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KINGBOARD CHEMICAL HOLDINGS LIMITED
建滔化工集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 148)

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KINGBOARD LAMINATES HOLDINGS LIMITED
建滔積層板控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1888)

JOINT ANNOUNCEMENT

IN RELATION TO KINGBOARD COPPER FOIL HOLDINGS LIMITED

Reference is made to the joint announcements of Kingboard Chemical Holdings Limited ("**Kingboard Chemical**") and Kingboard Laminates Holdings Limited ("**Kingboard Laminates**") dated 3 March 2017, 6 March 2017, 20 March 2017, 22 March 2017, 30 March 2017 and 31 March 2017 in relation to the voluntary unconditional cash offer (the "**Offer**") by Excel First Investments Limited 卓先投資有限公司 (the "**Offeror**") for all the issued and paid-up ordinary shares in the capital of Kingboard Copper Foil Holdings Limited ("**KBCF**"), other than those which are owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer.

This announcement is made by Kingboard Chemical and Kingboard Laminates pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is being released for information purpose.

KBCF, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Singapore Exchange Securities Trading Limited, is an indirect 69.66%-owned subsidiary of Kingboard Laminates. In turn, Kingboard Laminates is a 72.59%-owned subsidiary of Kingboard Chemical. Both Kingboard Chemical and Kingboard Laminates are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The following is a reproduction of the document published on the website of www.sgx.com of Singapore Exchange Securities Trading Limited under KBCF on 3 April 2017 in relation to the Offer.

CIRCULAR DATED 3 APRIL 2017

THIS CIRCULAR IS ISSUED BY KINGBOARD COPPER FOIL HOLDINGS LIMITED. THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your issued ordinary shares in the capital of Kingboard Copper Foil Holdings Limited (the "**Company**"), you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

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KINGBOARD COPPER FOIL HOLDINGS LIMITED

KINGBOARD COPPER FOIL HOLDINGS LIMITED
(Company Registration No. 26998)
(Incorporated in Bermuda)
(Singapore Stock Code: K14)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY UNCONDITIONAL CASH OFFER

by

RELIGARE CAPITAL MARKETS CORPORATE FINANCE PTE. LIMITED
(Company Registration No. 200723018H)
(Incorporated in the Republic of Singapore)

for and on behalf of

EXCEL FIRST INVESTMENTS LIMITED
卓先投資有限公司
(BVI Company Number 1017021)
(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror Concert Parties (as defined herein)

Independent Financial Adviser to the Independent Directors

PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.
(Incorporated in Singapore)
(Company Registration No.: 200309056E)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES OF THE OFFER (AS DEFINED HEREIN) SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 17 APRIL 2017 OR SUCH OTHER DATE(S) AS MAY BE ANNOUNCED BY OR ON BEHALF OF THE OFFEROR FROM TIME TO TIME. ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE.

CONTENTS

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

"**12M2016**"	:	The 12 months period ended 31 December 2016
"**12M2016 Results**"	:	The unaudited consolidated financial statements of the Group for the 12 months period ended 31 December 2016
"**Bermuda Companies Act**"	:	The Companies Act 1981 of Bermuda
"**Bye-Laws**"	:	Bye-Laws of the Company, as may be amended or supplemented from time to time
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular to Shareholders dated 3 April 2017 in relation to the Offer
"**Closing Date**"	:	5.30 p.m. on 17 April 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Company**"	:	Kingboard Copper Foil Holdings Limited, a company incorporated in Bermuda with its shares listed on the Main Board of SGX-ST
"**Company Securities**"	:	(a) Shares, (b) securities which carry voting rights in the Company, or (c) convertible securities, warrants, options or Derivatives in respect of Shares or such securities in (b)
"**Concert Parties**"	:	Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
"**Derivatives**"	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
"**Despatch Date**"	:	20 March 2017, being the date of despatch of the Offer Document
"**Directors**"	:	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
"**Distributions**"	:	Any dividends, right, other distribution and return of capital
"**Encumbrances**"	:	Any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever
"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Depositors whose Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
"**FY**"	:	Financial year ended or ending 31 December

"HK"	:	Hong Kong Special Administrative Region of the People's Republic of China
"Group"	:	The Company and its subsidiaries
"IFA" or "Provenance Capital"	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
"IFA Letter"	:	The letter dated 3 April 2017 from Provenance Capital to the Independent Directors in respect of the Offer as set out in Appendix I to this Circular
"Independent Directors"	:	The Directors who are considered independent for the purpose of making recommendations to the Shareholders in respect of the Offer, namely, Ong Tiong Wee and Chim Hou Yan
"Kingboard Chemical"	:	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 of Hong Kong Limited
"Kingboard Chemical Group"	:	Kingboard Chemical and its subsidiaries
"Kingboard Laminates"	:	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 of Hong Kong Limited
"Latest Practicable Date"	:	24 March 2017, being the latest practicable date prior to the printing of this Circular
"Listing Manual"	:	The listing manual of the SGX-ST
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"Offer"	:	Voluntary unconditional cash offer to acquire the Offer Shares on the terms and conditions set out in the Offer Document, the FAA and/or the FAT
"Offer Announcement"	:	The Offer announcement made by Religare, for and on behalf of the Offeror, on the Offer Announcement Date
"Offer Announcement Date"	:	3 March 2017, being the date of the Offer Announcement
"Offer Document"	:	The document dated 20 March 2017 issued by Religare, for and on behalf of the Offeror, in respect of the Offer
"Offer Period"	:	The period commencing from the Offer Announcement Date
"Offer Shares"	:	All the Shares in issue, other than those already owned, controlled or agreed to be acquired by the Offeror Concert Group and treasury Shares (if any) held by the Company
"Offeror" or "Excel First Investments Limited 卓先投資有限公司"	:	Excel First investments Limited 卓先投資有限公司, incorporated in British Virgin Islands, a wholly-owned subsidiary of Kingboard Laminates
"Offeror Concert Group"	:	The Offeror and the parties acting or presumed to be acting in concert with the Offeror

"**Offeror Shares**"	:	Ordinary shares in the capital of the Offeror
"**Offeror Securities**"	:	(a) Offeror Shares, (b) securities which carry substantially the same rights as any Offeror Shares, and (c) convertible securities, warrants, options and Derivatives in respect of any Offeror Shares or such securities in (b)
"**Overseas Shareholders**"	:	Shareholders and Depositors whose addresses are outside Singapore as shown in the Register or the Depository Register, as the case may be
"**Reference Period**"	:	The period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date
"**Register**"	:	The register of members of the Company, as maintained by Butterfield Fulcrum Group (Bermuda) Limited, the Bermuda share registrar of the Company
"**Religare**"	:	Religare Capital Markets Corporate Finance Pte. Ltd.
"**Roma**"	:	Roma Appraisals Limited
"**SFA**"	:	Securities and Futures Act, Cap 289 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Transfer Agent**"	:	Intertrust Singapore Corporate Services Pte. Ltd. at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896
"**Shareholders**"	:	Holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST
"**Shares**"	:	Issued and paid-up ordinary shares of a par value of US$0.10 each in the capital of the Company
"**SIC**"	:	Securities Industry Council of Singapore
"**Valuation Certificate**"	:	Has the meaning given to it in paragraph 11 of Appendix II to this Circular
"**VWAP**"	:	Volume-weighted average price

<u>Currencies and Units of Measurement</u>

"**HK$**"	:	Hong Kong dollars, being the lawful currency of Hong Kong
"**S$**" **and** "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"**US$**"	:	United States dollars, being the lawful currency of the United States of America
"**per cent.**" **or** "**%**"	:	Per centum or percentage

(a) The expressions "**acting in concert**" and "**associates**" shall have the meanings ascribed to them respectively in the Code.

(b) The expressions "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings as ascribed to them respectively in Section 81SF of the SFA.

(c) Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

(d) The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

(e) References to "**Offer Document**" shall include the FAA and FAT, unless the context otherwise requires.

(f) Any discrepancies in the figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown in the totals of the figures in this Circular may not be an arithmetic aggregation of the figures that precede them.

(g) References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to the Shareholders and Depositors holding Shares through CDP.

(h) Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Code, the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to that word under the Companies Act, the SFA, the Code, the Listing Manual or that modification, as the case may be, unless the context otherwise requires.

(i) The expressions "**subsidiary**" and "**associated company**" shall have the meanings ascribed to them in Section 5 of the Companies Act and the Code, respectively.

(j) Any reference to a time of day and date in this Offer Document shall be a reference to Singapore time and date, respectively, unless otherwise specified.

(k) **Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Bye-Laws are set out in this Circular within quotes and in italics and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Bye-Laws respectively.**

(l) Any reference in this Circular to the total number of Shares is a reference to a total of 722,500,000 Shares in issue as at the Latest Practicable Date, unless the context otherwise requires.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "**expect**", "**anticipate**", "**believe**", "**intend**", "**project**", "**plan**", "**strategy**", "**forecast**" and similar expressions or future or conditional verbs such as "**will**", "**would**", "**should**", "**could**", "**may**" and "**might**". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMELINE

Date of despatch of Offer Document	:	20 March 2017
Date of despatch of this Circular	:	3 April 2017
Closing Date	:	5.30 p.m. on 17 April 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror
Date of settlement of consideration for valid acceptances of the Offer	:	Within 7 days after receipt of valid acceptances

Notes:

1) This indicative timetable has been extracted from the Offer Document. Please also refer to Appendix 1 to the Offer Document for further details.

2) Other than the Despatch Date and the date of the despatch of this Circular, other dates set out in the timetable above are indicative only and the actual dates of such events will be announced in due course by or on behalf of the Offeror on SGXNET.

KINGBOARD COPPER FOIL HOLDINGS LIMITED

(Company Registration No. 26998)
(Incorporated in Bermuda)
(Singapore Stock Code: K14)

Directors:

Lam Ka Po (Executive Director and Chairman)
Cheung Kwok Ping (Executive Director)
Ho Yin Sang (Non-Executive Director)
Ong Tiong Wee (Independent and Non-Executive Director)
Chim Hou Yan (Independent and Non-Executive Director)

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

3 April 2017

To: The Shareholders of Kingboard Copper Foil Holdings Limited

Dear Sir/Madam

VOLUNTARY UNCONDITIONAL CASH OFFER BY RELIGARE, FOR AND ON BEHALF OF THE OFFEROR, FOR ALL THE OFFER SHARES

1. INTRODUCTION

1.1. Offer Announcement

On 3 March 2017, Religare announced, for and on behalf of the Offeror, that the Offeror intended to make a voluntary unconditional cash offer for all the issued and paid-up ordinary shares of a par value of US$ 0.10 each in the capital of the Company, other than those which are owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer, with a view to delist the Company from the Main Board of the SGX-ST.

A copy of the Offer Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.2. Offer Document

Shareholders should by now have received a copy of the Offer Document issued by Religare, for and on behalf of the Offeror, setting out, inter alia, the terms and conditions of the Offer. **Shareholders are advised to read the terms and conditions of the Offer contained therein carefully.**

Copies of the Offer Document, the FAA and the FAT are available on the website of the SGX-ST at www.sgx.com.

1.3. IFA

The Company has appointed Provenance Capital Pte. Ltd. as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.4. Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Principal Terms

The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below.

2.2 Terms of the Offer

The Offer will be made for all the Offer Shares, subject to the terms and conditions set out in the Offer Document.

2.3 Offer Price

The Offer will be made at **S$0.40 in cash** for each Offer Share.

2.4 Rights and Encumbrances

The Offer Shares will be acquired:

(a) fully paid;

(b) free from all Encumbrance; and

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions (if any) which may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distribution in full in respect of any Offer Share tendered in acceptance of the Offer, the Offer Price payable in respect of such Offer Share will be reduced by the amount of such Distribution.

2.5 Offer Unconditional

The Offer will <u>not</u> be subject to any conditions and will be unconditional in all respects.

2.6 Warranty

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances whatsoever and (c) transferred together with all rights, benefits and entitlements attached to them as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.

2.7 Duration of the Offer

The Offer is open for acceptance by Shareholders for at least 28 days after the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

The Offer will close at 5:30 p.m. (Singapore time) on 17 April 2017 (or such other date(s) as may be announced by or on behalf of the Offeror from time to time), being the Closing Date.

2.8 Further Details

Further details on the Offer, in relation to (a) the duration of the Offer, (b) the settlement of the consideration of the Offer, (c) the requirements relating to the announcement(s) of the level of acceptances of the Offer and (d) the right of withdrawal of acceptances of the Offer are set out in **Appendix 1** to the Offer Document.

2.9 Procedure for acceptance

Appendix 2 to the Offer Document sets out the procedures for acceptance of the Offer by a Shareholder.

2.10 No irrevocable undertakings

Paragraph 14.3 of the Offer Document states that as at 14 March 2017, being the latest practicable date for the Offer Document, none of the Offeror Concert Group or Religare has received any irrevocable undertaking from any party to accept or reject the Offer.

3. INFORMATION ON THE OFFEROR AND KINGBOARD CHEMICAL GROUP

3.1 Offeror

Information on the Offeror and the Kingboard Chemical Group is set out in **Appendix 3** of the Offer Document, selected extracts of which are reproduced below.

"**2.** ***PRINCIPAL ACTIVITIES AND ISSUED SHARES***

*The Offeror is a BVI business company incorporated in the British Virgin Islands on 22 March 2006. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror has issued only 1 share with a par value of US$1.00 per share. As at the Latest Practicable Date, the directors of the Offeror ("**Directors**") are Mr. Cheung Kwok Wa, Mr. Cheung Kwok Ping and Mr. Cheung Ka Ho.*

The Offeror is a wholly-owned subsidiary of Kingboard Laminates, which is listed on The Stock Exchange of Hong Kong Limited. As at the Latest Practicable Date, the directors of Kingboard Laminates are Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping, Mr. Lam Ka Po, Mr. Cheung Ka Ho, Mr. Liu Min, Mr. Zhou Pei Feng, Mr. Lo Ka Leong, Mr. Leung Tai Chiu, Mr. Ip Shu Kwan, Stephen, Mr. Zhang Lu Fu and Mr. Lau Ping Cheung, Kaizer.

Kingboard Laminates is, in turn, a 72.59% owned subsidiary of Kingboard Chemical, and also listed on The Stock Exchange of Hong Kong Limited. The Kingboard Chemical Group has business activities ranging from manufacture and sale of, among others, laminates, printed circuit boards, chemicals, liquid crystal displays and magnetic products, and property development and investment. As at the Latest Practicable Date, the directors of Kingboard Chemical are Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu, Mr. Cheung Kwong Kwan, Mr. Ho Yin Sang, Ms. Cheung Wai Lin, Stephanie, Mr. Cheung Ka Shing, Mr. Chen Maosheng, Dr. Cheng Wai Chee, Christopher, Mr. Cheung Ming Man, Dr. Chong Kin Ki and Mr. Leung Tai Chiu.

Additional information on Kingboard Laminates and Kingboard Chemical can be found at their websites at http://www.kblaminates.com and http://www.kingboard.com, respectively."

3.2 Further information

Shareholders should refer to **Appendix 3** of the Offer Document for further information on the Offeror and the Kingboard Chemical Group.

4. INFORMATION ON THE COMPANY

Please refer to Appendix II of this Circular for information on the Company.

5. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer as set out in Section 9 of the Offer Document has been extracted from the Offer Document and reproduced below.

"9.1 Intention to Delist and Privatise the Company

The Offeror intends to make the Offer with a view to delist the Company from the SGX-ST and, ultimately, to privatise the Company.

9.2 Opportunity for Minority Shareholders to Realise their Investment in the Shares at a Premium

The Offer Price is at a premium above the historical market prices of the Shares over the last twelve-month period up to the Offer Announcement Date. The Offer Price represents an approximate 17.6% premium above the closing price on the Last Traded Day, and an approximate 28.3%, 32.9%, 39.5% and 49.1% premium above the VWAP per Share for the one-month, three-month, six-month and 12-month period prior to and including the Last Traded Day, respectively.

Shareholders who tender their Shares pursuant to the Offer will have an opportunity to realise their investment in the Company for a cash consideration at a premium above the historical market share prices, without incurring any brokerage and other trading costs.

9.3 Compliance Costs of Maintaining Listing

The Company incurs compliance and other related costs associated with maintaining its listing status. The delisting of the Company will eliminate listing related expenses which can be channelled towards its business operations."

6. OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the Offeror's intention for the Company as set out in Section 10 of the Offer Document has been extracted from the Offer Document and reproduced below.

"10. OFFEROR'S INTENTIONS FOR THE COMPANY

The Offeror currently has no intentions to (a) introduce any major changes to the existing business or management of the Group, (b) discontinue the employment of the employees of the Group, or (c) re-deploy any of the fixed assets of Group, other than in the ordinary course of business. The Offeror however retains the flexibility at any time to consider any options or opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the best interests of the Offeror or the Group."

7. COMPULSORY ACQUISITION AND LISTING STATUS

The full text of the Offeror's intentions with regards to compulsory acquisition and the listing status of the Company as set out in Section 12 of the Offer Document has been extracted from the Offer Document and reproduced below.

"12. LISTING STATUS AND COMPULSORY ACQUISITION

12.1 Delisting

The Offeror does not intend to preserve the listing status of the Company. Under Rule 1105 of the Listing Manual, upon announcement by the Offeror that acceptances have been received that bring the holdings of the Shares owned by the Offeror Concert Group to above 90% of the total number of Shares in issue excluding treasury shares, the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time the SGX-ST is satisfied that at least 10% of the Shares in issue excluding treasury shares are held by at least 500 Shareholders who are members of the public. Under Rule 1303(1) of the Listing Manual, if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares in issue excluding treasury shares, thus causing the percentage of the total number of Shares in issue held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares on the SGX-ST at the close of the Offer.

*Separately, Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of Shares in issue excluding treasury shares is at all times held by the public ("**Free Float Requirement**"). Rule 724 of the Listing Manual states that, if the Free Float Requirement is not met, the Company must, as soon as practicable, announce that fact, and the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.*

In the event that the Company does not meet the Free Float Requirement and the trading of the Shares on the SGX-ST is suspended, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Company or to restore the Free Float Requirement, consistent with its intention to delist the Company from the SGX-ST.

12.2 Compulsory Acquisition

*The Company is incorporated in Bermuda. Under Section 102 of the Companies Act 1981 of Bermuda ("**Bermuda Companies Act**"), where an offeror has, within four months after the making of an offer under a scheme or contract:*

*(a) obtained acceptances from shareholders holding not less than 90% in value of the shares in a Bermuda-incorporated company ("**Target**") whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries); and*

(b) where, at the date of the offer, shares in the Target whose transfer is involved, are already held by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries to a value greater than 10% of the total issued shares of the Target, such accepting shareholders also represent not less than 75% in number of the holders of such shares (other than shares already held as at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries), and further provided that the offeror must have made the offer on the same terms to all holders of the shares whose transfer is involved (other than those already held as aforesaid),

*(“**Approval Threshold**”), the offeror may at any time within two months beginning from the date on which the Approval Threshold is achieved, give notice under Section 102(1) of the Bermuda Companies Act to any dissenting shareholder that the offeror wishes to acquire his shares (“**Acquisition Notice**”). When such Acquisition Notice is given, upon the expiry of one month from the date on which the notice was given, the offeror will be entitled and bound to acquire those shares on the same terms as the offer (unless an application is made by the dissenting shareholder(s) to the Supreme Court of Bermuda (“**Court**”) within one month from the date on which the notice was given and the Court thinks fit to order otherwise).*

*Section 102(2) of the Bermuda Companies Act provides that where, pursuant to such a scheme or contract, shares in the Target are transferred to an offeror or its nominee, and those shares together with any other shares in the Target held by, or by a nominee for, the offeror or its subsidiary comprise 90% in value of the shares in the Target, the offeror must within one month from the date of the transfer give notice of that fact to the dissenting shareholder(s) of the Target, and any such shareholder may within three months from the giving of the said notice to him, give notice (an “**Offeree Notice**”) requiring the offeror to acquire his shares in the Target. Where a dissenting shareholder gives an Offeree Notice with respect to any shares in the Target, the offeror will be entitled and bound to acquire those shares on the same terms of the original offer (or on such other terms as may be agreed or as the Court, on the application of either the offeror or the dissenting shareholder, thinks fit to order).*

*Under Section 103 of the Bermuda Companies Act, the holders of not less than 95% of the shares in a Bermuda-incorporated company (“**Purchasers**”) may give notice (“**Section 103 Acquisition Notice**”) to the remaining shareholders of the intention to acquire their shares on the terms set out in the Section 103 Acquisition Notice. When such Section 103 Acquisition Notice is given, the Purchasers will be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the Section 103 Acquisition Notice unless a remaining shareholder applies to the Court to have the Court appraise the value of such shares.*

*The Offeror intends to make the Company its wholly-owned subsidiary. **Accordingly, if entitled, the Offeror intends to exercise its right of compulsory acquisition under Section 102 and Section 103 of the Bermuda Companies Act.***

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.”

8. EXEMPTION RELATING TO DIRECTORS’ RECOMMENDATION

On 17 March 2017, the SIC exempted the following directors of the Company, namely, Lam Ka Po, Cheung Kwok Ping, and Ho Yin Sang from the requirement to make a recommendation to Shareholders on the Offer as they face irreconcilable conflicts of interests being Concert Parties of the Offeror. Nonetheless, Lam Ka Po, Cheung Kwok Ping, and Ho Yin Sang must still assume responsibility for the accuracy of facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company to its Shareholders in connection with the Offer.

9. ADVICE OF THE IFA

9.1 IFA

Provenance Capital has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should read and consider carefully the recommendation of the IFA to the Independent Directors in respect of the Offer as set out in the IFA Letter and the recommendation of the Independent Directors set out in Section 10 of this Circular before deciding whether to accept or reject the Offer.

9.2 Evaluation of the Offer by the IFA

The IFA Letter setting out the advice and recommendations of the IFA to the Independent Directors in respect of the Offer is set out in Appendix I to this Circular. The key considerations relied upon by the IFA in arriving at its advice to the Independent Directors are set out in Section 8 of the IFA Letter.

Shareholders should read and consider carefully the key considerations relied upon by the IFA in arriving at its advice to the Independent Directors, in conjunction with, and in the context of the full text of the IFA Letter.

9.3 Advice of Provenance Capital in respect of the Offer

After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, Provenance Capital has made certain recommendations to the Independent Directors in Section 8 of the IFA Letter, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

"8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

(a) Market quotation and trading activity of the Shares;

(b) Financial performance of the Group;

(c) Financial position of the Group;

(d) Comparison with recently completed privatisation of companies listed on the SGX-ST;

(e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;

(f) Dividend track record of the Company; and

(g) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are not fair and not reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer.

Shareholders who wish to realise their investments in the Company can also choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs)."

10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors, having carefully considered the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer.

Accordingly, the Independent Directors recommend that Shareholders **REJECT** the Offer. Shareholders who wish to realise their investment in the Company can also choose to sell their Shares in the open market if they obtain a price higher than the Offer Price (after deducing transaction costs).

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully. Shareholders are also advised to read the IFA Letter set out in Appendix I to this Circular carefully and to consider the recommendations of the Independent Directors in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the advice of the IFA to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

Further, in rendering the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

11. OVERSEAS SHAREHOLDERS

11.1 Overseas Shareholders

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown in the Register or Depository Register (as the case may be) (each, an "**Overseas Shareholder**"), may be affected by the laws of the relevant jurisdictions in which they are located. Overseas Shareholders should refer to Section 15 of the Offer Document which is reproduced below.

"15. OVERSEAS SHAREHOLDERS

15.1 Overseas Shareholders

The availability of the Offer to Overseas Shareholders may be affected by the laws and regulations of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about and observe any applicable legal requirements. Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdiction, each of the Offeror and Religare reserves the right not to send these documents to any such overseas jurisdiction. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including those to whom this Offer Document, the FAA and/or the FAT have not been or will not be sent.

Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

15.2 Overseas Jurisdiction

It is the responsibility of any Overseas Shareholder who wishes to accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities and legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable, and the Offeror and any person acting on its behalf (including Religare, CDP and the Singapore Share Transfer Agent) shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments that may be required to be paid. In accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and Religare that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities and legal requirements.

Each of the Offeror and Religare reserves the right not to treat any acceptance of the Offer in or from any overseas jurisdiction and/or in respect of an Overseas Shareholder as valid. Overseas Shareholders accepting the Offer should note that if they have, in the FAT, provided addresses in overseas jurisdictions for the receipt of remittances of payment by the Offeror, such acceptance may be rejected.

Any Overseas Shareholder who is in doubt about his position should consult his professional advisers in the relevant jurisdictions."

15.3 Copies of this Offer Document, the FAA and/or the FAT

Overseas Shareholders may obtain copies of the Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to 5:30 p.m. (Singapore time) on the Closing Date from, as the case may be, (a) the Singapore Share Transfer Agent, Intertrust Singapore Corporate Services Pte. Ltd. at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 or (b) CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Electronic copies of the Offer Document, the FAA and/or the FAT may also be obtained from the website of the SGX-ST at www.sgx.com. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write in to the Singapore Share Transfer Agent at the aforementioned address to request for the Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at his own risk, provided always that the last date for despatch in respect of such request shall be a date falling three Market Days prior to the Closing

Date. It is the responsibility of the Overseas Shareholder who wishes to request for the Offer Document, the FAA and/or the FAT and any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities and legal requirements. In requesting for this Offer Document, the FAA and/or the FAT and any related documents, the Overseas Shareholder represents and warrants to the Offeror and Religare that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities and legal requirements.

