2019
"New KBL/KBC Supply and Service Framework Agreement"	the agreement dated 26 October 2016 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 2017 to 31 December 2019

"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 transactions contemplated under each of the New Continuing 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$0.10 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	US dollar, the lawful currency of the United Sates of America
"%"	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 Leung Tai Chiu
Mr Ip Shu Kwan, Stephen
Mr Zhang Lu Fu
Mr Lau Ping Cheung, Kaizer

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman
KYI-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

21 November 2016

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the joint announcement of the Company and KBC dated 5 November 2013, the announcement of the Company dated 5 November 2013 and the circular of the Company dated 28 November 2013, in relation to the Existing Continuing Transaction Agreements. Reference is also made to the joint announcement of the Company and KBC dated 26 October 2016 and the announcement of the Company dated 26 October 2016, 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 2017 and ending on 31 December 2019. The Company proposes to seek the Independent Shareholders' approval for the New Continuing Connected Transaction Agreements and the Proposed Annual Caps contemplated thereunder.

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; (ii) the recommendation of the Independent Board Committee in respect of the New Continuing Connected Transactions and the Proposed Annual Caps; (iii) a letter from 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. NEW KBL/HALLGAIN SUPPLY FRAMEWORK AGREEMENT

On 26 October 2016, the Company entered into a supply framework agreement with Hallgain 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:	26 October 2016
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.
Term:	Three years from 1 January 2017 to 31 December 2019, 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, where appropriate, 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) (based on similar amount and similar specifications) and will also monitor the movement of market price from time to time. The prevailing market prices and benchmark price information will be obtained through the market or third party customers. The sales department would consider at least one comparable transaction with an independent third party customer during the same period where applicable, and report to the senior management accordingly. In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable. The Group will grant a credit period of 90 days to the Hallgain 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 and Proposed Annual Caps under the Existing KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Supply Framework Agreement.

	Year ended 31 December 2014		Year ended 31 December 2015		Year ending 31 December 2016			Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount (up to 30 September 2016)	Estimated amount (up to 31 December 2016) *(Note)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
	(HKD'000)		*(HKD'000)*		*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*
The Existing KBL/Hallgain Supply Framework Agreement and the New KBL/Hallgain Supply Framework Agreement	1,200,000	715,918	1,320,000	681,947	1,452,000	426,526	568,702	700,000	770,000	847,000

Note: This is an estimated figure by straight-line multiplication from the actual sale amount during the nine months ended 30 September 2016.

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 the goods; (iii) the anticipated increase in market price of the goods; and (iv) inflation.

The Proposed Annual Caps for the New KBL/Hallgain Supply Framework Agreement for the years ending 31 December 2017, 2018 and 2019 are calculated based on (i) for the year ending 31 December 2017, the estimated annualized amount in 2016 with an annual growth rate of 23%; and (ii) for the years ending 31 December 2018 and 2019, an annual growth rate of 10%. Such growth rates are arrived at having considered, among other things, the potential price fluctuation of copper, being one of the fundamental component of laminates. The movement of copper price has been on a downward trend over the past five years. The substantial decrease in copper price was mainly due to the decrease in demand in copper arising from the slow-down of economic growth in the PRC. In light of the economic stimulation plans implemented by the PRC government, the market expects the copper price to recover due to stabilisation in manufacturing activity and re-stocking cycle. The anticipated consumption coupled with production cuts will also support copper prices going forward. In respect of the anticipated demand for laminates, the Group expects that there will be a slight growth of 1% to 2% in the sales volume for each of the three years ending 31 December 2017, 31 December 2018 and 31 December 2019, which is in line with the growth in the Group's overall laminates shipments volume in 2015 and first half of 2016. Since the growth rate on Proposed Annual Cap for 2017 is comparable to the recent growth rate in copper price, the Directors are of the view that the annual growth rate of 23% for the year ending 31 December 2017 provides certain buffer to accommodate the potential upward movement in global copper price. A larger Proposed Annual Cap for 2017 also provides more flexibility for the Group to accommodate sales fluctuation in the coming three years, taking into account the estimated annual growth in sales volume. Given a higher growth rate of 23% was applied for the Proposed Annual Cap for 2017 and since the buffer made on the Proposed Annual Cap for 2017 has already considered the potential upward movement of the copper price, the Directors are of view that it is reasonable for the Company to adopt a lower growth rate of 10% on the Proposed Annual Caps for 2018 and 2019. The Directors are of the view that the Proposed Annual Caps under the New KBL/Hallgain Supply Framework Agreement are fair and reasonable.

Reasons for and benefits of entering into the New KBL/Hallgain Supply Framework Agreement

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 Group.

The supply of copper and laminates contemplated under the New KBL/Hallgain Supply Framework Agreement 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 New KBL/Hallgain Supply Framework Agreement 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 regulate the future possible business relationship between the Group and the Hallgain Group in relation to the transactions under the agreements.

The Company implements the following internal control measures to monitor its continuing connected transactions with a view to ensuring that these transactions are on normal commercial terms, fair and reasonable and no more favorable to the connected persons than those independent customers/purchasers:

- the finance department of the Group would review the implementation of the annual caps of the continuing connected transactions on monthly basis to ensure the transaction amounts would not excess the approved annual caps;

- the audit committee of the Board would review the implementation of continuing connected transactions during the period and samples of quotation on regular basis; and
- the external auditor of the Group would review the connected transactions and report the factual findings to the management of the Group on an annual basis.

In light of the above, the Directors (including the INEDs) are of the view that the New KBL/Hallgain Supply Framework Agreement is on normal commercial terms which is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The terms of the New KBL/Hallgain Supply Framework Agreement were arrived at after arm's length negotiation between the parties.