15.4 Notices

Each of the Offeror and Religare reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."

11.2 Copies of Circular

This Circular may not be sent to Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date, from the offices of the Share Transfer Agent at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896, or make a request to the Share Transfer Agent for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

The Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. on 17 April 2017 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in **Appendix 2** to the Offer Document, the FAA and/or the FAT.

The Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

13. RESPONSIBILITY STATEMENT

Save for (a) the recommendation of the Independent Directors to Shareholders set out in Section 10 of this Circular which is the sole responsibility of the Independent Directors, (b) the IFA Letter, (c) the information extracted from the Offer Announcement and the Offer Document, and (d) the information relating to the Offeror, the Directors (including those who may have delegated detailed supervision of this Circular) confirm after making all reasonable enquiries that, to the best of their knowledge, the opinions expressed in this Circular have been arrived at after due and careful consideration and that no material facts have been omitted from this Circular which would make any statement in this Circular misleading, and the Directors jointly and severally accept full responsibility accordingly.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are, after having made all reasonable enquiries and to the best of their knowledge and belief, fair and accurate in all material aspects.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

14. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors

Ong Tiong Wee
Independent and Non-Executive Director

PROVENANCE CAPITAL PTE. LTD.
(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

3 April 2017

To: The Independent Directors of Kingboard Copper Foil Holdings Limited
(deemed to be independent in respect of the Offer)

Mr Ong Tiong Wee (Independent Non-Executive Director)
Mr Chim Hou Yan (Independent Non-Executive Director)

Dear Sirs,

VOLUNTARY UNCONDITIONAL CASH OFFER BY EXCEL FIRST INVESTMENTS LIMITED

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of the Company ("**Shareholders**") dated 3 April 2017 ("**Circular**"). For the purpose of our Letter, where applicable, we have used the foreign exchange rate of HK$1.00:S$0.1816 on 3 March 2017, being the Offer Announcement Date. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.*

1. INTRODUCTION

On 3 March 2017 ("**Offer Announcement Date**"), Religare Capital Markets Corporate Finance Pte. Limited ("**Religare**") announced ("**Offer Announcement**"), for and on behalf of Excel First Investments Limited ("**Offeror**"), that the Offeror intends to make a voluntary unconditional cash offer ("**Offer**") for all the issued and paid up ordinary shares of a par value of US$0.10 each ("**Shares**") in the capital of Kingboard Copper Foil Holdings Limited ("**Company**"), other than those which are owned, controlled or agreed to be acquired by the Offeror or by parties acting in concert or deemed to be acting in concert with the Offeror in relation to the Offer ("**Concert Parties**" and such Shares, "**Offer Shares**"), with a view to delist the Company from the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Offer is made in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Singapore Code on Take-overs and Mergers ("**Code**").

The Offeror is an investment holding company incorporated in the British Virgin Islands with one issued share with a par value of US$1.00 per share. The Offeror is a wholly-owned subsidiary of Kingboard Laminates Holdings Limited ("**Kingboard Laminates**"), which is listed on The Stock Exchange of Hong Kong Limited ("**HKSE**"). Kingboard Laminates is, in turn, a 72.59%-owned subsidiary of Kingboard Chemical Holdings Limited ("**Kingboard Chemical**") which is also listed on HKSE. The Company, Kingboard Laminates and Kingboard Chemical are collectively referred to as the Kingboard Group.

As at the Offer Announcement Date, the Offeror and its Concert Parties hold in aggregate 476,900,900 Shares, representing 66.01% of the total number of issued Shares of 722,500,000 Shares, none of which is held in treasury.

The Offer is to be made at the offer price of **S$0.40 in cash** for each Share ("**Offer Price**").

The Offer is unconditional in all respects.

On 20 March 2017, Religare announced, for and on behalf of the Offeror, that the formal offer document ("**Offer Document**") setting out, *inter alia*, the terms and conditions of the Offer has been despatched to Shareholders on the same day.

In connection with the Offer, the Company has appointed Provenance Capital Pte. Ltd. ("**Provenance Capital**") as the independent financial adviser ("**IFA**") to the Directors who are considered independent in respect of the Offer ("**Independent Directors**"), for the purpose of making their recommendation to Shareholders in relation to the Offer.

Pursuant to the confirmations sought by the Company, the Securities Industry Council ("**SIC**") had ruled that (a) Mr Lam Ka Po, who is the Executive Director and Chairman of the Company; (b) Mr Cheung Kwok Ping, who is the Executive Director of the Company; and (c) Mr Ho Yin Sang, who is the Non-Executive Director of the Company, are exempted from the requirements to make a recommendation to the Shareholders on the Offer as they face irreconcilable conflicts of interest in doing so, being deemed concert parties to the Offeror.

Mr Lam Ka Po is the co-founder of the Kingboard Group and a director of Kingboard Laminates. Mr Cheung Kwok Ping is a director of the Offeror and Kingboard Laminates. Mr Ho Yin Sang is the brother-in-law of Mr Cheung Kwok Ping and a director of Kingboard Chemical.

The Company has confirmed to us that the remaining Directors, namely, Mr Ong Tiong Wee and Mr Chim Hou Yan, are deemed independent in respect of the Offer ("**Independent Directors**").

This letter ("**Letter**") is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and our recommendations on the Offer. This Letter forms part of the Circular which provides, *inter alia*, the details of the Offer and the recommendations of the Independent Directors on the Offer.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendations to the Shareholders in relation to the Offer.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries ("**Group**"). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors, and is predicated upon the economic and market conditions prevailing as at 24 March 2017, being the Latest Practicable Date as referred to in the Circular. This Letter therefore does not reflect any projections on the future financial performance of the Group and we do not express any views as to the prices at which the Shares may trade after the close of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In this regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction that the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Group ("**Management**") and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquires and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The Directors have confirmed, having made all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made any independent evaluation or appraisal of the assets or liabilities of the Company or the Group (including without limitation, property, plant and equipment). However, we have been provided with:

(a) four valuation summary letters dated 17 February 2017 ("**Valuation Summary Letters**") from Roma Appraisals Limited ("**Roma**" or "**Valuer**"), an independent valuer. Roma was appointed by the Company to carry out an independent valuation of certain assets of the Group ("**Valuation Assets**"), including leasehold properties and plant and equipment that are classified as licenced assets of the Group, as at 31 December 2016 for accounting reference purposes. We understand from the Company that the above valuations were carried out to assess the need for any impairment to these assets for the purpose of reporting the statement of financial position of the Group as at 31 December 2016, and not for the purpose of the Offer; and

(b) in connection with and for the purpose of the Offer, the Company had commissioned Roma to issue a valuation certificate ("**Valuation Certificate**") in respect of the Valuation Assets. The Valuer had confirmed that the market valuations of the Valuation Assets as at 31 December 2016 are still valid up to 30 March 2017. We note that the market valuations of the Valuation Assets as set out in the Valuation Summary Letters remain unchanged in the Valuation Certificate in respect of these Valuation Assets.

A copy of the above Valuation Certificate dated 30 March 2017 is attached as Appendix VI to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the independent valuation by Roma for such asset appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Certificate or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

The information which we have relied on in the assessment of the Offer were based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer, as the case may be, which may be released after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise the Independent Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review or verification of the Circular. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Circular.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes at any time and in any manner, other than for the purpose of the Offer, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. The recommendations made to the Shareholders in relation to the Offer, as the case may be, shall remain the responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

The detailed terms of the Offer are set out in Section 2 of the Offer Document dated 20 March 2017. The key terms of the Offer are set out below for your reference.

3.1 Offer Price

The Offer will be made at **S$0.40 in cash** for each Offer Share.

3.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Offer Shares. The Offer does not extend to the Shares owned, controlled or agreed to be acquired by the Offeror or its Concert Parties, including the Shares held directly and indirectly by the Offeror and its Concert Parties, and treasury Shares (if any) held by the Company.

The Company does not hold any treasury Shares as at the Latest Practicable Date.

3.3 Rights and Encumbrances

The Offer Shares will be acquired:

(a) fully paid;

(b) free from all Encumbrances; and

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions (if any) which may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distribution in full in respect of any Offer Share tendered in acceptance of the Offer, the Offer Price payable in respect of such Offer Share will be reduced by the amount of such Distribution.

Since the Offer Announcement Date and up to the Latest Practicable Date, we note that the Company has not made or declared any Distribution.

3.4 Warranty

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares, as or on behalf of, the beneficial owner(s) thereof, (a) fully paid; (b) free from all Encumbrances whatsoever; and (c) transferred together with all rights, benefits and entitlements attached to them as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.

3.5 Duration of the Offer

The Offer will close at 5.30 p.m. (Singapore time) on 17 April 2017 (or such other date(s) as may be announced by or on behalf of the Offeror from time to time), being the Closing Date.

Further information on the duration of the Offer is set out in paragraph 1 of **Appendix 1** to the Offer Document.

3.6 Further details of the Offer

Further details of the Offer, including details on (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcements of the level of acceptances of the Offer; (c) the right of withdrawal of acceptances of the Offer; and (d) procedures for acceptance of the Offer are set out in **Appendices 1 and 2** to the Offer Document.

4. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

As disclosed in the Offer Announcement and the Offer Document, the Offeror is a BVI business company incorporated in the British Virgin Islands on 22 March 2006. Its principal activity is that of investment holding. As at the Latest Practicable Date, the Offeror has issued only one share with a par value of US$1.00 per share. The directors of the Offeror are Mr Cheung Kwok Wa, Mr Cheung Kwok Ping and Mr Cheung Ka Ho.

The Offeror is a wholly-owned subsidiary of Kingboard Laminates, which in turn, is a 72.59%-owned subsidiary of Kingboard Chemical, both of which are listed on HKSE.

Mr Lam Ka Po, who is the co-founder of the Kingboard Group and a Director of the Company, is also a director of Kingboard Laminates.

Mr Cheung Kwok Ping, who is a Director of the Company, is also a director of the Offeror and Kingboard Laminates.

Mr Ho Yin Sang, who is a Director of the Company, is also a director of Kingboard Chemical and the brother-in-law of Mr Cheung Kwok Ping.

As at the Offer Announcement Date, the market capitalizations of Kingboard Chemical and Kingboard Laminates are HK$26,998.4 million (S$4,902.9 million) and HK$26,254.8 million (S$4,767.9 million) respectively.

As at the Latest Practicable Date, based on publicly available information, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties amounted to an aggregate of 476,900,900 Shares, representing 66.01% of the total number of issued Shares.

Further details relating to the Offeror and the Kingboard Group are set out in **Appendix 3** to the Offer Document.

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company was incorporated in Bermuda with its principal place of business in Hong Kong. The Company was listed on the Mainboard of the SGX-ST on 16 December 1999.

The principal activity of the Company is investment holding. The Group is organised into two operating segments namely polyvinyl butyral ("**PVB**") business and licence business. The PVB business is involved in the manufacture and trading of PVB resins and related products. PVB resin is a basic raw material for the production of PVB film which is used to produce reinforced glass for both the automotive and building industries. The licence business is in relation to earning licence fee income from its licenced assets.

The licence fee income earned by the Group is pursuant to the licensing agreement ("**Licensing Agreement**") which the Group had entered into with Harvest Resource Management Limited ("**Harvest Resource**"), wherein the Group had licensed its manufacturing facilities in Fogang and Lianzhou in the People's Republic of China ("**PRC**"), comprising the properties, inventories and machineries that were previously used for the production of copper foil, to Harvest Resource, for a fee. The licence fee is at HK$10.0 million per month. The Licensing Agreement took effect from 1 September 2011 to 31 August 2013, and had been renewed in 2013 and 2015 until 31 August 2017. The Licensing Agreement was supposed to be a short term measure by the Group to generate income from its manufacturing facilities, pending the resolution of the interested person transactions issue relating to the manufacturing and trading of copper foil. The details of the background of the Licensing Agreement are also set out in the Company's latest annual report for 2015 and in its latest results announcement for the financial year ended 31 December 2016.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of US$72.25 million comprising 722,500,000 Shares of a par value of US$0.10 each.

As at the Latest Practicable Date, the Company does not hold any treasury Shares, or have any outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares or securities which carry voting rights in the Company.

Based on the Offer Price of S$0.40 and the number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is S$289.0 million.

Additional information on the Company is set out in **Appendix 5** to the Offer Document.

Litigation

On 3 August 2011, a petition was filed in the Supreme Court of Bermuda ("**Court**") by Annuity & Re Life Limited naming the Company and a number of its Shareholders, alleging that certain interested person transactions entered into by the Company (including the Licensing Agreement) were prejudicial to the interest of the minority Shareholders. The trial of the petition took place in September 2015. Subsequently, the majority Shareholders filed a notice of appeal on 23 December 2015 relating to the unfavourable ruling of the judgement.

On 24 March 2017, the Court of Appeal of Bermuda had issued a written judgement in respect of the appeal and found in favour of the majority Shareholders that have filed the appeal that, *inter alia*, the entry into the Licensing Agreement by the Group was not oppressive conduct and did not unfairly prejudice the minority Shareholders.

Further details on the above are disclosed in Section 10 of the Circular.

Proposed Scheme of Arrangement to privatise the Company in 2009

Some eight years ago, on 4 May 2009, the respective boards of the Company and Kingboard Laminates had proposed to privatise the Company by way of a scheme of arrangement ("**Scheme**"). Pursuant to the Scheme, *inter alia*, the consideration for each Share was (a) S$0.21 in cash or (b) 0.374 new Kingboard Laminates shares at the issue price of HK$2.946 each or (c) a combination of the cash consideration and the share exchange offer. At the Scheme meeting of the Company held on 11 August 2009, the requisite majority to vote in favour of the Scheme was not obtained. Accordingly, the Scheme was not proceeded with.

The present Offer is a second attempt by the major Shareholders to privatise the Company. We note that the Offer Price of S$0.40 is substantially higher (90.5% higher) than the cash consideration of S$0.21 under the Scheme.

6. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company are set out in Section 9 and Section 10 of the Offer Document.

The key rationale for the Offer is summarised below for your reference:

(a) the Offeror is making the Offer with the intention to delist the Company from the SGX-ST and ultimately to privatise the Company;

(b) to give minority Shareholders the opportunity to realise their investment in the Shares at a premium above historical market prices prior to the Offer Announcement Date; and

(c) to eliminate listing related expenses which can be channelled towards business operations of the Group.

The Offeror has stated that it currently has no intentions to (i) introduce any major changes to the existing business or management of the Group, (ii) discontinue the employment of the employees of the Group, or (iii) re-deploy any of the fixed assets of the Group, other than in the ordinary course of business. The Offeror however retains the flexibility at any time to consider any options or opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the best interests of the Offeror or the Group.

Given the above, the Offeror has also stated that in the event the Company does not meet the free float requirement under Rule 723 of the Listing Manual as at the close of the Offer and trading of the Shares on the SGX-ST is suspended, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Company or to restore the free float requirement.

In addition, in the event that the Offeror becomes entitled to exercise its right under Section 102 and Section 103 of the Bermuda Companies Act, the Offeror has expressed in the Offer Document that it intends to exercise such right of compulsory acquisition and to make the Company its wholly-owned subsidiary.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

(a) Market quotation and trading activity of the Shares;

(b) Financial performance of the Group;

(c) Financial position of the Group;

(d) Comparison with recently completed privatisation of companies listed on the SGX-ST;

(e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;

(f) Dividend track record of the Company; and

(g) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

7.1 Market quotation and trading activity of the Shares

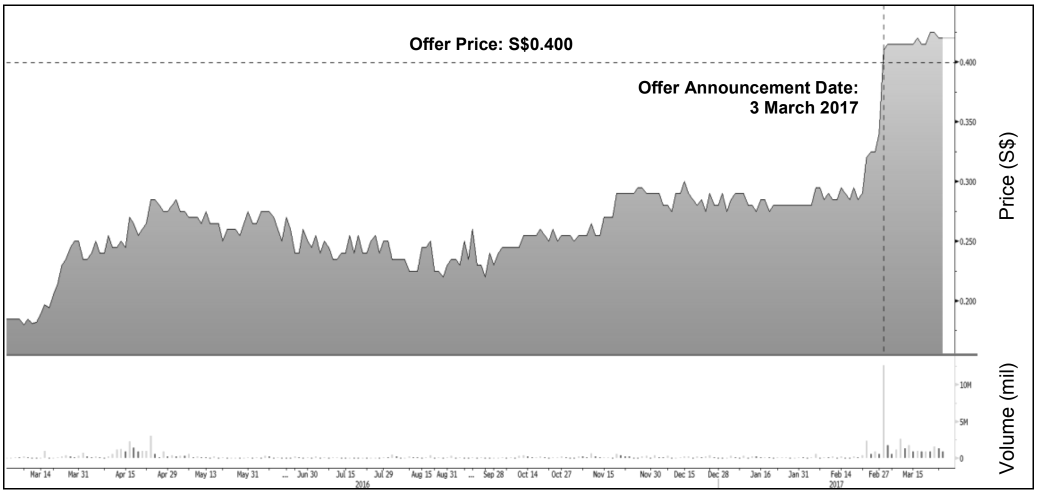
Period under Review

The Shares were halted from trading from 28 February 2017 to 3 March 2017. The Offer Announcement was released after trading hours on 3 March 2017, being the Offer Announcement Date. We have therefore compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares from 29 February 2016, being the 1-year period prior to the full day trading halt on 28 February 2017, and up to the Latest Practicable Date ("**Period Under Review**") as shown in Chart 1 below.

Chart 1 – Share Price Chart for the Period Under Review

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review:

Price movement and trading volume of the Shares for the Period Under Review



***Source**: Bloomberg L.P.*

Based on the chart above, we observed that the Shares have traded consistently below the Offer Price during the Period Under Review, except that there was a Share price run-up in the recent period prior to the trading halt. Based on the volume-weighted average price ("**VWAP**") of S$0.268 over the last one year prior to the trading halt and the release of the Offer Announcement, the Offer Price is at a premium of 49.1% above the VWAP Share price.

Since the Offer Announcement Date and up to the Latest Practicable Date, the Shares have consistently traded above the Offer Price, up to S$0.425 based on daily closing prices. Daily trading volume on the Shares during this period had increased significantly compared to the average daily trading volume prior to the release of the Offer Announcement.

Longer look-back period

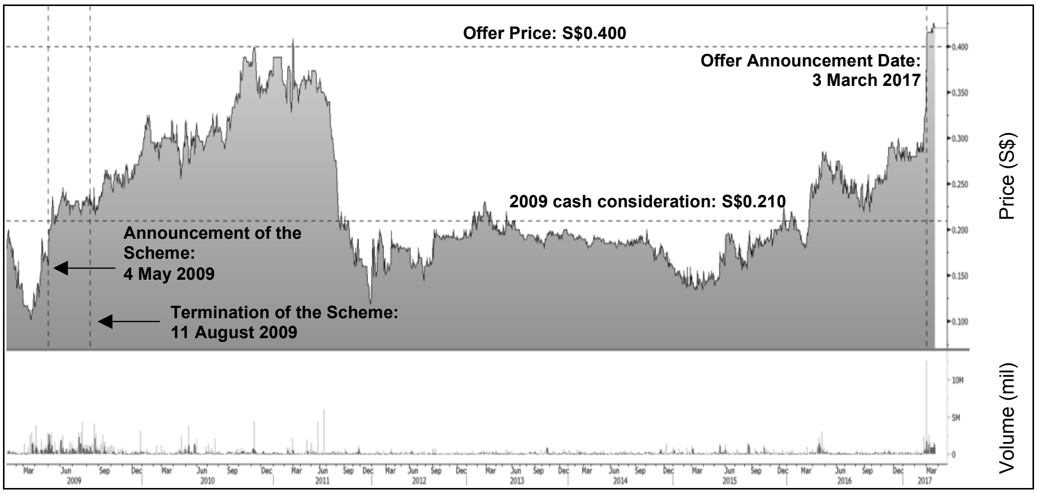
Privatisation attempt under the Scheme in 2009

We note that the Offer is a second attempt by the major Shareholders to privatise the Company and at a higher Offer Price of S$0.40 in cash compared to the cash consideration of S$0.21 per Share under the Scheme. The Scheme did not proceed further as the Company did not secure the requisite approvals from its Shareholders then.

We note that the Company had not accessed funds from the equity capital markets over the last eight years since the proposed Scheme was terminated and up to the Latest Practicable Date.

To get an overview of the Share price performance since the proposed Scheme, we have considered a longer look-back period of the share price chart from January 2009 to the Latest Practicable Date to evaluate how the Share prices have performed compared to the Offer Price, as set out in Chart 2 below:

Chart 2 – Since January 2009 to the Latest Practicable Date



***Source**: Bloomberg L.P.*

Based on the chart above, prior to the announcement of the Scheme on 4 May 2009, the Shares were trading below the cash consideration of S$0.21 under the Scheme. As soon as the Scheme was announced on 4 May 2009, the Shares had consistently traded above S$0.21. The Share price continued to escalate upwards even after the termination of the Scheme was announced on 11 August 2009, reaching a high of S$0.408 on 28 February 2011 and 1 March 2011. In the subsequent period thereafter around mid-2011, the Share price had fallen significantly and generally traded below the cash consideration of S$0.21 until around March 2016 when Share prices traded above S$0.21 and up to S$0.30 in February 2017.

Overall, the Offer Price under this second attempt by the major Shareholders to privatise the Company is substantially above the historical traded Share price over the last six years since mid-2011.

Market Statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review.

Reference period	Highest traded price (S$)	Lowest traded price (S$)	VWAP(1) (S$)	Premium / (Discount) of Offer Price over/(to) VWAP (%)	Number of traded days(2)	Average daily trading volume(3) ('000)	Average daily trading volume as a percentage of free float(4) (%)
<u>Prior to the trading halt and the release of the Offer Announcement</u>							
Last 1 year	0.345	0.180	0.268	49.1	207	157	0.09
Last 6 months	0.345	0.210	0.287	39.5	103	120	0.07
Last 3 months	0.345	0.260	0.301	32.9	57	161	0.09
Last 1 month	0.345	0.275	0.312	28.3	20	387	0.22
27 February 2017 (last trading day prior to the trading halt for the Offer Announcement)	0.340	0.320	0.334	19.9	1	492	0.28
<u>After the Offer Announcement Date to the Latest Practicable Date</u>							
6 March 2017 to the Latest Practicable Date	0.435	0.405	0.413	(3.1)	15	1,973	1.14
Latest Practicable Date	0.425	0.415	0.419	(4.6)	1	871	0.50

***Source**: Bloomberg L.P.*

Notes:

(1) The VWAP for the respective periods are calculated based on the daily VWAP turnover divided by VWAP volume as extracted from Bloomberg L.P.. VWAP turnover is computed based on the aggregate daily turnover value of the Shares and VWAP volume is computed based on the aggregate daily trading volume of the Shares for the respective periods. Off market transactions are excluded from the calculation;

(2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;

(3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period; and

(4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 173.5 million Shares based on the free float of 24.01% as disclosed in the Company's annual report for the financial year ended 31 December 2015.

We observed the following with regard to the share price performance of the Company for the Period Under Review:

(a) Over the 1-year period prior to the trading halt and the release of the Offer Announcement, the Shares have traded between a low of S$0.180 and a high of S$0.345. The Offer Price represents a premium of S$0.220 (or 122.2%) and S$0.055 (or 15.9%) above the lowest transacted price and the highest transacted price of the Shares, respectively. The Shares have traded below the Offer Price during the entire 1-year period prior to the trading halt and the release of the Offer Announcement;

(b) The Offer Price represents a premium of approximately 49.1%, 39.5%, 32.9% and 28.3% above the VWAP of the Shares for 1-year, 6-month, 3-month and 1-month periods prior to the trading halt and the release of the Offer Announcement, respectively;

(c) The Offer Price represents a premium of approximately 19.9% above the VWAP of the Shares of S$0.334 on 27 February 2017, prior to the trading halt and the release of the Offer Announcement; and

(d) Since the release of the Offer Announcement and up to the Latest Practicable Date, the Shares had traded above the Offer price, at up to S$0.435. The VWAP of the Shares during this period was S$0.413. As at the Latest Practicable Date, the Shares were last transacted at S$0.420. The Offer Price is at a discount of 4.8% to the last transacted price on the Latest Practicable Date.

We observed the following with regard to the trading liquidity of the Shares:

(i) Over the 1-year period prior to the trading halt and the release of the Offer Announcement, the Shares were regularly traded throughout the period. However, the average daily trading volume of the Shares were generally low. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the trading halt and the release of the Offer Announcement represent 0.09%, 0.07%, 0.09% and 0.22% of the free float of the Shares respectively; and

(ii) During the period following the release of the Offer Announcement and up to the Latest Practicable Date, the average daily trading volume on the Shares increased to 1.14% of the free float of the Shares.

In view of the low trading liquidity of the Shares, Shareholders who wish to liquidate their entire investment in the Shares (especially if they are holding bigger share lots) may face some difficulty disposing of their Shares in the open market. The Offer presents Shareholders the opportunity to liquidate and realise their entire investment at a premium above the prevailing market prices which may not otherwise be readily available due to the low trading liquidity of the Shares.

7.2 Financial performance of the Group

We set out below a summary of the key financial results of the Group for the last three financial years ended 31 December 2014, 2015 and 2016, that is, FY2014, FY2015 and FY2016:

	← Audited	→	Unaudited
HK$'000	**FY2014**	**FY2015**	**FY2016**
Revenue	519,945	624,344	635,296
Cost of sales	(447,689)	(558,438)	(566,650)
Gross profit	72,256	65,906	68,646
Other operating income	2,068	3,064	2,057
Distribution costs	(11,010)	(15,520)	(16,680)
Administrative expenses	(18,658)	(26,334)	(28,569)
Other operating expenses	(18)	(1,597)	-
Finance cost	(595)	(87)	-
Share of losses of an associate	(8,938)	(7,766)	(9,666)
Profit before tax	**35,105**	**17,666**	**15,788**
Income tax expense	(12,260)	(11,260)	(10,855)
Profit for the year	**22,845**	**6,406**	**4,933**
Profit for the year attributable to:			
Owners of the Company	18,666	2,841	1,061

	Audited		Unaudited
HK$'000	FY2014	FY2015	FY2016
Non-controlling interests	4,179	3,565	3,872
	22,845	**6,406**	**4,933**

Source: *The Company's annual report for FY2015 and unaudited results of the Group for FY2016*

FY2015 vs FY2014

Revenue for FY2015 comprised licence fee of HK$120.0 million pursuant to the on-going licensing arrangement and sale of PVB resin of HK$504.3 million. The Group recorded an increase in revenue of HK$104.4 million (or 20.1%), from HK$519.9 million in FY2014 to HK$624.3 million in FY2015. This was mainly attributable to an increase in revenue from the sale of PVB resin and related products from HK$400.0 million in FY2014 to HK$504.3 million in FY2015.

Gross profit decreased by HK$6.4 million (or 8.8%) and the gross profit margin decreased from 13.9% in FY2014 to 10.6% in FY2015 due to a decrease in the average selling price as a result of keen competition during the year.

Distribution cost increased by HK$4.5 million (or 41.0%) from HK$11.0 million in FY2014 to HK$15.5 million in FY2015 due mainly to the increase in shipment volume and delivery to further distances during the year.

Administrative expenses increased by HK$7.7 million (or 41.1%) from HK$18.7 million to HK$26.3 million due mainly to an impairment loss recognised in respect of non-current deposit of HK$5.4 million in FY2015. The deposit represents deposit paid for the acquisition of property, plant and equipment ("**PPE**").

Income tax expense for FY2015 was slightly lower than FY2014 even though the profit before tax was half of FY2014 as the Group enjoyed certain tax holiday in the PRC which expired in 2014. Income tax expense as a percentage of profit before tax increased from 34.9% for FY2014 to 63.7% for FY2015.

Overall, profit for the year attributable to the owners of the Company decreased by HK$15.8 million (or 84.8%) from HK$18.7 million in FY2014 to HK$2.8 million in FY2015 as a result of lower net profit and expiry of tax holiday in the PRC.

FY2016 vs FY2015

Revenue for FY2016 comprised licence fee of HK$120.0 million pursuant to the on-going licensing arrangement and sale of PVB resin of HK$515.3 million. The Group recorded a slight increase in revenue of HK$11.0 million (or 1.8%), from HK$624.3 million in FY2015 to HK$635.3 million in FY2016 from the sale of PVB resin and related products.

Gross profit increased by HK$2.7 million (or 4.2%) and the gross profit margin increased marginally from 10.6% in FY2015 to 10.8% in FY2016.

However, lower other operating income, higher total operating expenses and higher share of losses of an associate resulted in the Group reporting a 10.6% lower profit before tax of HK$15.8 million for FY2016 compared to HK$17.7 million for FY2015. While income tax expense is slightly lower in FY2016, the income tax expense as a percentage of profit before tax increased to 68.8% for FY2016 from 63.7% for FY2015.

Overall, profit for the year attributable to the owners of the Company decreased by HK$1.8 million (or 62.7%) from HK$2.8 million in FY2015 to HK$1.1 million in FY2016.

Historical Price-Earnings Ratio ("**PER**") implied by the Offer Price

PER illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

We note that while the Group had reported profits in the last three financial years, the net profit margin (profit for the year as a percentage of revenue) of the Group is very low and declining, particularly in the last two financial years of FY2015 and FY2016. The net profit margin for the last three financial years were 4.4%, 1.0% and 0.8% respectively.

We have attempted to evaluate the implied PER of the Group as ascribed by the Offer Price based on the Group's latest unaudited profit attributable to owners of the Company for FY2016. The Group's unaudited profit attributable to owners of the Company for FY2016 was HK$1.1 million (S$0.193 million). The market capitalisation of the Group implied by the Offer Price and based on the number of issued Shares as at the Latest Practicable Date, is S$289.0 million. The Offer Price thus values the Group on a historical PER of **1,499.9 times**.

The low profit achieved for the last financial year for FY2016 has the effect of skewing the implied PER. Hence, the above implied PER of 1,499.9 times is not meaningful for the purpose of evaluating the Offer Price.

7.3 Financial position of the Group

7.3.1 Based on the Group's latest unaudited financial results for FY2016, the financial position of the Group as at 31 December 2016 is set out below:

HK$'000	**Unaudited as at 31 December 2016**
Current assets	
Cash and cash equivalents	1,556,470
Trade and other receivables and prepayments	84,453
Bills receivables	27,138
Other current assets	645,931
Prepaid land use rights	1,003
Inventories	22,371
Total current assets	**2,337,366**
Non-current assets	
Investment in an associate	40,516
Investment property	5,683
Property, plant and equipment	360,478
Prepaid land use rights	34,709
Goodwill	238
Total non-current assets	**441,624**
Total assets	**2,778,990**
Current liabilities	
Bills payable	11,481
Trade and other payables	104,527
Income tax payable	8,366
Total current liabilities	**124,374**

HK$'000	Unaudited as at 31 December 2016
Equity	
Share capital	560,200
Reserves	2,068,980
Equity attributable to owners of the Company	**2,629,180**
Non-controlling interests	25,436
Total equity	2,654,616

Source: *Unaudited results for the Group for FY2016*

NAV of the Group (excluding non-controlling interests) (HK$)	**2,629,180,000**
NTA of the Group (excluding non-controlling interests and goodwill) (HK$)	**2,628,942,000**
Number of Shares	**722,500,000**
NAV per Share	
- **HK$**	**3.6390**
- **S$**	**0.6608**
NTA per Share	
- **HK$**	**3.6387**
- **S$**	**0.6608**

As at 31 December 2016, the net asset value ("**NAV**") of the Group was HK$2,629.2 million and NAV per Share was HK$3.6390 (S$0.6608) per Share.

The Group had recorded goodwill of HK$238,000 as at 31 December 2016. After deducting goodwill, the net tangible assets ("**NTA**") of the Group was HK$2,628.9 million, representing NTA per Share of HK$3.6387 (S$0.6608) per Share.

Analysis of the financial position of the Group

Assets

Total assets of the Group comprise current assets of HK$2,337.4 million (84.1% of total assets) and non-current assets of HK$441.6 million (15.9% of total assets).

The main current assets are cash and bank balances of HK$1,556.5 million (66.6% of total current assets) and other current assets of HK$645.9 million (27.6% of total current assets).

Other current assets of HK$645.9 million are in relation to inventories licensed to Harvest Resource, as the licensee, pursuant to the Licensing Agreement. These assets are classified as current assets for FY2016 as the current licensing arrangement is due to expire on 31 August 2017. Under the Licensing Agreement, the licensee may use, consume and dispose of the licenced inventories which include consumables and stocks in trade. However, the licensee is required to replace and return the quantities of licenced inventories used, consumed or disposed during the licenced period to the Group at the end of the licence period. The licenced inventory used, consumed or disposed during the licenced period is secured by cash and bills receivable of a related party of the licensee, with a total receivable value of not less than the value of the licenced inventory used, consumed or disposed as at the end of the operating period.

The main non-current assets of HK$400.9 million are related to properties, plant and equipment, representing 90.8% of total non-current assets. These assets include investment property of HK$5.7 million, PPE of HK$360.5 million and prepaid land use rights of HK$34.7 million. The Company had commissioned Roma, the Valuer, to carry out an independent market valuation on most of these assets (more than 88% of these assets) for accounting reference purposes, to assess the need for any impairment charges on these assets for the purpose of the Group's financial results for FY2016.

Of the Group's PPE of HK$360.5 million, HK$315.9 million pertains to assets which are licensed to Harvest Resource pursuant to the Licensing Agreement. These assets comprised leasehold properties and improvements of HK$182.5 million, and plant and equipment of HK$133.4 million. The leasehold properties are located in (i) Shijiao Town, Fogang, PRC; (ii) Tangtang Town, Huanghuahu Development Area, Fogang, PRC; and (iii) Lianzhou Town, Lianzhou, PRC. These assets are recorded at cost less accumulated depreciation and any accumulated impairment losses in accordance with the accounting policies of the Group. The above entire licensed assets have been subject to valuation by the Valuer.

The Group also leases part of its factory at Cheng Bei Area, Lianzhou City, Guangdong, PRC to an unrelated third party and is recorded as an investment property (HK$5.7 million). The investment property is stated at the revalued amount, based on the valuation by the Valuer, in accordance with the accounting policy of the Group.

The land use rights are in relation to the rights over the state-owned land in the PRC where the Group's leasehold properties and investment property reside. The land use rights have remaining tenures ranging from 37 years to 40 years as at 31 December 2016. These land use rights are recorded at cost less accumulated amortisation. Most of the land use rights of the Group (mostly classified as non-current assets and a small amount classified under current assets) have been subjected to the valuation exercise by the Valuer.

Please see below for further details on the valuation of these assets under the caption "Valuation exercise" in Section 7.3.2 below.

Liabilities and Equity

The Group has current liabilities in relation mainly to trade and other payables of HK$104.5 million and bills payable of HK$11.5 million. It does not have any bank borrowings or non-current liabilities.

As a result, the Group is in a strong net cash position, representing 56.0% of total assets of the Group as at 31 December 2016.

Equity attributable to owners of the Company comprises paid-up share capital of HK$560.2 million and reserves of HK$2,069.0 million, totalling HK$2,629.2 million.

7.3.2 Revalued NTA of the Group

Valuation exercise

As mentioned in Section 7.3.1 above, the Company had appointed the Valuer to carry out an independent market valuation of most of the property related assets and plant and equipment (defined earlier as the Valuation Summary Letter and the Valuation Assets) as at 31 December 2016 for accounting reference purposes. In connection with and for the purpose of the Offer, the Company had also commissioned the Valuer to issue a Valuation Certificate in respect of the Valuation Assets.

We note that the market valuations of the Valuation Assets as set out in the Valuation Summary Letters remain unchanged in the Valuation Certificate in respect of these Valuation Assets.

The table below summarises the breakdown of the total net book value of the property related assets and plant and equipment of the Group and the portion that have been subject to the valuation exercise:

	Total net book value as at 31 December 2016 (HK$'000)	Net book value of assets that were subject to the valuation exercise (HK$'000)	Percentage of assets subject to the valuation exercise
Investment property	5,683	5,683	100.0%
PPE[(1)]	360,478	315,868	87.6%
Land use rights[(2)]	35,712	32,662	91.5%
	401,873	**354,213**	**88.1%**

Source: *Company and the unaudited results for the Group for FY2016*

Notes:

(1) Includes leasehold properties and improvements, plant and equipment; and

(2) Includes land use rights classified under current assets and non-current assets.

The Valuation Certificate covers the following Valuation Assets:

Reference No.	Property
1	A parcel of land, various buildings and ancillary structures situated in Lianzhou County Cheng Bei, Lianzhou City, Guangdong Province, the PRC. The valuations of the property related assets and the machineries and equipment as at 31 December 2016 are RMB129,000,000 and RMB187,348,000 respectively.
2	Various parcels of land, various buildings and ancillary structures situated in Shijiao Town, Fogang County, Qingyuan City, Guangdong Province, the PRC. The valuations of the property related assets and the machineries and equipment as at 31 December 2016 are RMB101,000,000 and RMB51,438,000 respectively.
3	A villa house situated in Huang Hua Hu Development District, Tangtang Town, Fogang County, Qingyuan City, Guangdong Province, the PRC. The valuation of the property related assets as at 31 December 2016 is RMB5,360,000.
4	Units 7C, 7D, 7E, 7F, 7G and 7H, Block 2, Li Jing Hao Ting, Xin Cheng East, B1 District, Qingyuan City, Guangdong Province, the PRC. The valuation of the property related assets as at 31 December 2016 is RMB3,700,000.
5	The land and building located at the Industrial Park at North of Lianzhou City, Qingyuan City, Guangdong Province, the PRC. The valuation of the property related assets as at 31 December 2016 is RMB65,700,000.

A copy of the Valuation Certificate by Roma is attached as Appendix VI to the Circular.

In relation to the valuation exercise for the Valuation Assets, the Valuer had prepared its valuation opinion based on the market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The Valuer had valued the properties by the direct comparison approach assuming sale of the properties in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market, and considered the basis of capitalisation of the net income receivable, if necessary.

In relation to the valuation exercise for the machineries and equipment, the Valuer had prepared its valuation opinion based on the market value which is defined as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The Valuer had considered three different approaches to value the machineries and equipment, namely the cost approach, sales comparison approach and the income approach. In arriving at the market value of the machineries and equipment, the Valuer had relied on the income approach on the basis of capitalisation of the rental incomes, and where appropriate, by reference to the market price of the assets with appropriate adjustments upon their conditions up to the date of valuation.

A summary of the market values of the Valuation Assets is set out below:

Reference No.	Market value of property related assets as at 31 December 2016 (RMB'000)	Market value of machineries and equipment as at 31 December 2016 (RMB'000)
1	129,000	187,348
2	101,000	51,438
3	5,360	-
4	3,700	-
5	65,700	-
	304,760	**238,786**

***Source**: Valuation Certificate*

Computation of Revalued NTA of the Group

The above valuation would result in a revaluation surplus above the net book value of the Valuation Assets as at 31 December 2016 as shown in the table below:

	Net book value as at 31 December 2016 (HK$'000)	Market value as at 31 December 2016 (RMB'000)	Market value as at 31 December 2016[(1)] (HK$'000 equivalent)	Revaluation surplus (HK$)
Leasehold buildings, investment property and land use rights	220,821	304,760	340,700	119,879
Machineries and Equipment	133,392	238,786	266,946	133,554
Total	**354,213**	**543,546**	**607,646**	**253,433**

***Source**: Company and the Valuation Certificate*

Note:

(1) Based on the exchange rate of HK$1.00 to RMB0.89451 on 31 December 2016.

The above total revaluation surplus of HK$253.4 million (S$46.0 million) represents HK$0.3508 (S$0.0637) per Share.

In assessing the above revaluation surplus, we have also considered whether there is any potential tax liabilities which would arise on the disposal of the above assets for the purpose of Rule 26.3 of the Code. The Company had advised that, in a hypothetical scenario where the above assets are sold, a potential tax liability may arise on the revaluation surplus according to the applicable corporate income tax rate of 25% in the PRC. As at the Latest Practicable Date, the Company has advised that they have no intention to sell these assets.

Accordingly, the revalued NTA ("**RNTA**") of the Group as at 31 December 2016 is computed as follows:

	HK$'000
Unaudited NTA of the Group as at 31 December 2016	2,628,942
Add: Revaluation surplus	253,433
Less: Potential tax liability arising from the revaluation surplus	(63,358)
RNTA of the Group as at 31 December 2016	2,819,017
RNTA per Share	
- **HK$**	**3.9018**
- **S$**	**0.7086**

Based on the above, the RNTA per Share of S$0.7086 as at 31 December 2016 is 7.2% higher than the NTA per Share of S$0.6608 as at 31 December 2016.

7.3.3 Price-to-RNTA ("P/RNTA") ratio of the Group implied by the Offer Price

The net asset backing of the Group is measured by its NAV, NTA or revalued NAV, revalued NTA value.

The NAV and NTA based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

The NAV based valuation approach shows the extent to which the value of each Share is backed by both the Group's tangible and intangible assets. NTA is derived by deducting intangible assets from the NAV and the NTA based valuation approach shows the extent to which the value of each Share is backed by its net tangible assets.

Based on the NTA per Share of S$0.6608 as at 31 December 2016, the Offer Price represents a P/NTA of 0.61 times, that is, the Offer Price is at a discount of 39.5% to the NTA per Share.

Based on the RNTA per Share of S$0.7086 as at 31 December 2016, the Offer Price represents a P/RNTA of 0.56 times, that is, the Offer Price is at a discount of 43.6% to the RNTA per Share.

For the purpose of evaluating the Offer, we have based our analysis on the RNTA per Share as at 31 December 2016.

Price-to-RNTA (ex-cash) ratio

As set out in our analysis in Section 7.3.1, the Group has significant cash balance of HK$1,556.5 million, representing HK$2.1543 (S$0.3912) per Share. The cash balance represents 55.2% of the RNTA per Share as at 31 December 2016 and 97.8% of the Offer Price. This would mean that the Offer Price of S$0.40 is substantially for the cash component of S$0.3912 and only a small value (S$0.0088) is offered for the remaining net assets of the Group (S$0.3174).

Based on our analysis, we estimate that, overall, the RNTA per Share is represented 55.2% by cash, 22.9% by inventories licensed for use by the licensee, 19.1% by licensed assets (including land use rights of the leasehold properties) and 2.8% by the remaining net assets, as follows:

	RNTA per Share (S$)	%
Cash balances	0.3912	55.2
Inventories licensed for use by the licensee(1)	0.1624	22.9
Licensed assets (including land use rights of the leasehold properties)	0.1354	19.1
Remaining net assets	0.0196	2.8
Total	**0.7086**	**100.0**

Note:

(1) The licensee is required to replace and return the quantities of licenced inventories used, consumed or disposed during the licenced period to the Group at the end of the licence period. These assets are classified as current assets for FY2016 as the current licensing arrangement is due to expire on 31 August 2017.

Besides the valuation of the property related assets and plant and equipment of the Group, in our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2016, and whether there are factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NTA as at 31 December 2016.

In respect of the above, we have sought the following confirmation from the Board of Directors and the management, and they have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, and save for the announcements made by the Company since 31 December 2016 to the Latest Practicable Date:

(a) there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 December 2016 which would have a material impact on the NTA of the Group;

(b) other than that already provided for or disclosed in the Group's financial statements as at 31 December 2016, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTA of the Group as at the Latest Practicable Date;

(c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;

(d) there are no intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and

(e) there are no material acquisitions or disposals of assets by the Group between 31 December 2016 and the Latest Practicable Date nor does the Group have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

For the avoidance of doubt, we have not made any independent evaluation or appraisal of the assets and liabilities of the Company or the Group (including without limitation, property, plant and equipment). We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Roma's independent valuations for such asset appraisal and have not made any independent verification of the contents thereof.

We do not assume any responsibility to inquire about the basis of such valuations or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including Rule 26 of the Code.

7.4 Comparison with recently completed privatisation of companies listed on the SGX-ST

We note that the intention of the Offeror is to delist the Company from the SGX-ST and, if and when entitled, to exercise its rights of compulsory acquisition under the Bermuda Companies Act.

In assessing the reasonableness of the Offer Price in light of the above stated intention of the Offeror, we have compared the financial terms of the Offer with those of selected successful privatisation transactions that were announced and completed since January 2016 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Code where the offeror has stated its intentions to delist the listed company from the SGX-ST ("**Precedent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

(i) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month and 3-month periods prior to the announcement of the Precedent Privatisation Transactions; and

(ii) the premium or discount represented by each of the respective offer prices to the net asset value of the respective target companies. We note that certain transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV or NTA of the Precedent Privatisation Transactions, where applicable.

We wish to highlight that the target companies listed in the Precedent Privatisation Transactions as set out in the analysis below may not be directly comparable to the Group in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular privatisation transaction varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

			Premium/(Discount) of Offer Price over / (to):			
Name of company	Sector	Date of announce-ment	Last transacted price prior to announce-ment (%)	1 month VWAP prior to announce-ment (%)	3 month VWAP prior to announce-ment (%)	P/NTA (times)
HTL International Holdings Limited	Manufacture, processing and sale of wooden products	07 Jan 2016	46.0	69.2	98.4	1.9(1)

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over / (to): Last transacted price prior to announcement (%)	1 month VWAP prior to announcement (%)	3 month VWAP prior to announcement (%)	P/NTA (times)
Lantrovision (S) Ltd	Supply, design, install and provide IT consultancy services	27 Jan 2016	47.7	42.8	46.2	1.5[(2)]
China Yongsheng Limited	Production and supply of concrete and related products	24 Feb 2016	52.4	67.4	62.4	0.7[(3)]
Xinren Aluminium Holdings Limited	Smelting, sale, production and trading of aluminium and related products	25 Feb 2016	25.1	49.6	50.0	1.5[(4)]
OSIM International Ltd	Distributes, sells and franchises healthy lifestyle products	07 Mar 2016	27.0	40.9	42.5	2.6[(5)]
Select Group Limited	Food catering and management services	23 Mar 2016	23.5	37.9	43.4	3.9[(6)]
GMG Global Ltd	Processing, producing, marketing and exporting of rubber	28 Mar 2016	10.8	25.2	39.9	0.7[(7)]
Xyec Holdings Co., Ltd.	Provision of integrated engineering and IT consultancy and services	29 Mar 2016	50.0	49.3	49.3	1.3[(8)]
Pteris Global Limited	Provision of airport facility equipment	21 Apr 2016	33.9	38.0	44.1	1.2[(9)]
China Merchants Holdings (Pacific) Limited	Toll road operator	09 May 2016	22.9	21.8	25.3	1.1[(10)]
Eu Yan Sang International Ltd	Health and wellness company in traditional Chinese medicines	16 May 2016	2.6	8.5	16.5	1.7[(11)]
Otto Marine Limited	Vessel construction, repair, conversion, chartering, leasing of vessels and subsea services	08 Jun 2016	39.1	44.8	43.5	2.3[(12)]
SMRT Corp Ltd	Provision of land transport services in rail operations, maintenance and engineering as well as bus, taxi and automotive	20 Jul 2016	8.7	10.8	10.7	2.8[(13)]
Sim Lian Group Limited	Property development, investment and construction	08 Aug 2016	14.9	16.6	19.5	0.8[(14)]
China Minzhong Food Corporation Limited	Cultivation, production and sale of processed vegetables, fruit and vegetable beverages	06 Sep 2016	25.0	24.8	23.1	0.7[(15)]
Aztech Group Ltd.	Electronics and LED lighting manufacturing, material supply and marine logistics, and food and beverage retail and supplies	19 Sep 2016	29.2	38.6	21.0	0.4[(16)]
China New Town Development Company Limited	Urbanisation developer and operator for large township projects	18 Oct 2016	18.6	20.5	27.0	0.9[(17)]
China Auto Electronics Group Limited	Automotive electrical and electronics distribution system manufacturer	24 Oct 2016	23.1	50.9	65.0	1.3[(18)]
Innovalues Limited	Manufactures customised precision machined parts and components for automotive industries	26 Oct 2016	13.5[(20)]	19.0[(20)]	21.6[(20)]	3.7[(19)]
ARA Asset Management Limited	Asian real estate fund management of REITs and private real estate funds	08 Nov 2016	26.2	29.6	30.3	3.1[(21)]
Sunmart Holdings Limited	Manufacturing and sale of spray products such as spray pumps, aluminium cans and plastic bottles used in the packaging for FMCG, pharmaceutical and health supplements	30 Nov 2016	n.m.[(24)]	n.m.[(24)]	n.m.[(24)]	0.9[(22)]

Name of company	Sector	Date of announce-ment	Premium/(Discount) of Offer Price over / (to): Last transacted price prior to announce-ment (%)	1 month VWAP prior to announce-ment (%)	3 month VWAP prior to announce-ment (%)	P/NTA (times)
Auric Pacific Group Limited	Distributor of fast-moving consumer goods, food manufacturing and retailing, restaurants and food court management	07 Feb 2017	13.4	17.7	23.8	1.5[(23)]
High			52.4	69.2	98.4	3.9
Low			2.6	8.5	10.7	0.4
Mean			26.4	34.5	38.3	1.7
Median			25.0	37.9	39.9	1.4
Company (implied by the Offer Price)		**03 Mar 2017**	**19.9**	**28.3**	**32.9**	**0.56 (based on RNTA per Share)**

***Source**: SGX-ST announcements and circulars to shareholders in relation to the Precedent Privatisation Transactions*

Notes:

(1) Based on the NTA per share of HTL International Holdings Limited as at 31 December 2015;

(2) Based on the NTA per share of Lantrovision (S) Ltd as at 31 December 2015;

(3) Based on the revalued NAV per share of China Yongsheng Limited as at 31 December 2015;

(4) Based on the revalued NAV per share of Xinren Aluminium Holdings Limited as at 31 December 2015;

(5) Based on the final offer price of S$1.39 per share announced on 5 April 2016 and the audited NAV per share of OSIM International Ltd as at 31 December 2015;

(6) Based on the NTA per share of Select Group Limited as at 31 December 2015;

(7) Based on the midpoint of the P/NAV range of GMG Global Limited of 0.72-0.77 as at 31 December 2015 implied by the respective Halcyon Agri Corporation Limited (offeror) VWAP for the 1, 3 and 6 month periods prior to the pre-conditional announcement date of 28 March 2016;

(8) Based on the NAV per share of Xyec Holdings Co., Ltd. as at 30 September 2015;

(9) Based on the final offer and RNTA per share of Pteris Global Limited as at 31 March 2016;

(10) Based on the revalued NAV per share of China Merchants Holdings (Pacific) Limited as at 31 March 2016;

(11) Based on the revalued NAV per share of Eu Yan Sang International Ltd as at 31 March 2016;

(12) Based on the revalued NTA per share of Otto Marine Limited as at 31 March 2016;

(13) Based on the NTA per share of SMRT Corp Ltd as at 30 June 2016;

(14) Based on the revalued NAV per share of Sim Lian Group Limited as at 30 June 2016;

(15) Based on the NTA per share of China Minzhong Food Corporation Limited as at 30 September 2016;

(16) Based on the RNTA per share of Aztech Group Ltd. as at 30 June 2016;

(17) Based on the NAV per share of China New Town Development Company Limited as at 30 September 2016;

(18) Based on the NTA per share of China Auto Electronics Group Limited on a diluted basis (after bond conversion) as at 30 June 2016;

(19) Based on the NTA per share of Innovalues Limited as at 30 September 2016;

(20) The market premia were computed based on prices prior to the holding announcement date (7 April 2016) when the company first announced that it has appointed a financial adviser to conduct a review of the strategic options available to the company with a view to enhancing and unlocking shareholder value;

(21) Based on the NAV per share of ARA Asset Management Limited as at 31 December 2016;

(22) Based on the RNAV per share of Sunmart Holdings Limited as at 30 September 2016;

(23) Based on the RNTA per share of Auric Pacific Group Limited as at 31 December 2016; and

(24) n.m. denotes not meaningful.