C. KBC AGREEMENTS

New KBL/KBC Materials Purchase Framework Agreement

On 26 October 2016, 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:	26 October 2016
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 2017 to 31 December 2019, both days inclusive.

Consideration: The price at which the Chemicals are to be purchased will be at the then prevailing market prices, but in no event will the terms be less favourable to the Group than the terms available 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, where appropriate, 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 prevailing market prices and benchmark price information will be obtained through the market or third party supplier. The purchase department will obtain no less than two quotations for the Chemicals where applicable, and report to the senior management accordingly. In the absence of any comparable transaction or price quotation, the Group will conduct market research on the open market where applicable.

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 in relation to the amounts payable by the Group to the KBC Group under the Existing Materials Purchase Framework Agreement and the Proposed Annual Caps under the New KBL/KBC Materials Purchase Framework Agreement.

Year ended 31 December 2014		Year ended 31 December 2015		Year ending 31 December 2016			Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount (up to 30 September 2016)	Estimated amount (up to 31 December 2016) *(Note)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(HKD'000)		*(HKD'000)*		*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*
1,428,000	883,404	1,571,000	707,245	1,728,000	399,162	532,216	800,000	880,000	968,000

Note: This is an estimated figure by straight-line multiplication from the actual purchase during the nine months ended 30 September 2016.

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 years ending 31 December 2019 (taking into account the growth in the demand and sales of the Group's products and the corresponding increase in production capacity and production volume of the Group); (iii) the anticipated increase in market price of the Chemicals; and (iv) inflation.

The Proposed Annual Caps for the New Materials Purchase Framework Agreement for the years ending 31 December 2017, 2018 and 2019 are calculated based on (i) for the year ending 31 December 2017, the estimated annualised amount in 2016 with an annual growth rate of 50% (taking into account the potential fluctuation of the crude oil prices); (ii) for the years ending 31 December 2018 and 2019, an annual growth rate of 10%. Such growth rates are arrived at having considered, among other things, the potential price fluctuation of crude oil which is essential for the production of laminates. The historical price of Chemicals over the past years was on a decreasing trend, mainly attributable to the surging in crude oil price which in turn lower the selling price of Chemicals. The crude oil price reached its lowest level of US$28.5 per barrel in January 2015. Subsequently, the oil price rebounded to the current level of approximately US$45 per barrel, representing an increase of approximately 57.89%. In view of the low oil price, the Organisation of the Petroleum Exporting Countries has proposed to lower the crude oil output per month. As a result of the low crude oil price and expected output cut, the market expected that there is still a large room for crude oil price increase. Taking into account the expected increase in price of the Chemical as a result of crude oil price increase and potential increase in demand of Chemicals, the Directors are of the view that a buffer of approximately 50% is needed to cater for the potential price and sales fluctuation of Chemicals. Given a higher growth rate of 50% was applied for the Proposed Annual Cap for 2017 and as the Proposed Annual Cap of 2017 has already considered the future price fluctuation of crude oil, the Directors are of the view that it is a reasonable for the Company to adopt a lower growth rate of 10% on the Proposed Annual Caps for 2018 and 2019. The Directors (including the INEDs) are of the view that the Proposed Annual Caps under the New KBL/KBC Materials Purchase Framework Agreement are fair and reasonable.

New KBL/KBC Supply and Service Framework Agreement

On 26 October 2016, 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:	26 October 2016
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 2017 to 31 December 2019, both days inclusive.

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 less favourable to the Group than the terms available 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, where appropriate, the relevant sales department of the Group will compare the selling price offered to different customers (both the KBC Group and the independent third party customers) (based on similar amount and similar specifications) and will also monitor the movement of market price from time to time. The prevailing market prices and benchmark price information will be obtained through the market or third party customers. The sales department would consider at least one comparable transaction with an independent third party customer during the same period where applicable, and report to the senior management accordingly. In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable.

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 and Proposed Annual Caps in relation to the amounts payable by the KBC Group to the Group under the Existing Supply and Service Framework Agreement and the New KBL/KBC Supply and Service Framework Agreement:

Year ended 31 December 2014		Year ended 31 December 2015		Year ending 31 December 2016			Year ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount (up to 30 September 2016)	Estimated amount (up to 31 December 2016) *(Note)*	Proposed annual cap	Proposed annual cap	Proposed annual cap
(HKD'000)		*(HKD'000)*		*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*
2,400,000	1,638,196	2,400,000	1,557,971	2,400,000	1,216,178	1,621,571	1,900,000	2,090,000	2,299,000

Note: This is an estimated figure by straight-line multiplication from the actual sale during the nine months ended 30 September 2016.

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 laminates and related upstream component materials and drilling services by the KBC Group for the three financial years ending 31 December 2019; (iii) the anticipated increase in market price of the goods and services; and (iv) inflation.

The estimated increase in market price for laminates and related upstream component materials is mainly attributable to the potential price increase in copper and crude oil. Copper is the major raw material to produce laminates. The price fluctuation in copper will have significant impact on the selling price of laminates. The movement of copper price has been on a downward trend over the past five years. The substantial decrease in copper price was mainly due to the decrease in demand in copper arising from the slow-down of economic growth in the PRC. In light of the economic stimulation plans implemented by the PRC government the market expects the copper price to recover due to stabilisation in manufacturing activity and re-stocking cycle. The anticipated consumption coupled with production cuts will also support copper prices going forward. On the other hand, crude oil also play an essential role in producing laminates and other upstream component materials. As such, the crude oil price will also affect the selling price of laminates and other upstream component materials. Taking into account the low oil price in the past years, the Organisation of the Petroleum Exporting Countries has proposed to lower the crude oil output per month, which in turn resulted in a large room for crude oil price increase. Having considered the above, the Proposed Annual Caps have taken into account the potential price fluctuation in copper and crude oil.