Based on the above, we note that:

(a) The premia implied by the Offer Price over the last transacted price, VWAP for 1-month period and 3-month period prior to the Offer Announcement Date are within the range but lower than the mean and median of the corresponding premia of the Precedent Privatisation Transactions; and

(b) The P/RNTA ratio of 0.56 times implied by the Offer Price is within the range but significantly lower than the mean and median of the corresponding P/NTA ratios of the Precedent Privatisation Transactions.

Shareholders should note that the above comparison with the Precedent Privatisation Transactions is for illustrative purposes only.

7.5 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group

For the purpose of assessing the Offer Price, we have had discussions with Management to identify other listed companies that are in the similar business as the Group, that is, in the manufacture and trading of PVB resin and related products and licensing arrangement, the latter is unique to the Group as it was supposed to be a short term measure to address its interested person transactions. There are also no such comparable listed companies of meaningful size in the PVB industry based on our search through Bloomberg database.

We have therefore selected listed companies that are engaged in the business of manufacturing and trading of copper foils ("**Comparable Peer Companies**") as broad proxies to the Group as the Group's licensed assets are principally engaged in the manufacture and trading of copper foils. These Comparable Peer Companies are listed on the stock exchanges of Hong Kong, Taiwan and PRC as there are no comparable companies listed on the SGX-ST. In view of the limited number of comparable companies, we have also included companies with very large market capitalisation of S$1.0 billion and above as an illustrative comparison purposes only.

We have had discussions with the management of the Company about the suitability and reasonableness of the Comparable Peer Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Peer Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The Comparable Peer Companies' accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

We wish to highlight that the selected Comparable Peer Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the Comparable Peer Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Comparable Peer Companies, as extracted from Bloomberg L.P. is set out below:

Company name	Stock Exchange	Principal business
Kingboard Laminates	Hong Kong	Kingboard Laminates operates as a vertically-integrated electronic materials manufacturing company. Its laminate products include glass epoxy laminates, paper laminates, and composite epoxy material laminates.
Guangdong Chaohua Technology Co Ltd (“**Guangdong Chaohua**”)	Shenzhen	Guangdong Chaohua produces printed circuit board, copper clad laminate and manufactures upstream products such as electrolytic copper foil, wood pulp paper for copper clad laminate, solder mask, resistant ink, and legend.
Co-Tech Development Corp (“**Co-Tech**”)	Taiwan	Co-Tech provides electro-deposit copper foil for the copper clad laminate and print circuit board.
China Environmental Energy Investment Ltd (“**CEEI**”)	Hong Kong	CEEI is an investment holding company. CEEI's operations include laminates, printed circuit boards, and copper foils.

Source: *Bloomberg L.P.*

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the Comparable Peer Companies using the following bases:

(i) The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern; and

(ii) The P/NTA ratio or NTA approach is used to show the extent the value of each share is backed by all assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and intangibles of the group.

Company name	Last financial year end	Market capitalisation as at Offer Announcement Date (S$'million)	Historical PER[1] (times)	Historical P/NTA ratio[2] (times)
Kingboard Laminates	31 Dec 2015	4,767.9	18.0	2.0
Guangdong Chaohua	31 Dec 2015	1,472.0	n.m.[3]	4.0
Co-Tech	31 Dec 2016	524.2	19.0	5.3
CEEI	31 Mar 2016	32.4	0.9	0.2
High			19.0	5.3
Low			0.9	0.2
Mean			12.6	2.9
Median			18.0	3.0
The Company (implied by the Offer Price)	**31 Dec 2016**	**289.0**	**n.m.[4]**	**0.56 (based on RNTA per Share)**

Source: *Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Peer Companies*

Notes:

(1) The historical PERs of the Comparable Peer Companies are computed based on their respective latest published full year earnings or trailing twelve months earnings, where applicable, available as at the Offer Announcement Date;

(2) The P/NTA ratios of the Comparable Peer Companies are computed based on their respective NTA values as set out in their latest published financial statements available as at the Offer Announcement Date;

(3) n.m. denotes not meaningful as the historical PER of Guangdong Chaohua is 5,340.4 times; and

(4) n.m. denotes not meaningful as the historical PER of the Company is 1,499.9 times.

Based on the above, we note that:

(a) The historical PER of the Company of 1,499.9 times is not meaningful for comparison purposes with the Comparable Peer Companies; and

(b) The P/RNTA ratio of the Company of 0.56 times implied by the Offer Price is at the lower end of the range of the P/NTA ratios of the Comparable Peer Companies and hence significantly lower than the mean and median of the corresponding P/NTA ratios of the Comparable Peer Companies.

7.6 Dividend track record of the Company

We note that the Company did not pay any dividend for the last six financial years, the last dividend distribution was for FY2010.

The Directors have confirmed that the Company does not have a fixed dividend policy and that they intend to pursue a dividend policy which commensurate with the Group's earnings, financial position and future plans.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy. There is no assurance that the Company will pay dividends in future.

7.7 Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment

7.7.1 Likelihood of competing offers is remote

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

As the Offer is unconditional in all respects and the Offeror and parties acting in concert with it already own or control in aggregate 66.01% of the total number of issued Shares as at the Latest Practicable Date, the likelihood of a competing offer from any third party is remote.

7.7.2 Intention of the Offeror regarding listing status

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. Accordingly,

(a) the Offeror, if entitled, intends to exercise its rights of compulsory acquisition under the Bermuda Companies Act. In such a situation, Shareholders who did not accept the Offer will have their Shares compulsorily acquired and be paid an amount equivalent to the Offer Price; and

(b) in the event that the percentage of the total number of Shares held in public hands falls below 10%, the trading of Shares on the SGX-ST will be suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual. The Offeror does not intend to support any action or take any steps to maintain the listing status of the Company or to restore the free float requirement. Under this scenario, Shareholders who continue to hold on to the Shares will not be able to trade their Shares in the open market.

However, in the event that the Company continues to meet the free float requirements under Rule 723 of the Listing Manual following the close of the Offer, the Company will remain listed and the Shares will continue to be traded on the SGX-ST.

For more details on the compulsory acquisition and listing status, please refer to Section 12 of the Offer Document.

7.7.3 Intentions of the Directors in relation to the Offer

Mr Ho Yin Sang has a deemed interest in 2,000 Shares held by his spouse, Mdm Cheung Wai Kam. He has informed the Company of his wife's intention to accept the Offer in respect of all the Shares held by her.

Save for Mr Ho Yin Sang, the remaining Directors do not hold any direct shareholding interest in the Company other than through their interests in the Kingboard Group.

7.7.4 Transaction costs in connection with the disposal of the Shares

The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sale of the Shares in the open market which will incur expenses such as brokerage or other trading costs.

7.7.5 Outlook of the industry in which the Group operates

We wish to highlight the following commentary made by the Company in respect of the Group's PVB business as disclosed in its unaudited results of the Group for FY2016:

*"**PVB Business***

The economic growth rate in the People's Republic of China (the "PRC") is continued to maintain at a low level, while the prices of commodities, like crude oil and copper, showed a slow rebound. The first tier and second tier cities in the PRC have imposed restriction orders on residential units, which has affected the real estate industry and hence the construction industry. In this regard, PVB business has also been affected. The management of the Group, therefore, has kept the products at a low selling price with a view to increase the market shares. On the other hand, the Group has successfully ventured into India, one of the emerging market with great opportunities and potential in the PVB market. Sales to India accounted for approximately 6% of PVB sales in FY 2016. The Group will continue to improve the production efficiency, reducing the defect rate, lowering the production costs and shortening the lead time so that to deliver greater returns to the shareholders."

7.7.6 Litigation in Bermuda

As mentioned in Section 5 of this Letter, on 24 March 2017, the Court of Appeal of Bermuda had issued a written judgement in respect of the appeal and found in favour of the majority Shareholders that have filed the appeal that, *inter alia*, the entry into the Licensing Agreement by the Group was not oppressive conduct and did not unfairly prejudice the minority Shareholders.

7.7.7 Market sentiments on the Shares

We note that, overall, the market sentiments on the Shares have been weak, with low trading liquidity and the Shares have been trading at significant discounts to the NAV per Share. We also observed that the Company had been saddled with certain historical past events which had resulted in its present state of affairs. Some of the details are set out in various parts of this

Letter in their respective context. The following is a summary of some of our observations which may be relevant for Shareholders in considering the Offer:

(a) Share prices had been consistently trading at significant discounts to its NAV per Share over the last six years since FY2011. NAV per Share was between HK$3.8347 (S$0.6964) to HK$3.9538 (S$0.7180) from FY2011 to FY2015, and HK$3.6390 (S$0.6608) as at 31 December 2016;

(b) overall, the Offer Price under this second attempt by the major Shareholders to privatise the Company is substantially above the historical traded Share price over the last six years since mid-2011;

(c) during 2011, the Group had ceased the manufacture of copper foil (its former core business) and had, instead, switched to the licensing arrangement after the Company was not successful in obtaining Shareholders' approval for its interested person transaction general mandate in relation to these business activities. As a result, the Group earned only a fixed licence fee of HK$120 million per year instead of operational profits from the manufacture of copper foil. The licensing arrangement, which was supposed to be a short-term measure pending a resolution to the interested person transaction issue, had lasted for the past six years. The current agreement is expected to expire on 31 August 2017 unless renewed for another further term;

(d) during 2011, the Company was engaged in a litigation suit from certain minority Shareholders. Such litigation had also lasted for the past six years. The judgement by the Court of Appeal of Bermuda was recently issued on 24 March 2017 as mentioned in Section 7.7.6 above. The Company will make further update announcements if there are any further material developments in the matter;

(e) as the Offeror and its Concert Parties already have statutory control of the Company, representing 66.01% of the total issued Shares as at the Latest Practicable Date, the Offeror and its Concert Parties will be in a position to significantly influence, *inter alia*, management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of the Company; and

(f) the Company had not paid any dividend to Shareholders in respect of the last six financial years, notwithstanding that the Company has significant amount of bank balances.

8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

(a) Market quotation and trading activity of the Shares;

(b) Financial performance of the Group;

(c) Financial position of the Group;

(d) Comparison with recently completed privatisation of companies listed on the SGX-ST;

(e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;

(f) Dividend track record of the Company; and

(g) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are not fair and not reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer.

Shareholders who wish to realise their investments in the Company can also choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs).

In rendering the above advice, we have not given regard to any specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Our recommendation is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer, as the case may be, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders in respect of the Offer, as the case may be, shall remain the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Lam Ka Po	23/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, N.T., Hong Kong	Executive Director and Chairman
Mr. Cheung Kwok Ping	23/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, N.T., Hong Kong	Executive Director
Mr. Ho Yin Sang	23/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, N.T., Hong Kong	Non-Executive Director
Mr. Ong Tiong Wee	23/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, N.T., Hong Kong	Independent and Non- Executive Director
Mr. Chim Hou Yan	23/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, N.T., Hong Kong	Independent and Non-Executive Director

2. BACKGROUND INFORMATION

The Company was incorporated in Bermuda in September, 1999 and is listed on the Main Board of the SGX-ST in December 1999. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. It is an investment holding company, and its subsidiaries are engaged in the manufacture and trading of polyvinyl butyral and related products and licensing business.

3. SHARE CAPITAL

3.1 Issued and paid-up Shares

As at the Latest Practicable Date, the authorised share capital of the Company is US$200,000,000 and the issued share capital is US$72,250,000, comprising 722,500,000 ordinary Shares of a par value of US$0.10 each. The issued Shares are listed and quoted on the SGX-ST.

3.2 No transfer restriction

There is no restriction in the Bye-Laws on the right to transfer any Shares, which has the effect of requiring Shareholders, before transferring them, to first offer them for purchase to other Shareholders or to any other person.

3.3 Shares issued since 31 December 2016

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2016, being the end of the last financial year of the Company.

3.4 Convertible instruments

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting Shares.

3.5 Rights in Respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Bye-Laws which is available for inspection at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda as well as the Company's Share Transfer Agent at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896. The relevant provisions in the Bye-Laws relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Bye-Laws and reproduced in Appendix III to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Bye-Laws.

4. DISCLOSURE OF INTERESTS

4.1 Interests and Dealings of Company in Offeror Securities

As at the Latest Practicable Date, neither the Company nor its subsidiaries:

(a) has any direct or deemed interests in any Offeror Securities; and

(b) has dealt for value in any Offeror Securities during the Reference Period.

4.2 Interests and Dealings of Directors in Offeror Securities

As at the Latest Practicable Date, none of the Directors:

(a) save as disclosed below, has any direct or deemed interests in any Offeror Securities; and

(b) has dealt in any Offeror Securities during the Reference Period.

The Offeror is a wholly-owned subsidiary of Kingboard Laminates, which is listed on The Stock Exchange of Hong Kong Limited. As at the Latest Practicable Date, the directors of Kingboard Laminates include our Directors, Mr. Lam Ka Po and Mr. Cheung Kwok Ping. Kingboard Laminates is, in turn, a 72.59% owned subsidiary of Kingboard Chemical, and also listed on The Stock Exchange of Hong Kong Limited. As at the Latest Practicable Date, the directors of Kingboard Chemical include our Director, Mr. Ho Yin Sang.

4.3 Interests of Directors in Shares and Convertible Securities of the Company

As at the Latest Practicable Date, none of the Directors save as disclosed below, has any direct or deemed interests in Company Securities.

Interests of Directors in Shares:

	Direct Interest		Deemed Interest	
Directors	**No. of Shares**	**Percentage[1]**	**No. of Shares**	**Percentage[1]**
Ho Yin Sang[1]	-	-	2,000	Not meaningful

Note:

1. Mr. Ho Yin Sang has a deemed interest in 2,000 Shares via his spouse, Mdm Cheung Wai Kam.

   In addition, Mr. Lam Ka Po, Mr. Cheung Kwok Ping and Mr. Ho Yin Sang have minor interests in shares and options of Kingboard Chemical and Kingboard Laminates.

4.4 Dealings of Directors in Company Securities

During the Reference Period, none of the Directors has dealt in any Company Securities.

4.5 Interests and Dealings of the IFA in Company Securities

As at the Latest Practicable Date, none of the IFA or funds whose investments are managed by the IFA on a discretionary basis:

(a) has any direct or deemed interests in any Company Securities; and

(b) has dealt in any Company Securities during the Reference Period.

4.6 Intentions of the Directors in relation to the Offer

Ho Yin Sang has a deemed interest in 2,000 Shares held by his spouse, Mdm Cheung Wai Kam. He has informed the Company of his wife's intention to accept the Offer in respect of all the Shares held by her.

5. OTHER DISCLOSURES

5.1 Directors' Service Contracts

There are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries with more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation. In addition, there are no service contracts entered into or amended between any Director or proposed Director with the Company during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 No Payment or Benefit to Directors

It is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer.

5.3 No Agreement Conditional upon Outcome of Offer

There are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.

5.4 Material Contracts entered into by Offeror

There are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

6. FINANCIAL INFORMATION ON THE GROUP

6.1 Set out below is certain financial information extracted from the Company's annual reports for FY2013, FY2014 and FY2015 and from the 12M2016 Results. The audited consolidated financial statements for the Group for FY2015 together with the Independent Auditors' report and the 12M2016 Results are also set out in Appendices IV and V to this Circular respectively. The summary set out below should be read together with the audited consolidated financial statements and the unaudited consolidated financial statements for the relevant financial periods and related notes thereto, as set out in the Company's annual reports for FY2013, FY2014 and FY2015 and the Company's announcement on the 12M2016 Results.

6.2 Consolidated Income Statements of the Group

	Audited	**Audited**	**Audited**	**Unaudited**
	FY2013 HK$'000	**FY2014 HK$'000**	**FY2015 HK$'000**	**12M2016 HK$'000**
Revenue	468,782	519,945	624,344	635,296
Costs of sales	(412,894)	(447,689)	(558,438)	(566,650)
Other income	3,026	2,068	3,064	2,057
Expenses	(41,482)	(39,219)	(51,304)	(54,915)
Profit before tax	17,432	35,105	17,666	15,788
Income tax expense	(9,120)	(12,260)	(11,260)	(10,855)
Profit for the year	8,312	22,845	6,406	4,933
Profit for the year attributable to:				
Owners of the Company	4,289	18,666	2,841	1,061
Non-controlling interests	4,023	4,179	3,565	3,872
Earnings per share (HK cents)	0.59	2.58	0.39	0.15
Dividend per Share (HK cents)	Interim: Nil Final: Nil	Interim: Nil Final: Nil	Interim: Nil Final: Nil	Interim: Nil Final: Nil

6.3 Consolidated statement of financial position of the Group

	Audited As at 31 December 2015 HK$'000	Unaudited As at 31 December 2016 HK$'000
Non-current assets	1,268,952	441,624
Current assets	1,602,975	2,337,366
Current Liabilities	(100,988)	(124,374)
Net assets	2,770,939	2,654,616
Share capital	560,200	560,200
Reserves	2,177,796	2,068,980
Non-controlling interests	32,943	25,436
Total equity	2,770,939	2,654,616

7. MATERIAL CHANGES IN FINANCIAL POSITION

As at Latest Practicable Date, save as disclosed in this Circular, and any other information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST including but not limited to the Company's annual report for FY2015 and the announcement on the 12M2016 Results), there have been no material changes to the financial position of the Group since 31 December 2015, being the date of the last audited accounts of the Group.

8. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

8.1 Significant Accounting Policies

The audited consolidated financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards. A summary of the significant accounting policies of the Group is set out in Note 2 of the audited consolidated financial statements of the Group for FY2015, which is reproduced in Appendix IV to this Circular.

Save as disclosed in this Circular and publicly available information on the Group, there are no significant accounting policies or any matter from the notes to the financial statements of the Group which are of any major relevance for the interpretation of the accounts of the Group referred to in this Circular.

8.2 No Change in Accounting Policies

The Company disclosed in the 12M2016 Results that they adopted the Financial Reporting Standards ("**FRSs**") which are relevant to the Group's operations and became effective for the financial years beginning on or after 1 January 2016. The adoption of the new and revised FRSs have no material effect on the Group's and Company's accounting policies.

Save as disclosed in this Circular and publicly available information on the Group, there are no changes in the accounting policies of the Group which will cause the financial information disclosed in this Circular to not be comparable to a material extent.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

9.1 As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have entered into any material contracts with interested persons (other than those entered into in the ordinary course of business) during the period commencing three years before the Offer Announcement Date and ending on the Latest Practicable Date.

Notes:

An interested person, as defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, is:

a. a director, chief executive officer, or substantial shareholder of the Company;

b. the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;

c. the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

d. any company in which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family together (directly or indirectly) have an interest of 30% or more;

e. any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or

f. any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

9.2 At the Annual General Meeting of the Company held on April 29, 2011, the Shareholders did not approve the renewal of the mandate (**"Shareholders' Mandate"**) to enable the Group to enter into interested person transactions with Kingboard Chemical and its associates (together, the "**Interested Persons**"). The Company has entered into a licensing agreement, as amended by the letter of extension and amendments dated 30 August 2013, to license the properties, inventory and machinery that were previously used for the production of copper foil with effect from 1 September 2011 to 31 August 2015 to Harvest Resource Management Limited, an independent third party, in order to ensure that a steady stream of license fee is received by the Group. The licensing agreement is renewed for the term of further two years to end of August 2017. The Group will, in compliance with the Listing Manual, make relevant disclosures as and when appropriate.

10. MATERIAL LITIGATION

10.1 As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole. As at the Latest Practicable Date, save as disclosed below, the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

10.2 On 3 August 2011, a petition was filed in the Supreme Court of Bermuda (the "**Supreme Court**") by Annuity & Re Life Limited naming the Company and a number of its shareholders, alleging that certain interested persons transactions entered in to by the Company were prejudicial to the interest of the minority shareholders. The petition also challenged that the terms of a license agreement entered in to by the Company were wholly uncommercial and the licencee was a sham. The trial of the petition took place in September 2015. The Company takes a neutral stance in these proceedings. The Supreme Court, in its judgment dated 10 November 2015, found that the allegation, that the terms of the previous interested person transactions constituted preferential transfer pricing which was prejudicial to minority shareholders, were not proved and the allegation that the terms of the license agreement were wholly uncommercial and the licencee was a sham, were also not proved. However, the Supreme Court also ruled that the Company's management should promptly initiate *bona fide* open negotiations in which commercially reasonable proposals were openly tabled with a view to persuading the non-controlling shareholders to approve the interested person transactions mandate on even marginally more favourable terms. Subsequently, the majority shareholders of the Company filed a notice of appeal on 23 December 2015 with the Court of Appeal for Bermuda (the "**Court of Appeal**") relating to the unfavourable ruling of the judgement. The appeal hearing took place on 6 and 7 March 2017. On 26 March 2017, the Company announced that in it's judgment dated 24 March 2017 (the "**Appeal Judgment**"), the Court of Appeal had allowed the appeal in favour of the majority shareholders. The Court of Appeal ruled that the Company's entry into the license agreement was not oppressive conduct and did not unfairly prejudice the minority shareholders of the Company. The Court of Appeal also awarded the costs of the appeal and the court proceedings to the appellants. The Company will make further announcements as and when necessary to keep Shareholders informed if there are any further material developments in the matter.

Please refer to the Company's announcements dated 10 August 2011, 12 November 2015, 16 November 2015, 23 December 2015, 20 March 2017 and 26 March 2017 (the "**Relevant Announcements**") for further information on the above.

11. VALUATION OF PROPERTY

The Group had commissioned Roma, an independent professional valuer, to carry out an independent valuation of certain assets of the Group ("**Valuation Assets**"), including leasehold properties and plant and equipment that are classified as licenced assets of the Group, as at 31 December 2016 for accounting reference purposes. In connection with and for the purpose of the Offer, the Company has commissioned Roma to issue a valuation certificate ("**Valuation Certificate**") in respect of the Valuation Assets. A copy of the above Valuation Certificate dated 30 March 2017 is attached as Appendix VI to the Circular.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. The Company has advised that in a hypothetical scenerio where the assets which are the subject of the Valuation Certificate are sold, a potential tax liability may arise accordingly to the applicable corporate income tax rate of 25% in the People's Republic of China. Shareholders should note that, as at the Latest Practicable Date, the Company has no intention to sell assets which are the subject of the Valuation Certificate.

12. GENERAL

12.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

12.2 Consent of the Independent Auditors

Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name and all reference thereto, and (b) the Independent Auditors' report on the consolidated financial statements for the FY2015 (as reproduced in Appendix IV to this Circular) in the form and context in which they are included in this Circular.

12.3 Consent of the IFA

Provenance Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name, (b) the IFA Letter, and all references thereto in the form and context in which they appear in this Circular.

12.4 Consent of Roma

Roma has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name, (b) its Valuation Certificate and references thereto, in the form and context in which they appear in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Share Transfer Agent, Intertrust Singapore Corporate Services Pte Ltd at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 during normal business hours for the period during which the Offer remains open for acceptance:

(a) the Memorandum and Bye-Laws of the Company;

(b) the annual reports of the Company for FY2013, FY2014, FY2015 and 12M2016 Results;

(c) the IFA Letter;

(d) the Valuation Certificate;

(e) the Relevant Announcements; and

(f) the letter of consent referred to in **paragraph 12.2**, **12.3** and **12.4** of this **Appendix II** above.

EXTRACTS FROM THE BYE-LAWS OF THE COMPANY

The relevant provisions in the Bye-Laws of the Company in respect of capital, dividends and voting in relation to the Shares have been extracted and reproduced as follows:

1. Rights in Respect of Capital

SHARE CAPITAL

3. (1) The share capital of the Company at the date on which these Bye-laws come into effect shall be divided into shares of a par value of United States Dollars ten cents (US$0.10) each.