The Directors also considered the anticipated demand of laminates and related upstream component materials and drilling services from KBC Group in the coming three years. As the restructuring of Elec & Eltek International Company Limited ("**Elec & Eltek**"), an indirect non-wholly owned subsidiary of KBC, is about to complete, it is expected that the production capacity of Elec& Eltek on high-end electronic products will be further enhanced. In view of this, the Directors expect the demand of goods and services from KBC Group will have a stable growth in the coming three years.

Having considered the above and the estimated demand for laminates and related upstream component materials and drilling services by the KBC Group for each of the financial years ending 31 December 2017, 2018 and 2019, and on the assumption that there will be an annual growth rate of 17% in 2017 and 10% in 2018 and 2019, in respect of the supply of laminates and related upstream component materials and drilling services to KBC Group, the Directors (including the INEDs) 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 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 Framework Agreement will enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole.

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 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.

The Company implements the following internal control measures to monitor its continuing connected transactions with a view to ensuring that these transactions are on normal commercial terms, fair and reasonable and no more favorable to the connected persons than those independent customers/purchasers:

- the finance department of the Group would review the implementation of the annual caps of the continuing connected transactions on monthly basis to ensure the transaction amounts would not excess the approved annual caps;

- the audit committee of the Board would review the implementation of continuing connected transactions during the period and samples of quotation on regular basis; and

- the external auditor of the Group would review the connected transactions and report the factual findings to the management of the Group on an annual basis.

In light of the above, the Directors (including the INEDs) 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 KBC Agreements were arrived at after arm's length negotiation between the relevant parties.

D. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, KBC directly or indirectly, owns approximately 74.00% of the issued share capital of the Company and therefore KBC is a connected person of the Company. Hallgain owns approximately 37% of the issued shares capital of KBC and is also a connected person of the Company. Accordingly, the transactions contemplated under 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 2017, 2018 and 2019 is/are equal to or greater than 5%, the New Continuing Connected Transactions are subject to compliance with the annual review, reporting, announcement, circular and independent shareholders' approval requirements by the Company under Chapter 14A 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 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, Mr. Cheung Ka Ho, Mr. Leung Tai Chiu and Mr. Liu Min, directly and, as the case may be, through spouse's interest, were interested as to 9,675,000 Shares, 89,000 Shares, 78,000 Shares and 300,000 Shares 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.

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 51 to 52 of this circular. Ordinary resolutions will be proposed at the EGM to approve the New Continuing Connected Transactions and the Proposed Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

G. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its recommendations to the Independent Shareholders on the New Continuing Connected Transactions and Proposed Annual Caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 22 to 43 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Continuing Connected Transactions and the Proposed Annual Caps.

The Directors (including the INEDs) 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 should vote in favour of the ordinary resolutions to approve the New Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

H. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix on pages 44 to 50 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)

21 November 2016

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 21 November 2016 ("**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 and the Proposed Annual Caps are fair and reasonable so far as the interests of the Shareholders are concerned. Accordingly, we have appointed Karl Thomson Financial Advisory Limited 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 19 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 of advice 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 22 to 43 of the Circular.

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 Company 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 resolutions 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

Leung Tai Chiu, *Independent non-executive Director*
Ip Shu Kwan, Stephen, *Independent non-executive Director*
Zhang Lu Fu, *Independent non-executive Director*
Lau Ping Cheung, Kaizer, *Independent non-executive Director*

The following is the text of the letter of advice from Karl Thomson Financial Advisory Limited, the independent financial adviser to the independent board committee of Kingboard Laminates Holdings Limited and its independent shareholders in respect of the continuing connected transactions contemplated under the New KBL/Hallgain Supply 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.

高信融資服務有限公司
Karl Thomson Financial Advisory Limited
Rm 606–610, 6/F Tai Yau Building, 181 Johnston Road,
Wan Chai, Hong Kong
香港灣仔莊士敦道181號大有大廈6字樓606–610室

21 November 2016

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 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 2017, 2018 and 2019 (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 21 November 2016 (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 26 October 2016, the Company entered into the New KBL/Hallgain Supply Framework Agreement with Hallgain. Pursuant to the New KBL/Hallgain Supply Framework Agreement, the Group will supply copper and laminates to the Hallgain Group. Hallgain, by virtue of its 37% 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 KBL/Hallgain Supply Framework Agreement, the Company has also entered into the New KBL/KBC Materials Purchase Framework Agreement and the New KBL/KBC Supply and Service Framework Agreement with KBC. 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, 74.00% 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.36 of the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listings Rules.

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, Mr. Cheung Ka Ho, Mr. Leung Tai Chiu and Mr. Liu Min, directly and, as the case may be, through spouse's interest, were interested as to 9,675,000 Shares, 89,000 Shares, 78,000 Shares and 300,000 Shares of the Company, respectively. Each of them and their respective associates will not vote at the EGM.

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 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.

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.

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 reasonable made after due enquiry. We consider that we have been provided with sufficient information to form a reasonable basis for issuing our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and management of the Company and have no reason to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

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.

Set out below is certain summary financial information as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"):

	For the financial year ended 31 December	
	2015	**2014**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	12,769,720	13,282,694
Profit attributable to owners of the Company	1,265,403	1,121,842

	As at 31 December	
	2015	**2014**
	HK$'000	*HK$'000*
	(audited)	(audited)
Total assets	23,030,997	22,922,586
Total liabilities	8,877,836	8,528,926

As shown in the table above, the Group recorded revenue of approximately HK$12,769,720,000 for the year ended 31 December 2015, representing a decrease of approximate 3.86% when compared with the revenue recorded in 2014. However, the profit attributable to owners of the Group in 2015 was slightly increased from HK$1,121,842,000 to HK$1,265,403,000 while the gross profit margin of the Group in 2015 also increased from approximates 15.04% to 17.00%. With reference to the 2015 Annual Report, the decrease in revenue was mainly due to the significant decline in the costs of raw materials such as copper for laminates production as well as the selling prices of laminates during the period. However, benefitting from the drop in material costs, the gross profit margin has improved. As at 31 December 2015, the Group had total assets and total liabilities of approximately HK$23,030,997,000 and HK$8,877,836,000 respectively.