(2) The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit. Any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in accordance with and subject to the Act, the Company's memorandum of association and, for so long as the shares of the Company are listed on the Designated Stock Exchange, the prior approval of the Members in general meeting for such purchase or acquisition. For so long as the shares of the Company are listed on the Designated Stock Exchange, such approval of the Members shall remain in force until (i) the conclusion of the annual general meeting of the Company following the passing of the resolution granting the said authority or the date by which such annual general meeting is required to be held or (ii) the date on which purchases or acquisitions of shares pursuant to the approval are carried out to the full extent mandated or (iii) it is revoked or varied by ordinary resolution of the Company in general meeting, whichever is the earliest, and may thereafter be renewed by the Company in general meeting. For so long as the shares of the Company are listed on the Designated Stock Exchange, the Company shall make an announcement to the Designated Stock Exchange of any purchase or acquisition by the Company of its own shares, in accordance with the rules of the Designated Stock Exchange in effect from time to time.

ALTERATION OF CAPITAL

4. The Company may from time to time by ordinary resolution in any manner permitted by law and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the listing rules of the Designated Stock Exchange:

(a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;

(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attaching thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine Provided Always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";

(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;

(e) change the currency denomination of its share capital;

(f) make provision for the issue and allotment of shares which do not carry any voting rights; and

(g) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Bye-law and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

6. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

7. Except so far as otherwise provided by the conditions of issue, or by these Bye-laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Bye-laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

SHARE RIGHTS

8. (1) Subject to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

(2) All the rights attaching to a Treasury Share shall be suspended and shall not be exercisable by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital or shares of the Company.

9. (1) In the event of preference shares being issued the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.

(2) Subject to Sections 42 and 43 of the Act and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the listing rules of the Designated Stock Exchange, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine.

(3) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

(4) For so long as the shares of the Company are listed on the Designated Stock Exchange, in the event the Company creates any class of shares other than ordinary shares, the rights attaching to the shares of such class shall be expressed in these Bye-laws.

VARIATION OF RIGHTS

10. Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the listing rules of the Designated Stock Exchange, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of these Bye-laws relating to general meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum (other than at an adjourned meeting) shall be two (2) persons at least holding or representing by proxy (or, in the case of a holder being a corporation, by its duly authorised representative) one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holders, two (2) holders present in person (or, in the case of a holder being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person (or, in the case of a holder being a corporation, by its duly authorised representative) *or by proxy may demand a poll and that every such holder shall on a poll have one (1) vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two (2) months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Bye-law shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.*

11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking pari passu therewith.

SHARES

12. (1) Subject to the Act and to the rules or regulations of the Designated Stock Exchange (if applicable), no shares may be issued by the Board without the prior approval of the Company in general meeting but subject thereto and to these Bye-laws and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(2) Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the rules or regulations of the Designated Stock Exchange (if applicable), all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Board may dispose of those shares in such manner as it thinks most beneficial to the Company. The Board may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Board, be conveniently offered under this Bye-law 12(2).

(3) Notwithstanding Bye-law 12(2) above but subject to the Statutes and the rules or regulations of the Designated Stock Exchange (if applicable), the Company in general meeting may by ordinary resolution grant to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the said ordinary resolution (including but not limited to the aggregate number of shares which may be issued and the duration of the general authority), to issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, Provided That unless otherwise specified in the ordinary resolution or required by any applicable rules or regulations of the Designated Stock Exchange, such general authority will continue (notwithstanding the authority conferred by the said ordinary resolution may have ceased to be in force) in relation to the issue of shares pursuant to any Instrument made or granted by the Directors while the said ordinary resolution was in force.

(4) The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine, Provided That such issue must be specifically approved by the Company in general meeting if required by the rules or regulations of the Designated Stock Exchange.

(5) Subject to the rules or regulations of the Designated Stock Exchange (if applicable), the Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

13. The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Act. Subject to the Act, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.

14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Bye-laws or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

15. (1) Subject to the terms and conditions of any application for shares, the Board shall allot shares applied for within ten (10) market days of the closing date of any such application (or such other period as may be approved by the Designated Stock Exchange).

(2) Subject to the Act and these Bye-laws, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

LIEN

22. The Company shall have a first and paramount lien on all the shares not fully paid up registered in the name of a Member (whether solely or jointly with others). Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Bye-law.

23. Subject to these Bye-laws, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen (14) clear days after a notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

24. The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall be paid to the person whose shares have been forfeited or to his executors, administrators or assignees or as he may direct. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

25. Subject to these Bye-laws and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each Member shall (subject to being given at least fourteen (14) clear days' Notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no Member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.

26. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable either in one lump sum or by instalments.

27. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect thereof or other moneys due in respect thereof.

28. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.*

29. *No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.*

30. *On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register as the holder, or one (1) of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Bye-laws; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.*

31. *Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Bye-laws shall apply as if that amount had become due and payable by virtue of a call duly made and notified.*

32. *On the issue of shares the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.*

33. *The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one (1) month's Notice of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared or in profits.*

FORFEITURE OF SHARES

34. *(1) If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' Notice:*

   (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and

   (b) stating that if the Notice is not complied with the shares on which the call was made will be liable to be forfeited.

(2) If the requirements of any such Notice are not complied with, any share in respect of which such Notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.

2. Rights in Respect of Dividends

DIVIDENDS AND OTHER PAYMENTS

136. Without prejudice to the generality of the above Bye-law 135 if at any time the share capital of the Company is divided into different classes, the Board may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and Provided That the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of any dividend on any shares having deferred or non-preferential rights and may also pay periodically any fixed dividend which is payable on any shares of the Company.

137. No dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

138. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Bye-law as paid up on the share; and

(b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

139. The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

140. No unpaid dividend or distribution or other moneys payable by the Company shall bear interest as against the Company.

141. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

142. *All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.*

143. *Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe for securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.*

144. *(1) Subject to the rules or regulations of the Designated Stock Exchange, the Board shall have full power to make such provisions as it thinks fit for the implementation of a scheme which enables the Members to elect to receive securities in lieu of cash amount of any dividend, and the Board may do all acts and things considered necessary or expedient to give effect to such a scheme.*

(2) Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Bye-law shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

RESERVES

145. *Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.*

CAPITALISATION

146. *The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution Provided That, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be issued to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.*

147. *The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.*

3. Rights in Respect of Voting

GENERAL MEETINGS

55. For so long as the shares of the Company are listed on the Designated Stock Exchange (and thereafter, unless the holding of annual general meetings is dispensed with in accordance with the Act), an annual general meeting of the Company shall be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules or regulations of the Designated Stock Exchange, if any) and place as may be determined by the Board in accordance with the rules and regulations of the Designated Stock Exchange (if applicable). In addition, for so long as the shares of the Company are listed on the Designated Stock Exchange, the interval between the close of the Company's financial year and the date of the Company's annual general meeting shall not exceed four (4) months or such other period as may be prescribed or permitted by the Designated Stock Exchange.

56. Each general meeting, other than an annual general meeting, shall be called a special general meeting. General meetings may be held in any part of the world as may be determined by the Board.

57. The Board may whenever it thinks fit call special general meetings, and, subject to the Act, Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.

NOTICE OF GENERAL MEETINGS

58. (1) At least fourteen (14) days' Notice of a general meeting shall be given to each Member entitled to attend and vote thereat. A general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) days' Notice. Subject to the rules and regulations of the Designated Stock Exchange (if applicable), a general meeting, whether or not a special resolution will be considered at such meeting, may be called by shorter notice if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

(2) For so long as the shares of the Company are listed on the Designated Stock Exchange, at least fourteen (14) days' notice of any general meeting shall be given by advertisement in an English daily newspaper in circulation in Singapore and in writing to the Designated Stock Exchange.

(3) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the Notice shall specify the day, time and place of the meeting and, in case of special business, the general nature of the business. Any Notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business. The Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

(4) The Secretary and/or any Director may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) Provided That notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

59. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

60. (1) Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as may be established by the Directors as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in a general meeting by any such means shall constitute presence in person at such meeting.

(2) All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting, with the exception of declaring a dividend, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors.

(3) No business, other than the appointment of a chairman of a meeting, shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two (2) Members present in person or by proxy or, being a corporation, by its duly authorised representative, shall form a quorum, Provided That if the Company shall at any time have only one (1) Member, one (1) Member present in person or by proxy or, being a corporation, by its duly authorised representative shall form a quorum for the transaction of business at any general meeting of the Company held during such time. For the purposes of this Bye-law, "Member" includes a person attending as a proxy of the Depository (where the Depository is a Member) or (where applicable) as a duly authorised representative of the Depository (where the Depository is a Member).

61. *If within thirty (30) minutes (or such longer time not exceeding one (1) hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.*

62. *The chairman (if there be a chairman) of the Board, and if not the president (if there be a president) of the Company shall preside as chairman at every general meeting. If at any meeting the chairman or the president, as the case may be, is not present within fifteen (15) minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one (1) of their number to act, or if one (1) Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or by proxy and entitled to vote shall elect one (1) of their number to be chairman.*

63. *The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' Notice of the adjourned meeting shall be given specifying the time and place of the adjourned meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give notice of an adjournment.*

64. *If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*

VOTING

65. *(1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting (i) on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one (1) vote, and the chairman of the meeting shall determine which proxy shall be entitled to vote where a Member (other than the Depository) is represented by two (2) proxies and (ii) on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one (1) vote for every fully paid share of which he is the holder or which he represents and in respect of which all calls due to the Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. In the event that a Member participates in a general meeting by telephone or electronic means or other communication facilities as may be established by the Directors, the chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands or by poll, as the case may be. Subject to Bye-law 65(2), a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:*

(a) by the chairman of such meeting; or

(b) by at least three (3) Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding or representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or

(d) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding or representing shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

(e) where the Depository is a Member, by at least three (3) proxies representing the Depository.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.

(2) For so long as the shares of the Company are listed on the Designated Stock Exchange, a resolution put to the vote of a meeting shall be decided by way of a poll, as required by the rules of the Designated Stock Exchange.

66. Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

67. If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

68. A poll on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll on any other question shall be taken in such manner (including but not limited to the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

69. The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

70. On a poll votes may be given either personally or by proxy.

71. A person entitled to more than one (1) vote on a poll need not use all his votes or cast all the votes he uses in the same way.

72. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

73. Where there are joint holders of any share any one (1) of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one (1) of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof.

74. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, Provided That such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.

(2) Any person entitled under Bye-law 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, Provided That forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

75. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

76. If:

(a) any objection shall be raised to the qualification of any voter; or

(b) any votes have been counted which ought not to have been counted or which might have been rejected; or

(c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

PROXIES

77. (1) Any Member entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two (2) proxies to attend and vote instead of him at the same general meeting Provided That if the Member is the Depository:

(a) the Depository may appoint more than two (2) proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of the Depository as the Depository could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands;

(b) unless the Depository specifies otherwise in a written notice to the Company, the Depository shall be deemed to have appointed as the Depository's proxies to vote on behalf of the Depository at a general meeting of the Company each of the Depositors who are individuals and whose names are shown in the records of the Depository seventy-two (72) hours prior to the time of the relevant general meeting supplied by the Depository to the Company and notwithstanding any other provisions in these Bye-laws, the appointment of proxies by virtue of this Bye-law 77(1)(b) shall not require an instrument of proxy or the lodgment of any instrument of proxy;

(c) the Company shall accept as valid in all respects the form of instrument of proxy approved by the Depository (the "CDP Proxy Form") for use at the date relevant to the general meeting in question naming a Depositor (the "Nominating Depositor") and permitting that Nominating Depositor to nominate a person or persons other than himself as the proxy or proxies appointed by the Depository. The Company shall, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form. The submission of any CDP Proxy Form shall not affect the operation of Bye-law 77(1)(b) and shall not preclude a Depositor appointed as a proxy by virtue of Bye-law 77(1)(b) from attending and voting at the relevant meeting but in the event of attendance by such Depositor the CDP Proxy Form submitted bearing his name as the Nominating Depositor shall be deemed to be revoked;

(d) the Company shall reject any CDP Proxy Form of a Nominating Depositor if his name is not shown in the records of the Depository seventy-two (72) hours prior to the time of the relevant general meeting supplied by the Depository to the Company; and

(e) on a poll the maximum number of votes which a Depositor is, or proxies appointed pursuant to a CDP Proxy Form in respect of that Depositor are, able to cast shall be the number of shares credited to the Securities Account of that Depositor as shown in the records of the Depository seventy-two (72) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, whether that number is greater or smaller than the number specified in any CDP Proxy Form or instrument of proxy executed by or on behalf of the Depository.

(2) In any case where an instrument of proxy appoints more than one (1) proxy (including the case when a CDP Proxy Form is used), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.

(3) A proxy need not be a Member. In addition, subject to Bye-law 77(1) and the listing rules of the Designated Stock Exchange (if applicable), a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands. On a poll, a proxy need not use all the votes he is entitled to cast or cast all such votes in the same way.

78. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same or, in the case of the Depository, signed by its duly authorised officer by some method or system of mechanical signature as the Depository may deem appropriate. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

79. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed on behalf of the appointor (which shall, for this purpose, include a Depositor), or a certified copy of such power or authority, shall be delivered to such place or one (1) of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

80. Instruments of proxy shall be in any usual or common form (including any form approved from time to time by the Depository) or in such other form as the Board may approve (Provided That this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

81. *A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, Provided That no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.*

82. *Anything which under these Bye-laws a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Bye-laws relating to proxies and instruments appointing proxies shall apply mutatis mutandis in relation to any such attorney and the instrument under which such attorney is appointed.*

CORPORATIONS ACTING BY REPRESENTATIVES

83. *(1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.*

(2) Where a Member is the Depository (or its nominee, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members Provided That the authorisation shall specify the number and class of shares in respect of which each such representative

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGBOARD COPPER FOIL HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kingboard Copper Foil Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 80.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants

Singapore
February 24, 2016

STATEMENTS OF FINANCIAL POSITION

At December 31, 2015

		Group		Company	
		2015	2014	**2015**	2014
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Current assets					
Cash and bank balances	6	**1,446,024**	1,329,754	**–**	–
Trade and other receivables and prepayments	7	**81,659**	80,952	**221**	166
Bills receivable	7	**36,338**	35,328	**–**	–
Prepaid land use rights	8	**1,070**	1,101	**–**	–
Inventories	9	**37,884**	34,901	**–**	–
Total current assets		**1,602,975**	1,482,036	**221**	166
Non-current assets					
Investments in subsidiaries	10	**–**	–	**393,775**	393,775
Investment in an associate	11	**52,099**	61,933	**17,560**	20,874
Due from a subsidiary	10	**–**	–	**878,452**	873,932
Investment property	12	**6,067**	6,444	**–**	–
Property, plant and equipment	13	**482,747**	653,664	**–**	–
Prepaid land use rights	8	**38,131**	41,668	**–**	–
Non-current deposits	14	**–**	5,390	**–**	–
Other non-current assets	15	**689,670**	732,430	**–**	–
Goodwill	16	**238**	238	**–**	–
Total non-current assets		**1,268,952**	1,501,767	**1,289,787**	1,288,581
Total assets		**2,871,927**	2,983,803	**1,290,008**	1,288,747
LIABILITIES AND EQUITY					
Current liabilities					
Due to a subsidiary	10	**–**	–	**2,721**	2,721
Bank borrowing	17	**–**	6,338	**–**	–
Bills payable	18	**2,265**	4,908	**–**	–
Trade and other payables	19	**91,306**	78,662	**3,431**	2,776
Income tax payable		**7,417**	5,910	**38**	38
Total current liabilities		**100,988**	95,818	**6,190**	5,535
Capital and reserves and non-controlling interests					
Share capital	21	**560,200**	560,200	**560,200**	560,200
Reserves		**2,177,796**	2,296,426	**723,618**	723,012
Equity attributable to owners of the Company		**2,737,996**	2,856,626	**1,283,818**	1,283,212
Non-controlling interests	10	**32,943**	31,359	**–**	–
Total equity		**2,770,939**	2,887,985	**1,283,818**	1,283,212
Total liabilities and equity		**2,871,927**	2,983,803	**1,290,008**	1,288,747

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2015

		Group	
	Note	**2015** **HK$'000**	2014 HK$'000
Revenue	22	**624,344**	519,945
Cost of sales		**(558,438)**	(447,689)
Gross profit		**65,906**	72,256
Other operating income	23	**3,064**	2,068
Distribution costs		**(15,520)**	(11,010)
Administrative expenses		**(26,334)**	(18,658)
Other operating expenses		**(1,597)**	(18)
Finance cost		**(87)**	(595)
Share of losses of an associate	11	**(7,766)**	(8,938)
Profit before tax		**17,666**	35,105
Income tax expense	24	**(11,260)**	(12,260)
Profit for the year	25	**6,406**	22,845
Profit for the year attributable to:			
Owners of the Company		**2,841**	18,666
Non-controlling interests	10	**3,565**	4,179
		6,406	22,845
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	26	**0.39**	2.58

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2015

	Note	Group **2015** **HK$'000**	 2014 HK$'000
Profit for the year		**6,406**	22,845
Other comprehensive expenses:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation to foreign operations		**(121,384)**	(7,136)
Share of other comprehensive expenses of an associate	11	**(2,068)**	(156)
Total other comprehensive expenses		**(123,452)**	(7,292)
Total comprehensive (expenses) income for the year, net of tax		**(117,046)**	15,553
Total comprehensive (expenses) income attributable to:			
Owners of the Company		**(118,630)**	11,494
Non-controlling interests	10	**1,584**	4,059
		(117,046)	15,553

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial year ended December 31, 2015

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserves** HK$'000 (Note 28)	**Foreign currency translation reserves** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Group								
Balance at January 1, 2014	560,200	296,573	7,287	541,430	1,439,642	2,845,132	33,540	2,878,672
Total comprehensive (expenses) income for the year								
Profit for the year	–	–	–	–	18,666	18,666	4,179	22,845
Other comprehensive expenses for the year	–	–	–	(7,172)	–	(7,172)	(120)	(7,292)
Total	–	–	–	(7,172)	18,666	11,494	4,059	15,553
Transactions with owners, recognised directly in equity								
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	(6,240)	(6,240)
Balance at December 31, 2014	560,200	296,573	7,287	534,258	1,458,308	2,856,626	31,359	2,887,985
Total comprehensive (expenses) income for the year								
Profit for the year	–	–	–	–	2,841	2,841	3,565	6,406
Other comprehensive expenses for the year	–	–	–	(121,471)	–	(121,471)	(1,981)	(123,452)
Total	–	–	–	(121,471)	2,841	(118,630)	1,584	(117,046)
Balance at December 31, 2015	**560,200**	**296,573**	**7,287**	**412,787**	**1,461,149**	**2,737,996**	**32,943**	**2,770,939**

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Financial year ended December 31, 2015

	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
Company					
Balance at January 1, 2014	560,200	296,573	6,275	419,573	1,282,621
Total comprehensive income for the year					
Profit for the year	–	–	–	591	591
Balance at December 31, 2014	560,200	296,573	6,275	420,164	1,283,212
Total comprehensive income for the year					
Profit for the year	–	–	–	606	606
Balance at December 31, 2015	**560,200**	**296,573**	**6,275**	**420,770**	**1,283,818**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
Profit before tax	17,666	35,105
Adjustments for:		
Depreciation of property, plant and equipment	132,837	143,770
Amortisation of prepaid land use rights	1,117	1,132
Interest income	(2,425)	(1,323)
Interest expense	87	595
Allowance for doubtful debts	1,534	1,247
Allowance for inventories	2,092	158
Loss on disposal of property, plant and equipment	2,036	9
Impairment loss recognised in respect of non-current deposits	5,293	–
Property, plant and equipment written-off	3,735	–
Share of losses of an associate	7,766	8,938
Operating cash flow before movements in working capital	171,738	189,631
Trade and other receivables and prepayments	(17,269)	12,449
Bills receivable	(1,010)	7,588
Inventories	(7,113)	(1,966)
Trade and other payables	16,951	18,100
Bills payable	(2,643)	(2,835)
Cash generated from operations	160,654	222,967
Income tax paid	(8,566)	(9,426)
Interest received	2,425	1,323
Net cash from operating activities	154,513	214,864
Investing activities		
Purchase of property, plant and equipment	(18,073)	(3,763)
Proceeds from disposal of property, plant and equipment	17,729	13
Net cash used in investing activities	(344)	(3,750)
Financing activities		
Repayment of bank borrowing	(6,338)	(6,338)
Interest expense paid	(87)	(595)
Dividends paid to non-controlling interests	–	(6,240)
New bank borrowing raised	–	12,676
Net cash used in financing activities	(6,425)	(497)
Net increase in cash and bank balances	147,744	210,617
Cash and bank balances at the beginning of the year	1,329,754	1,120,268
Effect of exchange rate changes on the balance of cash and bank held in foreign currencies	(31,474)	(1,131)
Cash and bank balances at the end of the year	1,446,024	1,329,754

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL

The Company (Registration No. 26998) is incorporated in Bermuda with its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business at 2nd Floor, Harbour View 1, No. 12 Science Park East Avenue, Phase 2, Hong Kong Science Park, Shatin, Hong Kong. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Hong Kong dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and the associate are disclosed in Notes 10 and 11 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on February 24, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventory* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2015, the Group adopted all the new and revised FRSs, and Interpretation of FRSs ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

New FRS and INT FRS yet to be adopted

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 Financial Instruments: Recognition and Measurement and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FRS 109 Financial Instruments (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

FRS 109 will take effect for companies with financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

Management is currently evaluating the potential impact of FRS109 on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018, with early application permitted.

Management is currently evaluating the impact of FRS 115 “Revenue from contracts with customers” on the financial statements of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to FRS 1 Presentation of Financial Instruments: Disclosure Initiative

The amendments which will be effective for financial years beginning on or after January 1, 2016 have been made to the following:

- Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statement of financial position and statement of profit or loss and other comprehensive income – The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments – An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments to FRS 1 are effective for companies with annual periods beginning on or after January 1, 2016, with retrospective application subject to transitional provisions.

Management is currently assessing the potential impact of amendments to FRS 1 in the period of initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;

- Is exposed, or has rights, to variable returns from its involvement with the investee; and

- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate.

In the Company's financial statements, investments in subsidiaries and an associate are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that formed an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expenses are recognised on an effective interest basis for debt instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables

Trade receivables, bills receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bills receivable and bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Trade and other payables, bills payable and bank borrowing are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank borrowing is initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowing is recognised over the term of the borrowing in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction are stated at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. No depreciation is provided until the construction is completed and the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, less residual value, if appropriate, over their estimated useful lives, using the straight-line method at the following rates per annum:

Leasehold properties and improvements	–	10 to 20%
Plant and equipment	–	10 to 20%
Licenced assets	–	10 to 20%
Motor vehicles	–	20%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the consolidated financial statements.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PREPAID LAND USE RIGHTS – The cost of acquiring land use rights in the People's Republic of China ("PRC") are classified as prepaid land use right and amortised on a straight line basis over the period of 50-70 years, which represents the relevant land use rights that have been granted to the Group.

IMPAIRMENT OF TANGIBLE ASSETS AND PREPAID LAND USE RIGHTS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and prepaid land use rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATES – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measure reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income and licence fee income
Rental income and licence fee income are recognised on a straight-line basis over the term of the relevant lease and licence agreement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as in the profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATION – Payments made to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to the state-sponsored pension schemes operated by the PRC government, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENTS – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax law that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised and based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserves.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates entities that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Legal claim (Note 30)

The Group is currently involved in legal proceedings as disclosed in Note 30 to the financial statements. Management has evaluated and assessed claims made against the Group based on legal advice received and information presently available and are of the view that, the Company is only the subject matter of the petition and is taking neutral stance. Accordingly, no provision nor accrual are made in the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Allowances for inventories (Note 9)

Determining whether an allowance is necessary in the valuation of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying value of the inventories is higher than their net realisable values, an allowance will be made so that the carrying value of inventories would not be higher than their net realisable values in the open market. During the year ended December 31, 2015, allowance of approximately HK$2,092,000 (2014: HK$158,000) was recognised in profit or loss.

(b) Impairment of investments in subsidiaries and amount due from a subsidiary and investment in an associate (Notes 10 and 11)

Determining whether investments in subsidiaries and associate are impaired requires an estimation of the recoverable amounts of the subsidiaries and the associate. Recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable amounts of the subsidiaries and the associate are based on fair value less costs to sell of the subsidiaries and the associate that has been estimated using investees' net asset value. Management has evaluated the recovery of these investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

(c) Impairment of prepaid land use rights and property, plant and equipment (Notes 8 and 13)

Determining whether prepaid land use rights and property, plant and equipment are impaired requires an estimation of the value in use of these assets. The value in use calculation requires the Group to estimate the future cash flows expected from the CGU and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the carrying amount of those assets based on such estimates and is confident that the allowance for impairment, where necessary, is adequate.

(d) Useful lives of property, plant and equipment (Note 13)

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The estimated useful lives reflect the management estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(e) Allowance for doubtful debts (Note 7)

As described in Note 2, trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowance for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss when there is objective evidence that the asset is impaired.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(e) Allowance for doubtful debts (Note 7) (continued)

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant portion of the Group's working capital is devoted to trade receivables. In determining whether allowance for doubtful debts is required, the Group takes into consideration the ageing status and estimates the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discusses with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are estimated to be unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the current creditworthiness and the past collection history of each customer as disclosed in Note 7.