The 2015 Annual Report also revealed that the Group has achieved on an average monthly shipment volume of 9.6 million square metres, an increase of 1% over the previous year. For the first half of 2016, the Group's total shipment volume of laminates went up by 3% to average monthly shipments of 9.85 million square metres.

Hallgain is a substantial shareholder through its 37% interests in KBC. Hallgain and its subsidiaries are principally engaged in the manufacture and sale of electronic component parts, raw materials and machineries for the production of laminates and PCBs. The Group has been making sales to the Hallgain Group since 2006.

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 with the Hallgain Group

Given the Existing KBL/Hallgain Supply Framework Agreement will expire on 31 December 2016 and shall subject to renewal and therefore the Company has proposed to enter into the New KBL/Hallgain Supply Framework Agreement for term of three years up to 31 December 2019. We understand that the purpose of entering into the New KBL/Hallgain Supply

Framework Agreement is solely for the renewal of terms and the annual caps of the transactions contemplated under the Existing KBL/Hallgain Supply Framework Agreement for further three years from 1 January 2017 to 31 December 2019, in order to facilitate the sale transactions under the Existing KBL/Hallgain Supply Framework Agreement. The agreements is only to provide framework to the parties for the supplies of materials from time to time on non-exclusive basis and the sale transactions 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.

We also noted that the Group and Hallgain have maintained a long-term positive business relationship with each other. In particular, the Group has been selling materials including copper and laminates to Hallgain since 2006. Hallgain has been an important customer of the Group and thus the entering into the New KBL/Hallgain Supply Framework Agreement will continue to secure a long term business relationship between the Group and Hallgain and could allow the Group to continue to generate a good source of income.

Having considered (i) the Existing KBL/Hallgain Supply Framework Agreement will expire on 31 December 2016 and the New KBL/Hallgain Supply Framework Agreement is only for the renewal of the terms and conditions of the Existing KBL/Hallgain Supply Framework Agreement; (ii) the reliable and long term business relationship between Hallgain and the Group and such relationship is beneficial to the business and operation of the Group; and (iii) the transactions contemplated under the New KBL/Hallgain Supply Framework Agreement 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 respectively, we are of the view that the entering into of the New KBL/Hallgain Supply Framework Agreement are in the interests of the Group and the Shareholders as a whole.

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

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

Date	:	26 October 2016
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 2017 to 31 December 2019, both days inclusive

Pursuant to the terms of the New KBL/Hallgain Supply Framework Agreement, there is no limitation on the quantity of copper and laminates to be supplied by the Group to the Hallgain Group. 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 sold in each transaction under the New KBL/Hallgain Supply Framework Agreement is agreed to 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*". Furthermore, the Group will consider the selling price offered to independent third party customers, so that the price of products to be sold by the Group will be set with reference to the prevailing market price. Under such basis, we are of the view that the pricing mechanism of the New KBL/Hallgain Supply Framework Agreement is fair and reasonable.

(iii) Internal Control and Historical Transaction Records

During discussion with the management of the Group, we are advised that the Group would adopt certain internal control procedures to ensure the pricing mechanism is fully applied.

For the prices of products sold by the Group, prevailing market prices and benchmark price information will be obtained through the market or third parties customers. In the previous sales transactions, the Group would consider at least one comparable transaction with an independent third party customer during the same period. In case of absence of comparable transaction or price quotation, the Group will conduct market price research on the open market.

Furthermore, the Group has implemented the following internal control measures to monitor the continuing connected transactions of the Company such that all these transactions are on normal commercial terms and in the interest of the Company as well as complying with the Listing Rules:

1. The finance department of the Group would review the implementation of the annual caps of the continuing connected transactions on monthly basis and to ensure the transaction amounts would not excess the approved annual caps.

2. The audit committee of the Group would review the implementation of the continuing connected transaction such as the summaries of continuing connected transactions during the period and the samples of quotations on regular basis; and

3. The external auditor of the Group would review the connected transactions and report the factual findings to the management of the Group on an annual basis.

For the purpose of this letter of advice, we have reviewed records of historical transactions contemplated under the Existing KBL/Hallgain Supply Framework Agreement during the twelve months ended September 2016 (the "**Period under Review**").

In respect of the sales of copper and laminates and relates upstream component to the Hallgain Group, we have reviewed 12 sets of sample invoices for historical sales transactions between the Group and the Hallgain Group against those of similar transactions between the Group and other independent third party customers. We noted that the price and the payment terms offered by the Group to the Hallgain Group regarding sale of copper and laminates are comparable to and no more favourable to those offered by the Group to other independent third party customers. Based on the invoices for the sales transaction of copper provided by the Group, we have also compared the unit price of copper offered by the Group with the then market price quoted from the London Metal Exchange. In accordance with the comparison, the selling prices show no significant deviation from the historically market price of copper.

In light of the above, we are of the view that the terms and condition of the New KBL/Hallgain Supply Framework Agreement are on normal commercial terms and are fair and reasonable and the entering into the New KBL/Hallgain Supply Framework Agreement are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

(iv) Historical transaction amounts and the proposed annual caps

The table below set 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	
	2014	**2015**	**2016**	**2016**
Historical sales *(HK$'000)*	715,918	681,947	426,526 *(Note 1)*	568,702 *(Note 2)*
Annual growth rate *(%)*	–	-4.75	–	-16.61
Annual Caps *(HK$'000)*	1,200,000	1,320,000	N/A	1,452,000
% of utilization	59.66	51.66	N/A	39.17

	For the year ending 31 December		
	2017	**2018**	**2019**
Proposed annual caps *(HK$'000)*	700,000	770,000	847,000
Annual growth rate *(%)*	–	10.00	10.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.

2. This is an estimated figure by straight-line multiplication from the historical sale of nine months ended 30 September 2016.

In determining the proposed annual cap 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 materials such as copper and laminates;

(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 KBL Group to the Hallgain Group for 2014 and 2015 were amounted to approximately HK$715,918,000 and approximately

HK$681,947,000 respectively. The estimated sales to the Hallgain Group for the financial year ending 31 December 2016 calculated by annualizing the sale figure for the nine months ended 30 September 2016 of approximately HK$568,702,000 represents a decrease of 16.61% in comparison with the sales of the previous year. The Existing Annual Caps have not been fully utilized, in particular, the utilization rate of the annual caps for 2014 and 2015 was approximately 59.66% and 51.66% respectively while the estimated utilization rate for 2016's annual cap calculated based on the annualized sales for the year ending 31 December 2016 was only approximately 39.17%.

In determining the fairness and reasonableness of the Proposed Annual Caps under the New KBL Supply Framework Agreement, we have conducted reviews on (i) the breakdown of historical sales to the Hallgain Group since 2013 and (ii) historical copper price for the period from 2011 to 2016.

(i) Breakdown of historical sales to the Hallgain Group since 2013:

	For the year ended 31 December			For the nine months ended 30 September	For the year ending 31 December
	2013	2014	2015	2016	2016
Sale of laminates *(HK$'000)*	695,546	667,986	610,311	407,177	542,903 *(Note)*
Sale of Copper *(HK$'000)*	123,744	47,932	71,636	19,349	25,799 *(Note)*
Total Sales *(HK$'000)*	819,290	715,918	681,947	426,526	568,702 *(Note)*

Note: These are estimated figures by straight-line multiplication from the historical sale of nine months ended 30 September 2016.

Regarding the sale of laminates, we note that the historical sales amount is relatively stable and has been ranging between HK$540,000,000 and HK$700,000,000. On the other hand, the sale amount of copper is more fluctuate and has been decreasing since 2013. Such continuous decrease in the sale amount of copper is mainly due to (i) slumping global copper price and (ii) the increase in the purchase amount of copper from the PRC suppliers by Hallgain.

Copper is one of the fundamental component raw materials used in the production of laminates. As advised by the management of the Company, the Company has been continuously purchasing copper from the overseas suppliers at a comparatively lower price than that offered by the local suppliers. Copper will be then sold to Hallgain at a markup price. However, the Hallgain Group does not exclusively rely on the supply from Group and is free to select other suppliers. In recent years, since the terms and price offered by the PRC suppliers were more favorable than with that offered by Group, Hallgain would directly purchase copper from the PRC suppliers. Under such circumstance, the amount of copper purchased from the PRC suppliers by the Hallgain Group has been increasing accordingly.

For the future sale of laminates, the management expected that there will be slightly growth of 1% to 2% in the sales volume which is in line with the growth in the Group's overall laminates shipments volume in 2015 and first half of 2016.

(ii) Historical copper price for the period from 2011 to 2016

Copper is one of the fundamental component raw materials used in the production of laminates. The price fluctuations in copper would have significant impact on the selling price of the laminates, which in turn affect the Proposed Annual Caps. In view of this, we have reviewed the historical copper price in our investigation.

Based on the historical copper metal price quoted on the London Metal Exchange in US Dollar ("**US$**") per ton from January 2012 to September 2016, the movement of copper price is showing a downward trend over the past five years. The copper price in 2012 was ranging between US$7,500 and US$8,500. In the first quarter of 2013, the copper price started to fall and has dropped to US$6,750/ton in the mid of 2013. The downward trend continued and it subsequently dropped to US$5,000 per ton in 2015, almost half of its price in 2011. The copper price finally reached its historical low of US$4,310 in January 2016 and subsequently solidified since then. The price is currently ranging between US$4,500 and US$5,000 per ton.

It is believed that the substantial decrease in the copper price was mainly due to the decrease in demand in copper arising from the slowing down of economic growth in the PRC. PRC, the world's second largest economy, is responsible for approximately 45% of total global copper demand and the country's PMI data is found to be closely correlated to the copper price. In this regard, the economic growth of the PRC will have great impact on the copper price. Moreover, the recent devaluation in the Renminbi also compounded the pressure on the copper price.

The PRC government have implemented a number of plans in order to stimulate the economy and the market expects that copper price will recover soon due to stabilization in manufacturing activity and a re-stocking cycle. The anticipated consumption coupled with production cuts will also support the copper price going forward.

As advised by the management of Group, the proposed annual cap for 2017 of HK$700,000,000 is arrived by adding a growth rate of 23% on the estimated sales amount for the financial year ending 31 December 2016. As discussed above, the copper price has recently recovered from the historical low. In particular, the three month seller contract price of copper quoted on the London Metal Exchange on 10 November 2016 has surged to USD5,352 per ton, representing a growth rate of approximately 24% over the historical lowest price of US$4,310 in 2016. In this regard, we concur with the management of the Company's view that certain buffer would be made on the proposed annual cap for 2017 in order to accommodate the potential upward movement in global copper price. Furthermore, taking into account the annual growth of the sales volume, a larger proposed annual cap for 2017 could also allow more flexibility for the Group to accommodate in sales fluctuation in the coming three years. Since the proposed growth rate on proposed annual cap for 2017 over the previous year is comparable to the percentage increase in recent copper price, we consider the Directors' approach to embed a growth rate of 23% on proposed annual cap for 2017 is justified. On the other hand, given the fact that the utilization rate for the Existing Annual Caps was only ranging between approximately 40% and 60%. To avoid further over-estimation on the proposed annual caps, we are of the opinion that it is rational for the Company to adopt a lower growth rate on the annual caps for 2018 and 2019. Furthermore, since the buffer made on the proposed annual caps for 2017 has already considered the potential upward movement of the copper price, a lower growth rate of 10% made on the proposed annual caps for 2018 and 2019 is reasonable. Having considered the bases for determining the Proposed Annual Caps, we are of the view that the growth rate and the Proposed Annual Caps under New KBL/Hallgain Supply Framework Agreement have been arrived at on a fair and reasonable basis.