(f) Recoverability of the licenced inventory (Note 15)

As described in Note 15, the licensee is required to return the licenced inventory used, consumed or disposed during the licence period to the Group at the end of the licence period, on August 31, 2017, either by way of cash or identical inventory with the same value as the licenced inventory used, consumed or disposed. The recoverable amount of the licenced inventory used, consumed or disposed during the licence period is secured by cash and receivables of a related party of the licencee.

In determining the recoverable value of the securities, the Group takes into consideration the validity and existence of the securities at each month end and estimates the recoverable value of the securities. In this regard, the management of the Company are satisfied that the risk is minimal and the recoverable value of the securities is not less than the licenced inventory used, consumed or disposal at each month end.

(g) Income taxes (Note 24)

The subsidiaries within the Group operate in a number of jurisdictions. Significant assumptions are required in determining the provision for income taxes based on the tax laws and regulations in those jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of taxation is disclosed in the statement of financial position.

(h) Investment property (Note 12)

The fair value of investment property is determined at the end of each reporting period by independent valuers based on a market value assessment, on an existing use basis. The valuers have adopted direct comparison approach, which involved certain assumptions of market conditions. Any favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The fair value of HK$6,067,000 (2014: HK$6,444,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT

Categories of financial instruments

The Group and Company had no financial assets or liabilities carried at fair value in 2014 and 2015.

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Financial assets				
Loans and receivables:				
Cash and bank balances	**1,446,024**	1,329,754	**–**	–
Trade and other receivables	**76,830**	73,955	**–**	–
Bills receivable	**36,338**	35,328	**–**	–
Due from a subsidiary	**–**	–	**878,452**	873,932
Total	**1,559,192**	1,439,037	**878,452**	873,932
Financial liabilities				
Amortised cost:				
Trade and other payables	**43,813**	30,911	**–**	–
Bills payable	**2,265**	4,908	**–**	–
Bank borrowing	**–**	6,338	**–**	–
Due to a subsidiary	**–**	–	**2,721**	2,721
Total	**46,078**	42,157	**2,721**	2,721

Financial risk management policies and objectives

The Group's major financial instruments include cash and bank balances, trade and other receivables, bills receivable, trade and other payables, bills payable and bank borrowing. Details of these financial instruments are disclosed in respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

The Group is exposed to interest rate, foreign exchange, credit and liquidity risks. The Group's risk management approach seeks to minimise any potential adverse impact of these exposures. The Group reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Credit risk management

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are rendered to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions for potential losses on credits extended. Surplus funds are placed with reputable financial institutions. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The Group is mainly exposed to credit risk on trade, bills and other receivable.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with reputable financial institutions.

The Group has concentration of credit risk in relation to the receivable from the licencee arising from licenced inventory amounting to HK$690 million (2014: HK$732 million) representing approximately 85% (2014: 86%) of the total trade and other receivables as at December 31, 2015. Management's procedures to minimise the credit risk have been in place as describe in Note 3 (e) and (f) to the financial statements. In this regard, the directors consider that the credit risk on this receivable is significantly reduced. Further details of credit risk on trade and other receivables and bills receivable are disclosed in Note 7.

(ii) Foreign exchange risk management

Several subsidiaries of the Company have foreign currency sales/purchases denominated in currencies other than the entity's functional currencies, which expose the Group to foreign currency risk. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream. Transactional exposures in currencies other than the entity's functional currency are kept to a minimal level.

The Group's foreign currency exposure arises mainly from the exchange rate movements of the United States Dollar and the Japanese Yen. These exposures are managed primarily by using natural hedges by matching foreign currency cashflows.

Approximately 13% (2014: 12%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst about 97% (2014: 97%) of costs are denominated in the group entity's functional currency.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(ii) Foreign exchange risk management (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are disclosed in respective notes to the financial statements. There are monetary assets of HK$35,536,000 (2014: HK$68,191,000) denominated at United States Dollars and monetary liabilities of HK$22,000,000 (2014: HK$5,294,000) and HK$2,318,000 (2014: HK$2,165,000) denominated at United States Dollars and Japanese Yen respectively. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The Company transacts mainly in its functional currency and all the monetary assets and liabilities at the end of the reporting period are denominated in its functional currency.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the functional currency of respective group entity against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% strengthening of the functional currency of each group entity against the relevant currency and (decrease) increase in profit for the year				
United States Dollars	**(677)**	(3,145)	**–**	–
Japanese Yen	**116**	108	**–**	–
5% weakening of the functional currency of each group entity against the relevant currency and increase (decrease) in profit for the year				
United States Dollars	**677**	3,145	**–**	–
Japanese Yen	**(116)**	(108)	**–**	–

This is mainly attributable to the exposure outstanding on receivables and payables denominated in the above non-functional currency at year end.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iii) Interest rate risk management

The Group's primary interest rate risk relates to its bank balances.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

The Group's bank borrowing has no exposure to cash flow interest rate risk as it bears interest at fixed interest rate.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing bank balances at the end of the reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of interest bearing bank balances that have floating rates.

50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate. If interest rates on interest bearing bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on result for the year is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
50 basis points-higher/increase in profit for the year	**7,221**	6,645	**–**	–
50 basis points-lower/decrease in profit for the year	**(7,221)**	(6,645)	**–**	–

(iv) Liquidity risk management

The Group's objective to managing liquidity risk is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at December 31, 2015, the Group has available unutilised bank borrowing facilities of approximately HK$679,000,000 (2014: HK$679,000,000). The Group has sufficient working capital to fund its operations.

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

Group	Weighted average effective interest rate % (p.a.)	On demand or within 6 months HK$'000	Total un-discounted amount HK$'000	Adjustment HK$'000	Total HK$'000
2015					
Non-interest bearing instruments	–	**46,078**	**46,078**	–	**46,078**
2014					
Non-interest bearing instruments	–	35,819	35,819	–	35,819
Fixed interest rate instruments	6	6,402	6,402	(64)	6,338
		42,221	42,221	(64)	42,157

Company

The non-derivative financial liability of the Company represents trade and other payables and amount due to a subsidiary which is non-interest bearing and repayable on demand for both years.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and net liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period.

The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

4 FINANCIAL INSTRUMENTS RISKS AND CAPITAL RISK MANAGEMENT (continued)

Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analysis (continued)

Non-derivative financial liabilities (continued)

Group	Weighted average effective interest rate % (p.a.)	On demand or within 6 months HK$'000	Total un-discounted amount HK$'000	Adjustment HK$'000	Total HK$'000
2015					
Variable-interest rate instruments	**0.25**	**1,447,831**	**1,447,831**	**(1,807)**	**1,446,024**
Non-interest bearing instruments	**–**	**113,168**	**113,168**	**–**	**113,168**
		1,560,999	**1,560,999**	**(1,807)**	**1,559,192**
2014					
Variable-interest rate instruments	0.25	1,331,417	1,331,417	(1,663)	1,329,754
Non-interest bearing instruments	–	109,283	109,283	–	109,283
		1,440,700	1,440,700	(1,663)	1,439,037

Company

The Company's financial assets are the amount due from a subsidiary which is non-interest bearing and repayable on demand for both years.

(v) Fair value of financial assets and financial liabilities

Management considered that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the financial statements approximate their fair values.

(vi) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

NOTES TO FINANCIAL STATEMENTS

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The holding companies of the Company are as follows:

Relationship	Name of holding company	Country of incorporation
Immediate holding company	Excel First Investments Limited	British Virgin Islands
Intermediate holding company	Kingboard Laminates Holdings Limited	Cayman Islands
Intermediate holding company	Jamplan (BVI) Limited	British Virgin Islands
Ultimate holding company	Kingboard Chemical Holdings Limited	Cayman Islands

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year ended December 31, 2015 and 2014, no transaction between the Group and other related companies was entered.

6 CASH AND BANK BALANCES

	Group	
	2015	2014
	HK$'000	HK$'000
Cash at bank	**1,444,132**	1,328,909
Cash on hand	**1,892**	845
Total	**1,446,024**	1,329,754

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**76,473**	72,403	**–**	–
Prepayments	**436**	1,186	**221**	166
Deposits	**198**	111	**–**	–
Advance payments to suppliers	**1,183**	2,603	**–**	–
Other taxes recoverable	**3,012**	2,782	**–**	–
Other receivables	**357**	1,867	**–**	–
Total trade and other receivables and prepayments	**81,659**	80,952	**221**	166
Bills receivable	**36,338**	35,328	**–**	–

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE (continued)

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not past due and not impaired	**73,092**	72,279	**–**	–
Past due but not impaired	**3,381**	124	**–**	–
	76,473	72,403	**–**	–
Impaired receivables – individually assessed	**11,232**	10,366	**–**	–
Allowance for doubtful debts	**(11,232)**	(10,366)	**–**	–
Trade receivables, net	**76,473**	72,403	**–**	–

The impaired receivables – individually assessed are stated before any deduction for impairment losses.

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$3,381,000 (2014: HK$124,000) which are past due at the reporting date for which the Group has not made any allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 83 days (2014: 67 days).

The credit period on sale of goods ranges from 30 to 90 days (2014: 30 to 90 days).

At the end of the reporting period, the bills receivable are aged within 180 days (2014: 180 days).

The Group has provided fully for all receivables over 120 days (other than bills receivable) except for those receivables where the repayment terms are mutually agreed with certain customers with long business relationship because historical experience is such that these receivables are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there has been no significant change in credit quality and the amount are still considered recoverable.

NOTES TO FINANCIAL STATEMENTS

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND BILLS RECEIVABLE (continued)

Movement in allowance for doubtful debts – trade

	Group		Company	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Balance at beginning of year	**10,366**	9,143	**–**	–
Currency realignment	**(668)**	(24)	**–**	–
Increase in allowance recognised in profit or loss	**1,534**	1,247	**–**	–
Balance at end of year	**11,232**	10,366	**–**	–

8 PREPAID LAND USE RIGHTS

	Group HK$'000
Cost:	
At January 1, 2014	56,532
Currency realignment	(189)
At December 31, 2014	56,343
Currency realignment	(3,289)
At December 31, 2015	53,054
Accumulated amortisation:	
At January 1, 2014	12,478
Amortisation during the year	1,132
Currency realignment	(36)
At December 31, 2014	13,574
Amortisation during the year	1,117
Currency realignment	(838)
At December 31, 2015	13,853
Carrying amount:	
At December 31, 2015	39,201
At December 31, 2014	42,769

8 PREPAID LAND USE RIGHTS (continued)

	Group	
	2015	2014
	HK$'000	HK$'000
Current	**1,070**	1,101
Non-current	**38,131**	41,668
	39,201	42,769

This represents prepaid land use rights in the People's Republic of China ("PRC") for a period ranging from 50-70 years. The average remaining amortisation period for these prepaid land use right is 39 years (2014: 40 years).

9 INVENTORIES

	2015	2014
	HK$'000	HK$'000
Raw materials	**12,676**	15,976
Work in progress	**342**	465
Finished goods	**32,266**	23,768
	45,284	40,209
Allowance for write-down to net realisable value	**(7,400)**	(5,308)
	37,884	34,901

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY

a. Subsidiaries

	Company	
	2015	2014
	HK$'000	HK$'000
Unquoted equity shares, at cost	**393,775**	393,775

NOTES TO FINANCIAL STATEMENTS

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

a. Subsidiaries (continued)

The details of the significant subsidiaries are as follows:

Name of subsidiary and country of incorporation/ registration and operations	Principal activities	Proportion of ownership interest and voting power held by the Group 2015 %	2014 %
Blue Atlas Limited * (British Virgin Islands)	Investment holding	100	100
Hong Kong Copper Foil Limited * (British Virgin Islands)	Investment holding and licencing of properties	100	100
Hong Kong Jamplan (China) Group Company Limited ** (Note i) (Hong Kong)	Inactive	100	100
Fogang Kingboard Industry Ltd* (Note i and iv) (PRC)	Licencing business	100	100
Kingboard Chemical Investment Limited * (Note i) (British Virgin Islands)	Investment holding	100	100
Kingboard Chemical Investment (Hong Kong) Limited ** (Note ii) (Hong Kong)	Investment holding	100	100
Chung Shun Copper Foil (MCO) Limited** (Note i) (Macau)	Trading of PVB and related products	100	100
Kingboard (Fogang) Specialty Resins Limited * (Note iii) (PRC)	Manufacture of specialty resins and related products	100	100
Kingboard (Lianzhou) Copper Foil Ltd * (Note i and iv) (PRC)	Licencing business	100	100
Jiangxi Hong Feng Plastics Company Limited ("Jiangxi Hong Feng")* (Note i) (PRC)	Manufacture of specialty resins and related products	57	57

* Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.

** Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

a. Subsidiaries (continued)

Notes:

(i) Shares held by Hong Kong Copper Foil Limited.
(ii) Shares held by Kingboard Chemical Investment Limited.
(iii) Shares held by Kingboard Chemical Investment (Hong Kong) Limited.
(iv) The production facilities of these companies are licenced to a third party under the arrangement as set out in Note 13.

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2015	2014
Manufacturing and trading of specialty resins and related products	PRC	1	1
Licencing business	PRC	2	2
Trading of PVB and related products	Macau	1	1
Investment holding or inactive	British Virgin Islands	3	3
	Hong Kong	2	2
		9	9

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2015	2014
Manufacturing and trading of specialty resins and related products	PRC	1	1

b. Details of a non-wholly owned subsidiary that has material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Jiangxi Hong Feng	PRC	43%	43%	3,565	4,179	32,943	31,359

NOTES TO FINANCIAL STATEMENTS

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

b. **Details of a non-wholly owned subsidiary that has material non-controlling interests** (continued)

Summarised financial information in respect of Jiangxi Hong Feng that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2015 HK$'000	2014 HK$'000
Current assets	**61,623**	57,295
Non-current assets	**30,724**	38,795
Current liabilities	**15,735**	23,162
Equity attributable to owners of the Company	**43,669**	41,569
Non-controlling interests	**32,943**	31,359
Revenue	**89,967**	98,906
Expenses	**(81,677)**	(89,188)
Profit for the year	**8,290**	9,718
Profit attributable to owners of the Company	**4,725**	5,539
Profit attributable to the non-controlling interests	**3,565**	4,179
Profit for the year	**8,290**	9,718
Other comprehensive expenses attributable to owners of the Company	**(2,626)**	(159)
Other comprehensive expenses attributable to the non-controlling interests	**(1,981)**	(120)
Other comprehensive expenses for the year	**(4,607)**	(279)
Total comprehensive income attributable to owners of the Company	**2,099**	5,380
Total comprehensive income attributable to the non-controlling interests	**1,584**	4,059
Total comprehensive income for the year	**3,683**	9,439

NOTES TO FINANCIAL STATEMENTS

10 SUBSIDIARIES AND DUE FROM (TO) A SUBSIDIARY (continued)

b. Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

	December 31, 2015 HK$'000	December 31, 2014 HK$'000
Net cash inflow (outflow) from operating activities	3,374	(697)
Net cash inflow from investing activities	329	11,781
Net cash outflow from financing activities (including dividends paid to non-controlling interests of HK$nil (2014: HK$6,240,000))	(6,408)	(8,765)
Net cash (outflow) inflow	(2,705)	2,319

c. Due from (to) a subsidiary

The amount due from a subsidiary is unsecured, non-interest bearing and is repayable at the sole discretion of the directors of the subsidiary, and are thus treated as deemed investment in the subsidiary and classified as non-current.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

11 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Cost of investment in an associate	86,988	86,988	36,000	36,000
Share of post-acquisition losses and other comprehensive expenses	(34,889)	(25,055)	–	–
Impairment losses recognised	–	–	(18,440)	(15,126)
	52,099	61,933	17,560	20,874

11 INVESTMENT IN AN ASSOCIATE (continued)

Details of the Group's associates at December 31, 2015 and 2014 is as follows:

Name of associate	Form of entity	Country of incorporation	Proportion of ownership interest and voting power held by the Group		Principal activities
			2015 %	2014 %	
Linkfit Investments Holdings Limited ("Linkfit")#	Unlisted private entity	Samoa	**29.67**	29.67	Investment holding
KB Hotel#*+^	Wholly foreign owned enterprise	PRC	**29.67**	29.67	Hotel operation
Linkfit (Qingyuan) Property Development Company Limited #*+	Wholly foreign owned enterprise	PRC	**29.67**	29.67	Property development

Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
* These companies are wholly owned subsidiaries of Linkfit.
+ The Group has indirect interest in the wholly owned subsidiaries of Linkfit.
^ KB Hotel was previously known as Qingyuan Regents International Hotel.

At the Company level, an impairment loss of HK$3.3 million (2014: HK$3.1 million) has been provided in the profit or loss for the year ended December 31, 2015 as the estimated recoverable amount of its investment in associate is lower than the carrying amount. The recoverable amount is determined based on fair value less cost to sell, estimated by management to approximate the carrying amount of the net tangible assets, as at the end of the reporting period.

Summarised financial information in respect of Linkfit group is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs.

	2015 HK$'000	2014 HK$'000
Current assets	**23,617**	23,034
Non-current assets	**591,933**	622,846
Current liabilities	**(379,238)**	(370,142)
Non-current liabilities	**(60,717)**	(67,000)
Revenue	**62,399**	61,945
Loss for the year	**(26,175)**	(30,126)
Other comprehensive (expenses) income for the year	**(6,969)**	525
Total comprehensive expenses for the year	**(33,144)**	(29,601)

11 INVESTMENT IN AN ASSOCIATE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Linkfit group recognised in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Net asset of Linkfit group	175,595	208,738
Proportion of the Group's ownership interest in Linkfit group	29.67%	29.67%
Carrying amount of the Group's interest in Linkfit group	52,099	61,933

12 INVESTMENT PROPERTY

At fair value

	Group HK$'000
At January 1, 2014	6,465
Currency realignment	(21)
At December 31, 2014	6,444
Currency realignment	(377)
At December 31, 2015	6,067

The Group's property interest held under operating leases to earn rentals or for a capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

The property rental income from the Group's investment property of which is leased out under operating leases, amounted to HK$224,000 (2014: HK$228,000). There are no direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property for both financial years.

12 INVESTMENT PROPERTY (continued)

Fair value measurement of Group's investment property

The fair value of the Group's investment property at December 31, 2015 and 2014 was arrived at on the basis of a professional valuation carried out on that date by Messrs. Roma Appraisals Limited, independent qualified valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not connected with the Group. The fair value was determined based on the direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and location of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group investment property was categorised as level 3 under the fair value hierarchy as at December 31, 2015 and 2014. There were no transfers of fair value hierarchy during the year.

Details of investment property held by the Group as at December 31, 2015 and 2014 are set out below:

Description and location	Fair value as at		Valuation methodology	Significant unobservable inputs	Range of unobservable inputs as at	
	31 December 2015 HK$'000	31 December 2014 HK$'000			**31 December 2015**	31 December 2014
Factories at Cheng Bai Area, Lianzhou City, Guangdong, the PRC	**6,067**	6,444	Direct Comparison	Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property, layout and design.	**HK$1,647 – HK$1,696 per square metre**	HK$1,187 – HK$1,667 per square metre

The key input used in valuing the investment property was the price per square metre, which a significant increase in the price per square metre used would result in a significant increase in the fair value measurement of the investment property, and vice versa.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements HK$'000	Plant and equipment HK$'000	Licenced assets HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Group						
Cost:						
At January 1, 2014	22,346	237,681	2,518,267	15,473	1,057	2,794,824
Additions	–	681	–	2,313	769	3,763
Disposals	–	(543)	–	–	–	(543)
Reclassified from construction in progress	–	641	–	–	(641)	–
Currency realignment	(75)	(841)	(8,427)	(5)	(3)	(9,351)
At December 31, 2014	22,271	237,619	2,509,840	17,781	1,182	2,788,693
Additions	–	31	15,072	–	2,970	18,073
Disposals	–	(269)	(39,249)	–	–	(39,518)
Written off	–	(66,815)	–	–	–	(66,815)
Reclassified from construction in progress	–	2,639	–	–	(2,639)	–
Currency realignment	(1,300)	(11,424)	(145,534)	(84)	(82)	(158,424)
At December 31, 2015	20,971	161,781	2,340,129	17,697	1,431	2,542,009
Accumulated depreciation:						
At January 1, 2014	7,909	153,761	1,832,470	3,702	–	1,997,842
Depreciation during the year	1,204	21,195	119,710	1,661	–	143,770
Disposals	–	(521)	–	–	–	(521)
Currency realignment	(22)	(396)	(5,641)	(3)	–	(6,062)
At December 31, 2014	9,091	174,039	1,946,539	5,360	–	2,135,029
Depreciation during the year	1,187	19,767	109,865	2,018	–	132,837
Disposals	–	(102)	(19,651)	–	–	(19,753)
Written off	–	(63,080)	–	–	–	(63,080)
Currency realignment	(580)	(7,774)	(117,357)	(60)	–	(125,771)
At December 31, 2015	9,698	122,850	1,919,396	7,318	–	2,059,262
Carrying amount:						
At December 31, 2015	11,273	38,931	420,733	10,379	1,431	482,747
At December 31, 2014	13,180	63,580	563,301	12,421	1,182	653,664

During the year ended December 31, 2015, the management determined to write off property, plant and equipment with a carrying amount of HK$3,735,000 as the related production line is expected to be closed down.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Licenced assets comprised of the following:

	Leasehold properties and improvements HK$'000	Plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At January 1, 2014	371,651	2,136,740	9,876	2,518,267
Currency realignment	(1,244)	(7,150)	(33)	(8,427)
At December 31, 2014	370,407	2,129,590	9,843	2,509,840
Additions	–	15,072	–	15,072
Disposals	–	(39,249)	–	(39,249)
Currency realignment	(21,625)	(123,343)	(566)	(145,534)
At December 31, 2015	348,782	1,982,070	9,277	2,340,129
Accumulated depreciation:				
At January 1, 2014	144,478	1,678,116	9,876	1,832,470
Depreciation during the year	7,240	112,470	–	119,710
Currency realignment	(454)	(5,154)	(33)	(5,641)
At December 31, 2014	151,264	1,785,432	9,843	1,946,539
Depreciation during the year	6,647	103,218	–	109,865
Disposals	–	(19,651)	–	(19,651)
Currency realignment	(9,105)	(107,686)	(566)	(117,357)
At December 31, 2015	148,806	1,761,313	9,277	1,919,396
Carrying amount:				
At December 31, 2015	199,976	220,757	–	420,733
At December 31, 2014	219,143	344,158	–	563,301

The Group, through its wholly-owned subsidiary, Hong Kong Copper Foil Limited ("licencor"), entered into a licence agreement with Harvest Resource Management Limited ("licencee"), a third party, as amended by the letter of extension and amendments dated August 30, 2013, to licence its manufacturing facilities located at Fogang and Lianzhou to licencee for the period from September 1, 2011 to August 31, 2015. On August 30, 2015, the Group entered into a letter of extension and amendments with the licensee an extended the licence period for a further 2 years to August 31, 2017. The details of the licence arrangement, which remained unchanged, are as follows:

(i) to use the leasehold properties, comprising factory buildings in Fogang and Lianzhou;

(ii) to use, consume and dispose of the inventory which shall include consumables and stocks in trade; and

(iii) to use the machinery, together with all other equipment and facilities as from time to time located at the properties in Fogang and Lianzhou.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

The licenced property, plant and equipment tabulated above and the licenced inventories classified as "other non-current assets" in Note 15 were licenced for licence fee income of HK$10 million per month payable in advance on the first day of each and every calendar month, as a short-term measure by the Group to generate income from the manufacturing facilities, pending the resolution of the interested party transactions issue, relating to the manufacturing and trading of copper foil, with the non-controlling shareholder (Note 30) and the approval of the interested party transactions mandate by the shareholders and/or when the Group clinched new third parties customers for the sales of copper foil. Accordingly, the licenced property, plant and equipment have been classified as licenced assets under property, plant and equipment.

As the licenced business segment recorded a loss of HK$7 million for the year ended December 31, 2014, the Group conducted a review of the recoverable amount of its licenced property, plant and equipment determined based on the valuation carried out by independent professional valuer, Messrs. Roma Appraisals Limited. The valuation was determined based on the value in use calculated using the income approach. The discount rate used in measuring value in use was 7%. Based on the review, no impairment loss was required for the year ended December 31, 2014.

In 2015, the licenced business segment recorded a profit of HK$3 million and net assets of HK$1,103 million. The Group has assessed the licenced business segment for indication of impairment based on the financial performance of the segment. Based on the assessment carried out by the Group, the licenced business segment is able to generate positive cash inflow for the coming future, hence there are no indication of impairment during the year.

Details of the leasehold properties held by the Group as at December 31, 2015 and 2014 are set out below:

Location	Description	Tenure of land use rights
Shijiao Town, Fogang, PRC *	Staff quarters (Area: 8,981 sq m)	70 years from 1994
Shijiao Town, Fogang, PRC *	Factory building (Area: 18,413 sq m)	50 years from 1994
Shijiao Town, Fogang, PRC *	Factory building (Area: 27,332 sq m)	50 years from 1993
Shijiao Town, Fogang, PRC *	Factory building (Area: 71,846 sq m)	50 years from 2001
Shijiao Town, Fogang, PRC *	Factory building (Area: 168,033 sq m)	50 years from 2004
Tangtang Town, Huanghuahu Development Area, Fogang, PRC *	Staff quarters (Area: 666 sq m)	70 years from 1997
Lianzhou Town, Lianzhou, PRC *	Factory building (Area: 563,843 sq m)	50 years from 2005
Wuning Town, Jiangxi, PRC	Factory building (Area: 18,896 sq m)	50 years from 2005

* The above leasehold properties are licenced to a third party under the licence agreement.