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.

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. 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 12% of the total revenue of the Group. In particular, the sales to the KBC amounted to approximately HK$1.56 billion for the year ended 31 December 2015. 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.

Given the Existing KBL/KBC Materials Purchase Framework Agreement and Existing KBL/KBC Supply and Service Framework Agreement will expire on 31 December 2016 and shall subject to renewal and therefore the company has proposed to enter into the New KBL/KBC Materials Purchase Framework Agreement and New KBL/KBC Supply and Service Framework Agreement for term of three years up to 31 December 2019. The purpose of entering into the New Continuing Connected Transaction Agreements is solely for the renewal of terms and the annual caps of the transactions contemplated under the Existing Continuing Connected Transaction Agreements for further three years from 1 January 2017 to 31 December 2019, in order to facilitate the purchase and sale transactions under the respective agreements which 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. 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	:	26 October 2016
Parties	:	(1) KBC (2) the Company
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 2017 to 31 December 2019, 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 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 only 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. We noted that the price and payment terms of individual purchase of the products by the Group from 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.

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

Date	:	26 October 2016
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 products and related upstream component materials 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 2017 to 31 December 2019, 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. We noted that the price and payment terms under each transaction between the Group to the KBC Group are comparable to and no more favourable to those offered into by the Group to other independent customers.

Similarly, the Company has implemented a set of internal control procedures in order to ensure the sales transactions with the KBC Group will not be more favorable. As advised by the management of the Company, the Group would consider at least one comparable transaction with an independent third party customer during the same period. 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 purchase amount, 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**	
	2014	**2015**	**2016**	**2016**
Historical purchases *(HK$'000)*	883,404	707,245	399,162 *(Note 1)*	532,216 *(Note 2)*
Annual growth rate *(%)*	–	–19.94	–	–24.75
Annual Caps *(HK$'000)*	1,428,000	1,571,000	N/A	1,728,000
% of utilization	61.86	45.02	N/A	30.80

	For the year ending 31 December		
	2017	**2018**	**2019**
Proposed annual caps *(HK$'000)*	800,000	880,000	968,000
Annual growth rate *(%)*	–	10.00	10.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.

2. This is an estimated figure by straight-line multiplication from the historical purchase of nine months ended 30 September 2016.

In determining the proposed annual cap for the New KBL/KBC Materials Purchase Framework Agreement for each of the three years ending 31 December 2019, 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 2019 (taking into account the growth in the demand and sales of the Group's products and the corresponding increase in production capacity and production volume of the Group);

(iii) the anticipated increase in market price of the Chemicals; and

(iv) inflation.

As shown in the table above, the historical purchase of Chemicals for 2014 and 2015 was approximately HK$883,404,000 and HK$707,245,000 respectively. Based on the purchase amount for the nine months ended 30 September 2016, the estimated purchase for the financial year ending 31 December 2016 is approximately HK$532,216,000. The historical purchase of Chemicals was ever decreasing, in particular, the accumulated decrease in purchase amount for the past three years was approximately HK$351,188,000. We believed that such decrease was mainly due to the surging in crude oil price, which in turn lower the selling price of Chemicals.

Due to the subsequent decline in purchase amount, the utilization rate of the annual caps has also been decreasing since 2014. In particular, the historical utilization rate of the annual caps for 2014 and 2015 was approximately 61.86% and 45.02% respectively while the estimated utilization rate for 2016 calculated based on the annualized sales for the year ending 31 December 2016 is only approximately 30.80%.

The proposed annual caps for the next three years are HK$800,000,000, HK$880,000,000 and HK$968,000,000 respectively. The proposed annual cap for 2017 of HK$800,000,000 represents an increment of approximately 50.31% over the estimated purchase amount for the financial year ending 31 December 2016. Comparing with the historical purchase, it appears that a significant growth rate has been applied on the proposed annual cap for 2017. Upon further discussion with the management of the Company, we are advised that the higher proposed annual cap for 2017 is to accommodate the potential fluctuation of the crude oil prices. For the calculation of the annual caps for 2018 and 2019, a smaller growth rate of 10% has been adopted.

For the purpose of this letter of advice, we have conducted an analysis on the historical price of the crude oil in the past three years. Based on the historical prices quoted on New York Mercantile Exchange for the period from 1 January 2014 to 31 October 2016, the crude oil price was originally ranging from around US$100/barrel and around US$115/barrel in the first half of 2014. In the second half of 2014, the crude oil price has sharply dropped by 47.83% from US$115/barrel to around US$60/barrel. The downward trend continued and the price further dropped to lowest level of US$28.5/barrel during January 2015. Slumping of oil price finally ceased at February 2016. Since then, the crude oil price subsequently rebounded to the current level of around US$45/barrel. Such decline in crude oil price reflected the rampant supply and weak global demand arising from the slowing economic growth of the world, especially in China. In view of this circumstance, the Organisation of the Petroleum Exporting Countries ("**OPEC**") has proposed to lower the crude oil output by around 700,000 bpd to a range of 32.5 million to 33 million barrels per day. Details of the proposal are to be finalized by the member countries on the policy meeting to be held at the end of November 2016. Once the proposal is finalized on the meeting, OPEC will seek further support from the non-member oil producers to further ease the global glut. In light of the low crude oil price and the expected output cut, the market expected that there is still a large room for price increase.

As discussed above, the fluctuation in crude oil price is quite significant. In particular, the crude oil price has been rebounded from US$28.5/barrel to the current level of around US$45/barrel, up by approximately 57.89%. On the other hand, the annual growth in production volume of laminates of the Group may increase the demand on Chemicals. Taking into account the expected increase in the selling price of Chemicals arising from the proposed oil output cut as well as the potential increase in demand of Chemicals from the Group we consider the Directors' approach to embed approximately 50% buffer in the proposed annual cap of 2017 for catering the price and sale fluctuations of Chemicals is justified. Regarding the estimation of the proposed annual caps for 2018 and 2019, the Company has taken into account the utilization of the Existing Annual Caps, an annual growth rate of 10% is proposed. We noted that the utilization rate for the Existing Annual Caps is ever decreasing and the utilization rate for the annual cap of 2016 is only 30.8%. Under such basis, we concur with the management's view to lower the growth rate for the annual caps for the subsequent years. As the proposed annual cap of 2017 has already considered the future price fluctuation of crude oil, we considered the adoption of an annual growth rate of 10% for 2018 and 2019 is actually a prudent estimation. Having considered the bases for determining the Proposed Annual Caps and our work done on the assessment set out above, we are of the view that the Proposed Annual Caps under New KBL/KBC Materials Purchase Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

(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	
	2014	2015	2016	2016
Historical sales *(HK$'000)*	1,638,196	1,557,971	1,216,178 *(Note 1)*	1,621,571 *(Note 2)*
Annual growth rate *(%)*	–	–4.90	–	4.08
Annual caps *(HK$'000)*	2,400,000	2,400,000	N/A	2,400,000
% of utilization	68.26	64.92	N/A	67.57

	For the year ending 31 December		
	2017	2018	2019
Proposed annual caps *(HK$'000)*	1,900,000	2,090,000	2,299,000
Annual growth rate *(%)*	–	10.00	10.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.

2. This is an estimated figure by straight-line multiplication from the historical sale of nine months ended 30 September 2016.

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 sales to the KBC Group;

ii. the anticipated demand for the laminates and related upstream component materials and drilling services by the KBC group for the three financial years ending 31 December 2019;

iii. the anticipated increase in market price of the goods and service; and

iv. inflation.

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 sales amount to the KBC Group since 2013; (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 to the KBC Group since 2013

The table below lays out the historical sales of laminates and related upstream component materials and provision of drilling services to the KBC Group since 2013:

	For the year ended 31 December			For the nine months ended 30 September	For the year ending 31 December
	2013	2014	2015	2016	2016
Sale of laminates and related upstream materials and provision of drilling service *(HK$'000)*	1,508,609	1,638,196	1,557,971	1,216,178	1,621,571 *(Note)*

Note: This is an estimated figure by straight-line multiplication from the historical purchase of nine months ended 30 September 2016.

From the table above, we note that the sale amount of related upstream component materials and provision of drilling services to the KBC Group was relatively stable during the past four years, ranging between around HK$1,509,000,000 and HK$1,638,000,000. The total sales to KBC Group for 2016 are estimated by annualizing the purchase amount for the nine months ended 30 September 2016 of approximately HK$1,216,178,000. The annualized purchase amount is calculated as to approximately HK$1,621,571,000. We note that the Board has applied a growth rate of approximately 17% on the annualized purchase amount of 2016 when estimating the proposed annual cap for 2017.

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

Copper is the major raw materials in producing laminates. The price fluctuations in copper would have significant impact on the selling price of the laminates, which in turn affect the Proposed Annual Caps. In view of this, we have reviewed the historical copper price in our investigation. As mentioned above, the copper price hits its historical low recently. It is believed that the substantial decrease in the copper price was mainly due to the decrease in demand in copper arising from the slowing down of economic growth in the PRC and we noted that the country's PMI data is closely correlated to the copper price. The PRC government have implemented a number of plans in order to stimulate the economy and thus the market expects that copper price will recover soon due to stabilization in manufacturing activity and a re-stocking cycle. The anticipated consumption coupled with production cuts will also support prices going forward.

Apart from the copper price, we also take into account the recent price fluctuation of crude oil. Chemicals such as methanol, formalin, phenol, acetone, phenol resin and caustic soda refined from the crude oil are also essential for the production of laminates and related upstream components. As such, the price of crude oil will also affect the selling price of the laminates. As discussed in the previous section, the crude oil price has been dropped by more than 50% in the past three years. Given the fact that OPEC is currently proposing for production cut, the market expected that there is still a large room for price increase.

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

We have also considered the anticipated demand on the laminates and related upstream component materials and drilling services from the KBC Group for the coming three years. As mentioned in the KBC's annual report for the financial year ending 31 December 2016, Elec & Eltek International Company Limited ("**Elec & Eltek**"), an indirect non wholly-owned subsidiary of KBC Group has carried out group restructuring since last year and now the restructuring of Elec & Eltek and its subsidiaries ("**Elec & Eltek Group**") is about to completed, it is expected that the production capacity of Elec & Eltek Group on high-end electronic products will be further enhanced, especially the PCBs and related electronic products for telecommunication and automotive segments. In view of this, it is expected that the demand on goods and services from the KBC Group will have a stable growth in the coming three years.