14 NON-CURRENT DEPOSITS

Non-current deposits represent deposits paid for the acquisition of property, plant and equipment.

15 OTHER NON-CURRENT ASSETS

Group

	Cost HK$'000	Allowance for slow moving HK$'000	Allowance for write-down to net realisable value HK$'000	Total HK$'000
Other non-current assets				
Total other non-current assets at January 1, 2014	800,737	(48,392)	(17,456)	734,889
Currency realignment	(2,679)	162	58	(2,459)
Total other non-current assets at December 31, 2014	798,058	(48,230)	(17,398)	732,430
Currency realignment	(46,591)	2,815	1,016	(42,760)
Total other non-current assets at December 31, 2015	751,467	(45,415)	(16,382)	689,670

This represented inventories licenced to a third party for the period from September 1, 2011 to August 31, 2017. Under the licencing agreement, the licencee may use, consume and dispose of the licenced inventories which include consumables and stocks in trade. However, the licencee is required to replace and return the quantities of licenced inventories used, consumed or disposed during the licenced period to the Group at the end of the licence period.

The licensed inventory used, consumed or disposed during the licence period is secured by cash and bills receivable of a related party of the licensee, with a total receivable value of not less than the value of the licenced inventory used, consumed or disposed as at the end of the reporting period.

16 GOODWILL

	Group **2015** **HK$'000**	 2014 HK$'000
At beginning and at end of year	**238**	238

The goodwill of HK$238,000 was derived from the acquisition of a subsidiary during the year ended December 31, 2007. As at the end of the reporting period, management has reviewed and found no impairment on this goodwill. The subsidiary continues to be profitable and has a positive net worth.

17 BANK BORROWING

The bank borrowing was unsecured, bears interest at fixed rate of 6% per annum as at December 31, 2014 and was repaid in full on February 27, 2015.

18 BILLS PAYABLE

At the end of the reporting period, the bills payable are aged within 90 days (2014: 90 days).

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**43,813**	30,911	**–**	–
Deposit for licenced assets	**20,000**	20,000	**–**	–
Advance from customers	**1,749**	1,813	**–**	–
Accrued operating expenses	**25,744**	25,938	**3,431**	2,776
	91,306	78,662	**3,431**	2,776

Trade payables principally comprise trade creditors arising from purchases of raw materials. The average credit period on purchases of goods is approximately 30 days (2014: 30 days).

20 RETIREMENT BENEFIT OBLIGATIONS

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

21 SHARE CAPITAL

Group and Company

	2015	2014	**2015**	2014
	'000	'000	**HK$'000**	HK$'000
	Number of ordinary shares of US$0.10 each			
Authorised	**2,000,000**	2,000,000	**1,550,000**	1,550,000
Issued and fully paid:				
At beginning and end of year	**722,500**	722,500	**560,200**	560,200

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO FINANCIAL STATEMENTS

22 REVENUE

	Group 2015 HK$'000	2014 HK$'000
Sales of PVB and related products	**504,344**	399,945
Licence fee income	**120,000**	120,000
	624,344	519,945

23 OTHER OPERATING INCOME

	Group 2015 HK$'000	2014 HK$'000
Interest income from non-related companies	**2,425**	1,323
Rental income from a non-related company	**224**	228
Net foreign exchange gains	**–**	6
Miscellaneous	**415**	511
	3,064	2,068

24 INCOME TAX EXPENSE

The Company does not have a place of business in Singapore and is not a tax resident for Singapore tax purpose. Accordingly, there is no income tax payable in Singapore. The Group's tax expenses is derived as follows:

	Group 2015 HK$'000	2014 HK$'000
PRC Enterprise Income Tax		
Current tax	**11,260**	11,487
Withholding tax on distributed profit of a subsidiary	**–**	773
Income tax expense	**11,260**	12,260

Hong Kong profits tax is provided at 16.5% on the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in these financial statements as the Group has no assessable profits arising from Hong Kong for the both years.

24 INCOME TAX EXPENSE (continued)

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law') and Implementation Regulation of the EIT Law, the tax rate of subsidiaries in PRC is 25% with effect from January 1, 2008 onwards.

Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$387,512,000 (2014: HK$359,215,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense varied from the amount of income tax expense determined by applying the PRC enterprise income tax rate of 25% (2014: 25%) to profit before tax as a result of the following differences:

	Group	
	2015	2014
	HK$'000	HK$'000
Profit before tax	**17,666**	35,105
Income tax expense at statutory rate (Note a)	**4,417**	8,776
Effect of expenses that are not deductible in determining taxable profit	**3,699**	3,568
Tax effect of share of result of associate	**1,942**	2,235
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,279**	4,070
Effect of tax exempted profit (Note b)	**(77)**	(194)
Tax effect of tax holiday (Note c)	**–**	(6,774)
Withholding tax on distributed profit of a PRC subsidiary	**–**	773
Others	**–**	(194)
Income tax expense	**11,260**	12,260

Notes:

a) The domestic income tax rate of 25% (2014: 25%) represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.

b) Profit arising from a subsidiary in Macau is exempted from tax.

c) A subsidiary of the Company in the PRC was endorsed as a High-New Technology Enterprise and was entitled to a reduced PRC income tax rate of 15% and expired in 2014.

25 PROFIT FOR THE YEAR

	Group 2015 HK$'000	2014 HK$'000
Audit fee:		
Auditors of the Company	312	327
Auditors of subsidiaries	271	271
Total audit fees	583	598
Non-audit fees paid to auditors:		
Auditors of the Company	–	–
Auditors of subsidiaries	64	88
Total non-audit fees	64	88
Directors' remuneration:		
Directors of the Company		
– Fees	542	422
Depreciation of property, plant and equipment	132,837	143,770
Amortisation of prepaid land use rights (included in administrative expenses)	1,117	1,132
Cost of inventories recognised as expenses	430,755	313,140
Impairment loss recognised in respect of non-current deposit	5,293	–
Property, plant and equipment written-off	3,735	–
Staff costs	22,629	18,730
Costs of defined contribution plans included in staff costs	263	212
Allowance for doubtful debts	1,534	1,247
Allowance for inventories	2,092	158
Loss on disposal of property, plant and equipment	2,036	9
Net foreign exchange loss	1,982	–

Compensation of directors and key management personnel

The remuneration of directors who are the only members of key management during the year was as follows:

	Group 2015 HK$'000	2014 HK$'000
Short-term employee benefits	542	422

The remuneration of directors is determined by the remuneration committee having regard to the performance of the individuals and market trends.

26 EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the Group's profit attributable to owners of the Company of HK$2,841,000 (2014: HK$18,666,000) by 722,500,000 (2014: 722,500,000) being the number of shares in issue during the financial year.

27 DIVIDENDS

No dividend was declared or proposed by the Company for the year ended December 31, 2015 and 2014.

28 CAPITAL RESERVES

	Group	
	2015	2014
	HK$'000	HK$'000
The capital reserves comprise the following:		
Surplus on acquisition of subsidiaries pursuant to group restructuring exercise	**6,275**	6,275
Gain on acquisition of non-controlling interest in a subsidiary	**1,012**	1,012
	7,287	7,287

29 SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance is specifically focused on the Group's operating division. The Group is currently organised into two operating divisions – Polyvinyl butyral ("PVB") business and licence business.

PVB business – manufacturing and trading of PVB and related products; and

Licence business – earning licence fee income from its licenced assets.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's consolidated statement of profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of share of loss of an associate, finance costs and rental income from a fellow subsidiary and non-related company. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

29 SEGMENT INFORMATION (continued)

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of trade and other receivables and prepayments, other non-current assets, bills receivable, cash and bank balances, inventories, prepaid land use rights, property, plant and equipment and non-current deposits, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, bills payable, income tax payable and bank borrowing. Capital additions include the total cost incurred to acquire property, plant and equipment and prepaid land use rights directly attributable to the segment.

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended December 31, 2015

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
External sales	**504,344**	**120,000**	**624,344**
Segment result	**27,513**	**2,988**	**30,501**
Unallocated income			**224**
Unallocated expenses			**(5,293)**
Share of losses of an associate			**(7,766)**
Profit before tax			**17,666**
Income tax expense			**(11,260)**
Profit for the year			**6,406**

For the year ended December 31, 2014

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
External sales	399,945	120,000	519,945
Segment result	50,698	(6,883)	43,815
Unallocated income			228
Share of losses of an associate			(8,938)
Profit before tax			35,105
Income tax expense			(12,260)
Profit for the year			22,845

29 SEGMENT INFORMATION (continued)

The following is an analysis of the Group's assets, liabilities and other segment information by reportable segments:

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
At December 31, 2015			
Assets			
Segments assets	1,667,502	1,146,259	2,813,761
Investment in an associate			52,099
Unallocated corporated assets			6,067
			2,871,927
Liabilities			
Segment liabilities	57,861	43,127	100,988

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
At December 31, 2014			
Assets			
Segments assets	1,580,570	1,334,856	2,915,426
Investment in an associate			61,933
Unallocated corporated assets			6,444
			2,983,803
Liabilities			
Segment liabilities	57,514	38,304	95,818

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investment in an associate and investment property. Goodwill has been allocated to reportable segment based on the subsidiary operating activity which is the PVB business.

29 SEGMENT INFORMATION (continued)

Other information

For the year ended December 31, 2015

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
Capital additions	**3,001**	**15,072**	**18,073**
Depreciation expenses	**22,972**	**109,865**	**132,837**
Amortisation of prepaid land use rights	**90**	**1,027**	**1,117**

For the year ended December 31, 2014

	PVB business HK$'000	Licence business HK$'000	Total HK$'000
Capital additions	3,763	–	3,763
Depreciation expenses	24,060	119,710	143,770
Amortisation of prepaid land use rights	90	1,042	1,132

All revenues from external customers during both years are derived from customers in Macau/the PRC and all non-current assets of the Group are located in Macau/the PRC. The Group's external customers during both years are spread over a number of counterparties with no significant major customers except for licence business customer, Harvest Resource Management Limited.

30 CONTINGENT LIABILITIES

During the year ended December 31, 2011, the Company was named as a respondent in the Supreme Court of Bermuda in a petition based on an allegation that the affairs of the Group had been and/or were being conducted in a manner which was oppressive or unfairly prejudicial to the non-controlling shareholders. The petitioner was seeking an order to the shareholder of the Company to re-purchase all of the shares held by petitioner at a price to be fixed by a valuer or Supreme Court of Bermuda. The trial of the petition took place in September 2015. The Supreme Court of Bermuda handed down its judgement on November 10, 2015. The Supreme Court of Bermuda found that the allegation, that the terms of the previous interested person transactions sales constituted preferential transfer pricing which was prejudicial to minority shareholders, were not proved and the allegation, that the terms of the license agreement were wholly uncommercial and the licencee was a sham, were also not proved. However, the Supreme Court of Bermuda also ruled that the Company's management should promptly initiate bona fide open negotiations in which commercially reasonable proposals were openly tabled with a view to persuading the non-controlling shareholders to approve the interested person transactions mandate on even marginally more favourable terms. Subsequently, the majority shareholders of the Company filed a notice of appeal on December 23, 2015 relating to the unfavourable ruling of the judgement. The appeal hearing has been tentatively fixed for November 2016. The Company is only the subject matter of the petition and is taking a neutral stance. Accordingly, no provision for liability has been made in connection with this claim.

31 COMMITMENTS

	Group	
	2015	2014
	HK$'000	HK$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**538**	798

32 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2015	2014
	HK$'000	HK$'000
Minimum lease payments under operating leases recognised as an expense in the year	**429**	134

As the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which will fall due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**693**	134
In the second to fifth years inclusive	**694**	–
	1,387	134

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for two years (2014: one year) and rentals are fixed for two years (2014: one year).

NOTES TO FINANCIAL STATEMENTS

32 OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

At end of the reporting period, the Group has contracted with licencee for the following future minimum licence fee payments:

	2015 HK$'000	2014 HK$'000
In one year	10,000	10,000

The Group licences its Licenced Assets to a committed licencee under the licence agreement as follows:

– within the first twelve months of the licence, either the Group or licencee may terminate the licence agreement at its sole discretion, by serving on the other party not less than one month prior notice in writing and paying the other party HK$1 million or such other amount as may be mutually agreed in writing between both parties.

– after the first twelve months of the licence, the Group may terminate the licence agreement at its sole discretion, by serving on licencee not less than one month prior notice in writing.

KINGBOARD COPPER FOIL HOLDINGS LIMITED
FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 &Q3) HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group Year ended December 31, 2016 *HK$'000*	**December 31, 2015** *HK$'000*	**% Change**
Revenue	635,296	624,344	1.75%
Cost of sales	(566,650)	(558,438)	1.47%
Gross profit	68,646	65,906	4.16%
Other operating income	2,057	3,064	-32.87%
Distribution costs	(16,680)	(15,520)	7.47%
Administrative expenses	(28,569)	(26,334)	8.49%
Other operating expenses	–	(1,597)	-100.00%
Finance cost	–	(87)	-100.00%
Share of losses of an associate	(9,666)	(7,766)	24.47%
Profit before tax	15,788	17,666	-10.63%
Income tax expense	(10,855)	(11,260)	-3.60%
Profit for the year	4,933	6,406	-22.99%
Profit for the year attributable to:			
Owners of the Company	1,061	2,841	-62.65%
Non-controlling interests	3,872	3,565	8.61%

Profit for the year has been arrived at after (crediting) charging:

	Group Year ended December 31, 2016 *HK$'000*	**December 31, 2015** *HK$'000*	**% Change**
Other operating income including interest income	(2,057)	(3,064)	-32.87%
Depreciation of property, plant and equipment	107,500	132,837	-19.07%
Amortisation of prepaid land use rights	1,049	1,117	-6.09%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		**Company**	
	As at December 31, 2016 *HK$'000*	**As at December 31, 2015** *HK$'000*	**As at December 31, 2016** *HK$'000*	**As at December 31, 2015** *HK$'000*
ASSETS				
Current assets:				
Cash and bank balances	1,556,470	1,446,024	–	–
Trade and other receivables and prepayments	84,453	81,659	176	221
Bills receivable	27,138	36,338	–	–
Other current assets	645,931	–	–	–
Prepaid land use rights	1,003	1,070	–	–
Inventories	22,371	37,884	–	–
Total current assets	2,337,366	1,602,975	176	221

	Group		Company	
	As at December 31, 2016	**As at December 31, 2015**	**As at December 31, 2016**	**As at December 31, 2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets:				
Investment in subsidiaries	–	–	393,775	393,775
Investment in an associate	40,516	52,099	13,656	17,560
Due from a subsidiary	–	–	882,039	878,452
Investment property	5,683	6,067	–	–
Property, plant and equipment	360,478	482,747	–	–
Prepaid land use rights	34,709	38,131	–	–
Other non-current assets	–	689,670	–	–
Goodwill	238	238	–	–
Total non-current assets	441,624	1,268,952	1,289,470	1,289,787
Total assets	2,778,990	2,871,927	1,289,646	1,290,008
LIABILITIES AND EQUITY				
Current liabilities:				
Due to a subsidiary	–	–	2,721	2,721
Bills payable	11,481	2,265	–	–
Trade and other payables	104,527	91,306	2,423	3,431
Income tax payable	8,366	7,417	38	38
Total current liabilities	124,374	100,988	5,182	6,190
Capital and reserves and non-controlling interests:				
Share capital	560,200	560,200	560,200	560,200
Reserves	2,068,980	2,177,796	724,264	723,618
Equity attributable to owners of the Company	2,629,180	2,737,996	1,284,464	1,283,818
Non-controlling interests	25,436	32,943	–	–
Total equity	2,654,616	2,770,939	1,284,464	1,283,818
Total liabilities and equity	2,778,990	2,871,927	1,289,646	1,290,008

1b(ii) Aggregate amount of group's borrowing and debt securities.

Amount repayable in one year or less, or on demand

As at December 31, 2016		As at December 31, 2015	
Secured	**Unsecured**	**Secured**	**Unsecured**
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
–	–	–	–

Amount repayable after one year

As at December 31, 2016		As at December 31, 2015	
Secured	**Unsecured**	**Secured**	**Unsecured**
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
–	–	–	–

Details of any collateral

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Year ended	
	December 31, 2016	**December 31, 2015**
	HK$'000	*HK$'000*
Operating activities:		
Profit before tax	15,788	17,666
Adjustments for:		
Depreciation of property, plant and equipment	107,500	132,837
Amortisation of prepaid land use rights	1,049	1,117
Interest income	(1,618)	(2,425)
Interest expense	–	87
Allowance for doubtful debts	1,061	1,534
Allowance for inventories	–	2,092
Loss on disposal of property, plant and equipment	2,672	2,036
Impairment loss recognised in respect of non-current deposits	–	5,293
Property, plant and equipment written off	18,249	3,735
Share of losses of an associate	9,666	7,766

	Year ended December 31, 2016 HK$'000	Year ended December 31, 2015 HK$'000
Operating cash flow before movements in working capital	154,367	171,738
Trade and other receivables and prepayments	(11,264)	(17,269)
Bills receivable	9,200	(1,010)
Inventories	13,110	(7,113)
Trade and other payables	17,644	16,951
Bills payable	9,216	(2,643)
Cash generated from operations	192,273	160,654
Income tax paid	(8,709)	(8,566)
Interest received	1,618	2,425
Net cash from operating activities	185,182	154,513
Investing activities:		
Purchase of property, plant and equipment	(35,167)	(18,073)
Proceeds from disposal of property, plant and equipment	2,281	17,729
Net cash used in investing activities	(32,886)	(344)
Financing activities:		
Dividends paid to non-controlling interests	(9,360)	–
Repayment of bank borrowing	–	(6,338)
Interest expense paid	–	(87)
Net cash used in financing activities	(9,360)	(6,425)
Net increase in cash and bank balances	142,936	147,744
Cash and bank balances at the beginning of the year	1,446,024	1,329,754
Effect of exchange rate changes on the balance of cash and bank held in foreign currencies	(32,490)	(31,474)
Cash and bank balances at the end of the year	1,556,470	1,446,024

1(d) A statement of comprehensive income (for the issuer and the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group Year ended		Company Year ended	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year	4,933	6,406	646	606
Other comprehensive expense:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	(109,979)	(121,384)	–	–
Share of other comprehensive expense of an associate	(1,917)	(2,068)	–	–
Total other comprehensive expense	(111,896)	(123,452)	–	–
Total comprehensive (expense) income for the year, net of tax	(106,963)	(117,046)	646	606
Total comprehensive (expense) income attributable to:				
Owners of the Company	(108,816)	(118,630)	646	606
Non-controlling interests	1,853	1,584	–	–
	(106,963)	(117,046)	646	606

1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserves *HK$'000*	Foreign currency translation reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Group								
Balance at January 1, 2015	560,200	296,573	7,287	534,258	1,458,308	2,856,626	31,359	2,887,985
Total comprehensive (expense) income for the year								
Profit for the year	–	–	–	–	2,841	2,841	3,565	6,406
Other comprehensive expense for the year	–	–	–	(121,471)	–	(121,471)	(1,981)	(123,452)
Total	–	–	–	(121,471)	2,841	(118,630)	1,584	(117,046)
Balance at December 31, 2015	560,200	296,573	7,287	412,787	1,461,149	2,737,996	32,943	2,770,939
Total comprehensive (expense) income for the year								
Profit for the year	–	–	–	–	1,061	1,061	3,872	4,933
Other comprehensive expense for the year	–	–	–	(109,877)	–	(109,877)	(2,019)	(111,896)
Total	–	–	–	(109,877)	1,061	(108,816)	1,853	(106,963)
Transactions with owners, recognised directly in equity								
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	(9,360)	(9,360)
Balance at December 31, 2016	560,200	296,573	7,287	302,910	1,462,210	2,629,180	25,436	2,654,616

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Company					
Balance at January 1, 2015	560,200	296,573	6,275	420,164	1,283,212
Total comprehensive income for the year					
Profit for the year	–	–	–	606	606
Balance at December 31, 2015	560,200	296,573	6,275	420,770	1,283,818
Total comprehensive income for the year					
Profit for the year	–	–	–	646	646
Balance at December 31, 2016	560,200	296,573	6,275	421,416	1,284,464

1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued share capital for the year ended December 31, 2016. The Company does not have any convertibles or treasury shares as at the end of the current financial year report on and as at the end of the corresponding period of the immediately preceding financial year.

1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Share capital	As at December 31, 2016 *'000*	As at December 31, 2015 *'000*	As at December 31, 2016 *HK$'000*	As at December 31, 2015 *HK$'000*
	Number of ordinary shares of US$0.10 each			
Authorised	2,000,000	2,000,000	1,550,000	1,550,000
Issued and fully paid	722,500	722,500	560,200	560,200

1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation have been applied in the financial statements as in the most recently audited annual financial statements as at 31 December 2015 except for the adoption of Financial Reporting Standards ("FRSs") which are relevant to the Group's operations and became effective for the financial years beginning on or after 1 January 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of the new and revised FRSs have no material effect on the Group's and Company's accounting policies.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Year Ended December 31, 2016	Year Ended December 31, 2015
Based on the weighted average number of ordinary shares in issue	0.15 HK cents	0.39 HK cents
On a fully diluted basis	0.15 HK cents	0.39 HK cents

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:–

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net asset value per ordinary share based on issued share capital at the end of the year reported on	363.90 HK cents	378.96 HK cents	177.78 HK cents	177.69 HK cents

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:–

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

On behalf of the Board of Directors, it is my pleasure to present the financial results of Kingboard Copper Foil Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December, 2016 ("FY 2016"). Revenue for the current year comprised (i) the receipt of license fee of HK$120 million pursuant to the on-going licensing arrangement and (ii) the sale of polyvinyl butyral ("PVB") resin for HK$515 million, a basic raw material for the production of PVB film which is used to produce reinforced glass for both automotive industry and buildings. The Group's turnover increased 2% to HK$635 million against the year ended 31 December, 2015 ("FY 2015") and net profit attributable to owners of the Company for FY 2016 was HK$1.1 million. In FY 2016, cost of sales increased by 1% against FY 2015 to HK$567 million. Gross profit margin were 10.6% in FY 2015 and 10.8% in FY 2016.

Distribution costs in FY 2016 increased 7% to approximately HK$17 million as shipment volume increase. Other operating expenses in FY 2015 was HK$1.6 million and was nil in FY 2016, the amount represents the exchange losses in FY 2015, while exchange gains were included in other operating income in FY 2016. Finance costs in FY 2015 was HK$87,000 and nil in FY 2016. The bank borrowing raised by a PVB plant in the People's Rebpublic of China ("PRC") in 2014 was fully repaid in February 2015. As at December 31, 2016, trade and other payables increased by 14% against the balance as at December 31, 2015. The increase is caused by the increase in trade payables for purchasing materials in the production. Bills payable was HK$11.5 million as at December 31, 2016 (as at December 31, 2015: HK$2.3 million). The increase in bills payable represents the amount payable to suppliers, as at the year end date, for the purchases of plant and equipment.

Our financial position continued to be sound. As at December 31, 2016, net current assets and current ratio were approximately HK$2,213 million and 18.8 respectively. Current assets mainly comprised of cash and bank balances of HK$1,556 million, trade and other receivables and prepayments of HK$84 million, bills receivables of HK$27 million, other current assets of HK$646 million and inventories of HK$22 million. As at the end of FY 2016, the Company's interest in Linkfit Investment Holdings Limited ("Linkfit"), a private company incorporated in Samoa, was 29.67%. The unquoted equity shares were stated at fair value at the end of the reporting period.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Licensing Arrangement

At the Annual General Meeting of the Company held on April 29, 2011, the shareholders of the Company did not approve the renewal of the mandate ("Shareholders' Mandate") to enable the Group to enter into interested person transactions with Kingboard Chemical Holdings Limited ("Kingboard Chemical") and its associates (together, the "Interested Persons"). The Company has entered into a licensing agreement, as amended by the letter of extension and amendments dated 30 August 2013, to license the properties, inventory and machinery that were previously used for the production of copper foil with effect from 1 September 2011 to 30 August 2015 to Harvest Resource Management Limited, an independent third party, in order to ensure that a steady stream of license fee is received by the Group. The licensing agreement is renewed for the term of further two years to end of August 2017. The Group will, in compliance with the Listing Manual, make relevant disclosures as and when appropriate.

PVB Business

The economic growth rate in the People's Republic of China (the "PRC") is continued to maintain at a low level, while the prices of commodities, like crude oil and copper, showed a slow rebound. The first tier and second tier cities in the PRC have imposed restriction orders on residential units, which has affected the real estate industry and hence the construction industry. In this regard, PVB business has also been affected. The management of the Group, therefore, has kept the products at a low selling price with a view to increase the market shares. On the other hand, the Group has successfully ventured into India, one of the emerging market with great opportunities and potential in the PVB market. Sales to India accounted for approximately 6% of PVB sales in FY 2016. The Group will continue to improve the production efficiency, reducing the defect rate, lowering the production costs and shortening the lead time so that to deliver greater returns to the shareholders.

Litigation in Bermuda

On August 3, 2011, a petition was filed with the Supreme Court of Bermuda (the "Court") by Annuity & Re Life Limited naming, amongst others, the Company and its majority shareholders as respondents. The trial of the petition took place in September 2015. The Company takes a neutral stance in these proceedings. The Court handed down its judgement on November 10, 2015. The Court found that the allegation that the terms of the previous interested person transaction sales constituted preferential transfer pricing which was prejudicial to minority shareholders were not proved; and the allegation that the terms of license agreement were wholly uncommercial and/or the license agreement was a sham were also not proved. However, the Court also ruled that the Company's management should promptly initiated bona fide open negotiations in which commercially reasonable proposals were openly tabled with a view to persuading the non-controlling shareholders to approve the interested person transaction mandate on even marginally more favourable terms. Following the judgement, the majority shareholders respondents filed a notice of appeal on December 23, 2015 relating to the unfavourable ruling of the judgement. The appeal hearing has been fixed for 6 to 7 March 2017. The Company will make further announcement as and when necessary to keep shareholders informed of material developments in this matter.

11 Dividend.

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

No final dividend has been proposed or declared for the year ended December 31, 2016.

13 Confirmation of Directors and Executive Officers' undertakings pursuant to Listing Rule 720(1)

The Company confirmed that it has procured the undertakings under Listing Rule 720(1) of the Listing Manual from all its directors and executive officers in the format set out in Appendix 7.7.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 and half-year results)

14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group is organised into two operating segments namely PVB business and licence business, based on which information is prepared and reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance. Principal activities of each of the operating segments are as follows:

PVB business – manufacture and trading of PVB and related products; and

Licence business – earning licence fee income from its licenced assets

	PVB Business *HK$'000*	Licence Business *HK$'000*	Total *HK$'000*
For the year ended December 31, 2016			
External sales	515,296	120,000	635,296
Segment result	22,673	2,571	25,244
Unallocated income			210
Share of losses of an associate			(9,666)
Profit before tax			15,788
Income tax expense			(10,855)
Profit for the year			4,933

	PVB Business *HK$'000*	Licence Business *HK$'000*	Total *HK$'000*
For the year ended December 31, 2015			
External sales	504,344	120,000	624,344
Segment result	27,513	2,988	30,501
Unallocated income			224
Unallocated expenses			(5,293)
Share of losses of an associate			(7,766)
Profit before tax			17,666
Income tax expense			(11,260)
Profit for the year			6,406

15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

16 A breakdown of sales.

	Year Ended December 31, 2016 *HK$'000*	Year Ended December 31, 2015 *HK$'000*	% Change
(a) Revenue reported for the first half year	302,877	319,977	-5.34%
(b) Operating profit after tax before deducting non-controlling interests reported for the first half year	5,719	10,520	-45.64%
(c) Revenue reported for the second half year	332,419	304,367	9.22%
(d) Operating profit after tax before deducting non-controlling interests reported for the second half year	(786)	(4,114)	-80.89%

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
KINGBOARD COPPER FOIL HOLDINGS LIMITED ("the Company")				
Cheung Kwok Ping	56	**Brother-in-law of:–** Ho Yin Sang – director of the Company.	**Position in the Company:** Executive Director since 25 January 2002. **Duties:** Responsible for the Kingboard Copper Foil ("KBCF") Group's Marketing operations.	No change
Ho Yin Sang	62	**Brother-in-law of:–** Cheung Kwok Ping – director of the Company.	**Position in the Company:** Non-Executive Director since 9 January 2007. **Duties:** Strategic Management & advisory on Group's production.	No change

Name	Age	Family relationship with any director and/or chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
FOGANG KINGBOARD INDUSTRY LTD ("FKI") A principal subsidiary of the Company				
Cheung Kwok Keung	64	**Brother of:–** Cheung Kwok Ping – director of the Company. **Brother-in-law of:–** Ho Yin Sang – director of the Company.	**Position in the Company:** Director since 13 July 1993. **Duties:** Responsible for strategy management of FKI.	No change
Cheung Kwok Wa	53	**Brother of:–** Cheung Kwok Ping – director of the Company. **Brother-in-law of:–** Ho Yin Sang – director of the Company.	**Position in the Company:** Director since 13 July 1993. **Duties:** Responsible for strategy management of FKI.	No change
Chang Wing Yiu	50	**Brother-in-law of:–** Cheung Kwok Ping – director of the Company. Ho Yin Sang – director of the Company.	**Position in the Company:** Director since 13 July 1993. **Duties:** Responsible for strategy management of FKI.	No change

Name	Age	Family relationship with any director and/or chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
KINGBOARD (LIANZHOU) COPPER FOIL LTD ("KLCF") A principal subsidiary of the Company				
Cheung Kwok Keung	64	**Brother of:–** Cheung Kwok Ping – director of the Company.	**Position in the Company:** Director since 5 November 2003.	No change
		Brother-in-law of:– Ho Yin Sang – director of the Company.	**Duties:** Responsible for strategy management of KLCF.	
Cheung Kwok Wa	53	**Brother of:–** Cheung Kwok Ping – director of the Company.	**Position in the Company:** Director since 5 November 2003.	No change
		Brother-in-law of:– Ho Yin Sang – director of the Company.	**Duties:** Responsible for strategy management of KLCF.	
Chang Wing Yiu	50	**Brother-in-law of:–** Cheung Kwok Ping – director of the Company.	**Position in the Company:** Director since 5 November 2003.	No change
		Ho Yin Sang – director of the Company.	**Duties:** Responsible for strategy management of KLCF.	

Name	Age	Family relationship with any director and/or chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
CHUNG SHUN COPPER FOIL (MACAO COMMERCIAL OFFSHORE) LIMITED ("CSMCOL") A principal subsidiary of the Company				
Cheung Kwok Wing	61	**Brother of:–** Cheung Kwok Ping – director of the Company. **Brother-in-law of:–** Ho Yin Sang – director of the Company.	**Position in the Company:** Executive Director since 1 April 2005. **Duties:** Responsible for strategy management of CSMCOL.	No change
Cheung Kwok Ping	56	**Brother-in-law of:–** Ho Yin Sang – director of the Company.	**Position in the Company:** Executive Director since 1 April 2005. **Duties:** Responsible for strategy management of CSMCOL.	No change
Ho Yin Sang	62	**Brother-in-law of:–** Cheung Kwok Ping – director of the Company.	**Position in the Company:** Executive Director since 1 April 2005. **Duties:** Responsible for strategy management of CSMCOL.	No change

Name	Age	Family relationship with any director and/or chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
KINGBOARD (FOGANG) SPECIAL RESIN COMPANY LIMITED (“KFSR”) **A principal subsidiary of the Company**				
Cheung Kwok Ping	56	**Brother-in-law of:–** Ho Yin Sang – director of the Company.	**Position in the Company:** Executive Director since 28 June 2003. **Duties:** Responsible for strategy management of KFSR.	No change

19 Interested Person Transactions – Pursuant to Rule 920(1)(a)(ii) of the Listing Manual.

The Company does not have any interested person transaction mandate or any interested person transaction required to be disclosed pursuant to Rule 920(1)(a)(ii) of the Listing Manual.

By Order of the Board

Cheung Kwok Ping
Director

February 22, 2017

ROMA

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E-mail info@romagroup.com
http:// www.romagroup.com

30 March 2017

Kingboard Copper Foil Holdings Limited
2nd Floor, Harbour View 1
No. 12 Science Park East Avenue
Phase 2 Hong Kong Science Park
Shatin, New Territories
Hong Kong

Dear Sir/Madam,

Re: Valuations of 5 Properties in Guangdong Province, the People's Republic of China

In accordance with your instructions for us to value the properties, machineries and equipment held by Kingboard Copper Foil Holdings Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in the People's Republic of China (the "PRC") with details stated in the valuation certificate attached, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the valuation as at 31 December 2016 (the "Date of Valuation") for the purpose of the Voluntary Unconditional Cash Offer by Excel First Investments Limited only.

We, Roma Appraisals Limited, the independent valuer to the Company in respect of the purpose of the Voluntary Unconditional Cash Offer by Excel First Investments Limited hereby consent to, and confirm that we have no withdrawn our consent to, issue of the Circular with the inclusion therein of our report to the Circular and/or letter(s) and/or certificate(s) and/or opinion(s) (where applicable) and reference to our name in the form and context in which they respectively appear in the Circular and to be used in public documents for inspection.

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1. BASIS OF VALUATION

Our valuation of the properties, machineries and equipment are our opinion of the market value of the concerned properties, machineries and equipment which we would defined as intended to mean "the estimated amount for which asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGIES

We have valued the properties by the direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalization of the net income receivable, if necessary.

For the valuation methodologies of machineries and equipment ("Assets"), please see below.

2.1 The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the Assets appraised in accordance with current market prices for similar Assets, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic cause. The cost approach generally furnishes the most reliable indication of value for Assets without known used market.

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2.2 The Sales Comparison Approach

The sales comparison approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised Assets relative to the market. Comparative Assets for which there is established and the used market may be appraised by this approach.

2.3 The Income Approach

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

2.4 Conclusion

In forming our opinion of the value, we have relied on the income approach on the basis of capitalisation of the rental incomes as shown on the documents handed to us by the Group, and where appropriate, by reference to the market price of the Assets with appropriate adjustments upon their conditions up to the Date of Valuation.

As advised by the Group, the Assets together with the subject industrial development are subject to a tenancy agreement for a term of 2 years expiring on 31 August 2017.

The Assets valued are held by the Group which is principally engaged in copper foil manufacturing.

During our inspection of sample Assets, we found that the Assets were kept in reasonable condition and basically in good productive manner and good working conditions.

Parts of the Assets were in use upon our inspection, we are of the opinion that all of the Assets should be capable of operating the purpose for which they were designed and produced.

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3. TITLE INVESTIGATION

For the properties located in the PRC, we have been provided with copies of various documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify the existing titles to the properties or any amendment, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group regarding the titles of the properties. All documents have been used for reference only.

In valuing the properties, we have relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

In valuing the Assets, we have relied on the advice given by the Group that the Group has valid and enforceable title to the Assets and the records of the Assets including the costs and acquisition dates.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

During our inspection of the sample Assets, the Assets had been observed to be in generally good operating conditions. Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the appraised assets from Assets of like kind in new condition were noted and made part of our judgment in arriving at the value.

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We have also investigated market condition, discussed with local staff and professional and examined relevant documents and specification supplied to us before arriving at our opinion of value.

The situation being such, we have to a substantial extent relied upon our best judgment, while giving full consideration to the local condition.

We have not investigated any safety regulations regarding the subject production. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the relevant government legislation and guidance.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates, identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for the accuracy.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the Assets, plus the value of any assets not included in the valuation, and adequate net working capital.

It must be noted that our valuation is relied on the information supplied by the Group that the Assets are in reasonable operating conditions. We did not attempt to operate or test the Assets. In addition, our valuation has been prepared based upon the assumptions that the Assets will continue in the existing use and the Assets will be used in the existing state with the benefit of continuity of tenure of land and buildings in the foreseeable future.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Assets. Also no investigation was conducted as to whether the operation of specific pieces of Assets complied with the relevant environmental standard and ordinances; we have assumed that the Assets continue and will continue to comply with the current environmental standards and ordinances. We have made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

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We have made no investigation and assume no responsibility for titles or liabilities against the Assets.

In the course of our valuation, spare parts, inventories, supplies, materials, on-hand company records or any current and intangible assets are excluded.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site and floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site and floor areas of the properties under consideration but we have assumed that the site and floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property, we have complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi ("RMB").

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 13 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

ROMA

SUMMARY OF VALUES

Properties held and occupied by the Group in the PRC

No.	**Property**	**Market Value in Existing State as at 31 December 2016**
1.	A parcel of land, various buildings and ancillary structures situated in Lianzhou County Cheng Bei, Lianzhou City, Guangdong Province, The PRC 位於中國廣東省連州市連州鎮城北之一塊土地、若干建築物及附屬構築	RMB129,000,000.
2.	Various parcels of land, various buildings and ancillary structures situated in Shijiao Town, Fogang County, Qingyuan City, Guangdong Province, The PRC 位於中國廣東省清遠市佛崗縣石角鎮之若干塊土地、若干建築物及附屬構築物	RMB101,000,000.
3.	A villa house situated in Huang Hua Hu Development District, Tangtang Town, Fo Gang County, Qiang Yuan City, Guangdong Province, The PRC 位於中國廣東省清遠市佛崗縣湯塘鎮黄花湖開發區之一座別墅	RMB5,360,000.
4.	Units 7C, 7D, 7E, 7F, 7G and 7H, Block 2, Li Jing Hao Ting, Xin Cheng East, B1 District, Qingyuan City, Guangdong Province, The PRC 中國廣東省清遠市新城東 B1 區麗晶豪庭二座 7 層 C, 7 層 D, 7 層 E, 7 層 F, 7 層 G 及 7 層 H	RMB3,700,000.

ROMA

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 31 December 2016
5.	The land and building located at the Industrial Park at North of Lianzhou City, Qingyuan City, Guangdong Province, the PRC 中國廣東省清遠市連州市城北區工業園廠房	RMB65,700,000. (Please see note 3 in respective valuation certificate)
	Total:	RMB304,760,000.

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VALUATION CERTIFICATE

Properties held and occupied by the Group in the PRC

No.	**Property**	**Description and Tenure**	**Particulars of Occupancy**	**Market Value in Existing State as at 31 December 2016**
1.	A parcel of land, various buildings and ancillary structures situated in Lianzhou County Cheng Bei, Lianzhou City, Guangdong Province, The PRC 位於中國廣東省連州市連州鎮城北之一塊土地、若干建築物及附屬構築物	The property comprises a parcel of land with a site area of 563,842.9 sq.m. (or about 6,069,205 sq.ft.) and various buildings and ancillary structures erected thereon, which were completed in about 2006. The property has a total gross floor area ("GFA") of approximately 81,762.63 sq.m. (or about 880,093 sq.ft.). The land use rights of the property have been granted for a term of 50 years expiring on 1 January 2054. For details, please refer to Note 2.	The property is occupied by the Group for industrial use.	RMB129,000,000.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同書) entered into between Lianzhou City State-owned Land Resources Bureau (連州市國土資源局) and 建滔(連州)銅箔有限公司, dated 8 September 2005, the former has agreed to grant to the latter the land use rights of the property with a site area of 563,842.9 sq.m. at land premium of RMB12,686,465.25 for a term of 50 years for industrial use.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Lian Fu Guo Yong (2005) Di No. 8827000004 (連府國用(2005)第 8827000004 號) issued by Lianzhou City People's Government (連州市人民政府) dated 31 October 2005, the land use rights of the property with a site area of 563,842.9 sq.m. have been granted to 建滔(連州)銅箔有限公司 for a term expiring on 1 January 2054 for industrial use.

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3. Pursuant to various Real Estate Title Certificates (房地產權證), issued by the Lianzhou City People's Government (連州市人民政府), the property with a total gross floor area of 45,077.63 sq.m. is legally held by 建滔(連州)銅箔有限公司. Details of which are as follows:

No.	Certificate No.	Expiry Date
1.	Yue Fang Di Zheng Zi Di No. C4502143	12 June 2056
2.	Yue Fang Di Zheng Zi Di No. C4502144	12 June 2056
3.	Yue Fang Di Zheng Zi Di No. C4502191	18 July 2056
4.	Yue Fang Di Zheng Zi Di No. C4502192	18 July 2056
5.	Yue Fang Di Zheng Zi Di No. C4502194	18 July 2056
6.	Yue Fang Di Quan Zheng Lian Zhou Di No. 0100000382	6 July 2059

4. Pursuant to 2 Construction Planning Permits (建設工程規劃許可證), numbered as 2006121 and 2007170 respectively issued by Lianzhou City Town Planning Bureau dated 19 October 2006 and 8 November 2007 respectively, the proposed development with gross floor area of 17,248 sq.m. and 19,437 sq.m. respectively are permitted.

5. We have been instructed by the Group to value the property based on the following assumptions as at the date of valuation:

   a. 建滔(連州)銅箔有限公司 is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and

   e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

6. Our opinion of the market value (in-use) of the Assets situated in the property as at 31 December2016 was in the sum of RMB187,348,000.

7. As advised by the Group, 建滔(連州)銅箔有限公司 is a subsidiary of the Company.

ROMA

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2016
2.	Various parcels of land, various buildings and ancillary structures situated in Shijiao Town, Fogang County, Qingyuan City, Guangdong Province, The PRC 位於中國廣東省清遠市佛崗縣石角鎮之若干塊土地、若干建築物及附屬構築物	The property comprises various parcels of land with a total site area of 294,606 sq.m. (or about 3,171,139 sq.ft.) and various buildings and ancillary structures erected thereon, which were completed in about 1998. The total gross floor area ("GFA") of the property is approximately 63,879 sq.m. (or about 687,602 sq.ft.). The land use rights of the property have been granted for a term of 50 years and the earliest expiring on 12 July 2043 for industrial use.	The property is occupied by the Group for industrial use.	RMB101,000,000.

Notes:

1. Pursuant to various State-owned Land Use Rights Certificates (國有土地使用權證) issued by Fogang County People's Government (佛崗縣人民政府), the land use rights of the property has a total site area of 294,606.03 sq.m. for a term of 50 years for industrial use. Details of which are as follows:

No.	Certificate No.	Registered Owner	Expiry Date
1.	Fo Guo Yong (2006) Di No. 00114	佛崗建滔實業有限公司	10 July 2056
2.	Fo Guo Yong (2006) Di No. 00115	佛崗建滔實業有限公司	10 July 2056
3.	Fo Guo Yong (2006) Di No. 00129	佛崗建滔實業有限公司	25 December 2047
4.	Fo Guo Yong (2006) Di No. 00217	香港銅箔有限公司	10 July 2056
5.	Fo Guo Yong (2006) Di No. 00218	香港銅箔有限公司	12 July 2043
		Total:	

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2. Pursuant to various Real Estate Title Certificates (房地產權證), issued by Guangdong Province People's Government (廣東省人民政府), the property has a total gross floor area of 63,879sq.m.. Details of which are as follows:

No.	Certificate No.	Registered Owner	Gross Floor Area	Expiry Date
1.	Yue Fang Di Zheng Zi Di No. C0360803	佛崗建滔實業有限公司	9,230.18 sq.m.	--
2.	Yue Fang Di Zheng Zi Di No. 1975018	佛崗建滔實業有限公司	13,227.79 sq.m.	--
3.	Yue Fang Di Zheng Zi Di No. C4398251	佛崗建滔實業有限公司	15,533.60 sq.m.	--
4.	Yue Fang Zi Di No. 2151183	香港建滔(中國)集團公司	562.00 sq.m.	--
5.	Yue Fang Di Zheng Zi Di No. C4398248	佛崗建滔實業有限公司	15,567.75 sq.m.	--
6.	Yue Fang Di Zheng Zi Di No. C4398247	佛崗建滔實業有限公司	9,630.48 sq.m.	--

3. We have been instructed by the Group to value the property based on the following assumptions as at the date of valuation:

   a. 佛崗建滔實業有限公司 is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and

   e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

4. Our opinion of the market value (in-use) of the Assets situated in the property as at 31 December2016 was in the sum of RMB51,438,000.

5. As advised by the Group, 佛崗建滔實業有限公司 and 香港建滔(中國)集團公司 are subsidiaries of the Company.

6.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2016
3.	A villa house situated in Huang Hua Hu Development District, Tangtang Town, Fogang County, Qiangyuan City, Guangdong Province, The PRC 位於中國廣東省清遠市佛崗縣湯塘鎮黃花湖開發區之一座別墅	The property comprises a villa house with a site area of approximately 666 sq.m. (or about 7,169 sq.ft.) which was completed in about 1999. As advised by the Group, the gross floor area of the property is about 525 sq.m.. The land use rights of the property have been granted for a term expiring on 26 December 2067 for residential use.	The property is occupied by the Group for residential use.	RMB5,360,000.

Notes:

1. Pursuant to State-owned Land Use Rights Certificate (國有土地使用權證), Fo Guo Yong (1999) Zi Di No. 00049 issued by Fogang People's Government, the land use rights of the property is legally held by 佛崗建滔實業有限公司 with respective site areas of 666 sq.m. for a term expiring on 26 December 2067.

2. We have been instructed by the Group to value the property based on the following assumptions as at the date of valuation:

   a. 佛崗建滔實業有限公司 is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and

   e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

3. As advised by the Group, 佛崗建滔實業有限公司 is a subsidiary of the Company.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2016
4.	Units 7C, 7D, 7E, 7F, 7G and 7H, Block 2, Li Jing Hao Ting, Xin Cheng East, B1 District, Qingyuan City, Guangdong Province, The PRC 中國廣東省清遠市新城東 B1 區麗晶豪庭二座 7 層 C, 7 層 D, 7 層 E, 7 層 F, 7 層 G 及 7 層 H	The property comprises six residential units with a total gross floor area ("GFA") of approximately 848 sq.m. (or about 9,128 sq.ft.) in a residential development, known as Li Jing Hao Ting (麗晶豪庭). The development was completed in about 2006.	The property is occupied by the Group for residential use.	RMB3,700,000.

Notes:

1. Pursuant to various 廣東省地方稅收通用發票(電子), the property with a total GFA of 848 sq.m. is legally held by 佛崗建滔實業有限公司. Details of which are as follows:

No.	Receipt No.	Property	GFA	Consideration	Issue Date
1.	07316354	麗晶豪庭二座 7C	200.58 sq.m.	RMB523,430	24 February 2011
2.	00260710	麗晶豪庭二座 7D	200.58 sq.m.	RMB523,430	24 February 2011
3.	05055299	麗晶豪庭二座 7E	85.73 sq.m.	RMB225,183	24 February 2011
4.	05418742	麗晶豪庭二座 7F	137.91 sq.m.	RMB361,144	24 February 2011
5.	02234792	麗晶豪庭二座 7G	85.73 sq.m.	RMB225,183	24 February 2011
6.	05861614	麗晶豪庭二座 7H	137.91 sq.m.	RMB361,144	24 February 2011

2. We have been instructed by the Group to value the property based on the following assumptions as at the date of valuation:

   a. 佛崗建滔實業有限公司 is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and

   e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

3. As advised by the Group, 建滔 (連州) 銅箔有限公司 is a subsidiary of the Company.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2016
5.	The land and building located at the Industrial Park at North of Lianzhou City, Qingyuan City, Guangdong Province, the PRC 中國廣東省清遠市連州市城北區工業園廠房	The property comprises a parcel of land with a site area of 563,842.9 sq.m. of which a single storey building, which was completed in about 2007, is erected therein. The building of the property has a gross floor area ("GFA") of approximately 3,696 sq.m. and there is no title document obtained for the building of the property. The land use rights of the property have been granted for a term 50 years expiring on 1 January 2054 for industrial use.	As advised by the Group, the property was let to a connected company of the Group subject to a monthly tenancy at a monthly rent of RMB15,000.	RMB65,700,000. (Please see note 3 below)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同書) entered into between Lianzhou City State-owned Land Resources Bureau (連州市國土資源局) and 建滔(連州)銅箔有限公司, dated 8 September 2005, the former has agreed to grant to the latter the land use rights of land of the property with a site area of 563,842.9 sq.m. at land premium of RMB12,686,465.25 for a term of 50 years for industrial use.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Lian Fu Guo Yong (2005) Di No. 8827000004 (連府國用(2005)第 882700004 號) dated 31 October 2005 issued by the Lianzhou City People's Government (連州市人民政府), the land use rights of the land of the property with a site area of 563,842.9 sq.m. have been granted to 建滔(連州)銅箔有限公司 for a term expiring on 1 January 2054 for industrial use.

3. As advised by the Group, the building of the property with a GFA of approximately 3,696 sq.m. was completed in about 2007 and no title document was obtained for the building of the property. As per the instruction from the Group and for reference purpose, in the course of our valuation, we assumed that the property can be disposed of freely in the open market. The building value as the date of valuation is approximately RMB5,000,000 assuming that relevant title document has been obtained and the building can be disposed of freely in the open market.

4. We have been instructed by the Group to value the property based on the following assumptions as at the date of valuation:

   a. 建滔(連州)銅箔有限公司 is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. All land premium and other costs of ancillary utility services has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities; and

   e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

5. As advised by the Group, 建滔(連州)銅箔有限公司 is a subsidiary of the Company.

BY ORDER OF THE BOARD
Kingboard Chemical Holdings Limited
Lo Ka Leong
Company Secretary

BY ORDER OF THE BOARD
Kingboard Laminates Holdings Limited
Leung Yu Hin
Company Secretary

Hong Kong, 3 April 2017

As at the date of this announcement, the board of directors of Kingboard Chemical consists of Messrs. Cheung Kwok Wing, Chang Wing Yiu, Cheung Kwong Kwan, Ho Yin Sang, Cheung Wai Lin, Stephanie, Cheung Ka Shing and Chen Maosheng, being the executive directors, Messrs. Cheng Wai Chee, Christopher, Cheung Ming Man, Chong Kin Ki and Leung Tai Chiu, being the independent non-executive directors.

As at the date of this announcement, the board of directors of Kingboard Laminates 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.