Comparing with the proposed annual caps for 2018 and 2019, a higher growth rate of 17% is adopted for the proposed annual cap of 2017. As discussed above, the copper price as well as the crude oil price is expected to recover in the near future. Furthermore, the demand for laminates used for the production of high-end electronic products will be greater as the restructuring of Elec & Eltek Group is completed. In view of the potential price fluctuation and the expected increase in demand, we consider the Directors' approach to embed higher buffer in determining the Proposed Annual Cap for 2017 for catering the fluctuations of future sale is prudent and justified. On the other hand, since the certain buffer has been made on the proposed annual cap for 2017, we are of the opinion that it is rational for the Company to adopt a lower growth rate of 10% on the annual caps for 2018 and 2019. Given the above, we are of the view that the growth rates and the Proposed Annual Caps under New KBL/KBC Supply and Service Framework Agreement have been determined on a fair and reasonable basis.

OUR RECOMMENDATION

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

1. the background of entering into the New KBL/Hallgain Supply Framework Agreement is for the purpose of the renewal of the Existing KBL/Hallgain Supply Framework Agreement such that other terms and conditions of the Existing KBL/Hallgain Supply Framework Agreement remain unchanged;

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 KBC 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 New 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 New 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 circular 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 2015, 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 positions) 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 and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

(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	9,675,000 *(note 3)*	0.323
Mr Cheung Kwok Keung	Beneficial owner	11,500,000	–	–
Mr Cheung Kwok Ping	Beneficial owner	10,000,000	–	–
Mr Lam Ka Po	Beneficial owner	10,000,000	–	–
Mr Cheung Ka Ho	Beneficial owner	10,000,000	89,000	0.003
Mr Leung Tai Chiu	Beneficial owner	–	78,000	0.003
Mr Liu Min	Interest of spouse	–	300,000	0.010

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 May 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) 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	Number of issued KBC Shares held	Approximate percentage of the issued share capital of KBC *(%)* *(note 1)*
Mr Cheung Kwok Wa	Beneficial owner/ Interest of spouse	–	10,709,100 *(note 2)*	1.031
Mr Cheung Kwok Keung	Beneficial owner	2,928,000	1,293,922	0.125
Mr Cheung Kwok Ping	Beneficial owner/ Interest of spouse	–	4,656,383 *(note 3)*	0.448
Mr Lam Ka Po	Beneficial owner	–	3,889,600	0.375
Mr Cheung Ka Ho	Beneficial owner	–	384,000	0.037
Mr Liu Min	Beneficial owner/ Interest of spouse	–	554,300 *(note 4)*	0.053

Notes:

(1) 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.

(2) 74,400 KBC Shares were held by his spouse.

(3) 36,000 KBC Shares were held by his spouse.

(4) 321,800 KBC Shares were held by his spouse.

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

Name of Director	Capacity	Number of issued E&E Shares held	Approximate percentage of the issued share capital of E&E *(%)*
Mr Cheung Kwok Wa	Beneficial owner	706,200	0.378
Mr Cheung Kwok Ping	Beneficial owner	520,000	0.278
Mr Lam Ka Po	Beneficial owner	486,600	0.260

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 and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(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 (including the KBL 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	2,220,134,500(L) *(notes 1&2)*	74.00(L)
KBC	Beneficial owner	93,762,500(L)	3.12(L)
	Interest of controlled corporations	2,126,372,000(L) *(note 3)*	70.88(L)
Jamplan (BVI) Limited ("**Jamplan**")	Beneficial owner	1,790,000,000(L)	59.67(L)
	Interest of controlled corporation	336,372,000(L) *(note 4)*	11.21(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) *(note 5)*	0.67(P)

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

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

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

Notes:

(1) As at the Latest Practicable Date: (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors 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 37.00% 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., was interested in a long position of 19,952,342 Shares as a beneficial owner; (b) Citigroup Global Market 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 Share 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) Finance AG.

Citigroup Financial Products Inc. wholly controlled Citigroup Global Markets Switzerland Holding GmbH. Citigroup Global Markets Overseas Finance Limited, which was 51.86% controlled by Citigroup Global Markets (International) Finance AG and 48.14% controlled by Citigroup Global Markets Switzerland Holding GmbH, wholly controlled Citigroup Global Markets Hong Kong Holdings Limited. Citigroup Global Markets Asia Limited, which was interested in a long position of 6,000 Shares as a beneficial owner, was wholly controlled by Citigroup Global Markets Hong Kong Holdings Limited.

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

4. DIRECTORS' INTEREST IN SERVICE CONTRACTS

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

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 licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance).

(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, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. DIRECTORS' INTEREST 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 2015, 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 company secretary of the Company is Mr. Tsoi Kin Lung. Mr. Tsoi is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

(c) 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.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) 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 Supply Framework Agreement;

(b) the Existing KBL/KBC Materials Purchase Framework Agreement;

(c) the Existing KBL/KBC Supply and Service Framework Agreement;

(d) the New KBL/Hallgain Supply Framework Agreement;

(e) the New KBL/KBC Materials Purchase Framework Agreement;

(f) the New KBL/KBC Supply and Service Framework Agreement; and

(g) 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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Kingboard Laminates Holdings Limited ("**Company**") will be held at 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase 2 Hong Kong Science Park, Shatin, New Territories, Hong Kong, on Monday, 12 December 2016 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the entering into of the New KBL/Hallgain Supply Framework Agreement (as defined in the circular to the shareholders of the Company dated 21 November 2016 (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/KBC Material 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."

3. "**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, 21 November 2016

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

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder.

2. Where there are joint registered holders of any share in the issued share capital of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company ("**Register of Members**") in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, a form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting as the case may be.

4. As at the date hereof, the board of directors 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. Leung Tai Chiu, Ip Shu Kwan, Stephen, Zhang Lu Fu and Lau Ping Cheung, Kaizer, being the independent non-executive directors.