KINGBOARD COPPER FOIL HOLDINGS LIMITED
(Incorporated in Bermuda)
(Company Registration No. 26998)

EXTENSION OF THE LICENSING OF MANUFACTURING FACILITIES

The board of directors (the "**Board**") of Kingboard Copper Foil Holdings Limited (the "**Company**") refers to its announcements dated 3 August 2011, 8 August 2011, 18 November 2011 and 30 August 2013 with respect to the licence agreement entered into by the Company's wholly-owned subsidiary, Hong Kong Copper Foil Limited (the "**Licensor**"), and Harvest Resource Management Limited ("**Harvest Resource**" or the "**Licensee**") on 3 August 2011.

1. EXTENSION OF THE LICENCE AGREEMENT

1.1 Expiry. The Board wishes to update shareholders of the Company (the "**Shareholders**") that the licence agreement, as amended by the letter of extension and amendments dated 30 August 2013 (the "**Licence Agreement**"), is due to expire on 31 August 2015. The management of the Company (the "**Management**") has been considering a number of possible options on the expiry of the existing Licence Agreement, including, but not limited to, the extension of the Licence Agreement.

As there is no existing mandate from Shareholders to enable the Company and its subsidiaries (the "**Group**") to enter into interested person transactions with Kingboard Chemical Holdings Limited ("**KCHL**"), the ultimate holding company of the Company, and its associates (as defined in the listing manual of the Singapore Exchange Securities Trading Limited), an extension of the Licence Agreement with Harvest Resource or the entry into a similar licensing arrangement with a new independent third party (the "**Proposed Licensing Arrangement**") would be the most appropriate interim measure for the Company to ensure that a steady stream of income is received by the Group.

In addition to the Proposed Licensing Arrangement, the Board will continue to actively consider options for a long-term arrangement, including opportunities to diversify the Company's business.

1.2 Tender Process. In anticipation of the expiry of the Licence Agreement, the Company initiated a tender process to invite potential licensees to submit bid documents for the licence to use the factory premises (the "**Premises**"), inventory and machinery (collectively, the "**Assets**") of Fogang Kingboard Industry Ltd. and Kingboard (Lianzhou) Copper Foil Ltd. for the period from 1 September 2015 to 31 August 2017.

Mr. Lam Ka Po, who is the Chairman of the Company, identified five potential licensees, including Harvest Resource, based on his extensive business network and industry knowledge, having been in the electronics industry for over 20 years. The Company entered into preliminary discussions with these potential licensees regarding, *inter alia*, their interest in entering into a licensing arrangement with the Company. Pursuant to these discussions, the Company received bid documents (issued by the Licensor) from the five potential licensees.

The proposals submitted by the potential licensees were evaluated by the Board on the following bases:

(a) the commercial terms proposed by the potential licensee in respect of the licensing arrangement and the attractiveness of the same;

(b) the suitability of the potential licensee and whether it has the necessary expertise in running the facilities; and

(c) the independence of the potential licensee vis-à-vis KCHL and its subsidiaries,

and based on the above bases, the Board selected Harvest Resource to continue the Licence Agreement, subject to the same terms and conditions set out in the Licence Agreement, save for the necessary updates to reflect the extension of the licensing arrangement under the Licence Agreement.

The Board considered the proposal from Harvest Resource to be attractive for various reasons. Harvest Resource was prepared to continue the Licence Agreement based on the same licence fee of HKD10,000,000 (the "**Licence Fee**") per month, which was the highest licence fee amount offered amongst the five potential licensees, and this was notwithstanding the highly competitive business environment and the expected volatile demand for electronic products.

In addition, the Board was satisfied with Harvest Resource's performance under the existing Licence Agreement. Harvest Resource has been complying with its obligations under the Licence Agreement, including making timely payments of the Licence Fee, with no outstanding or overdue payments due from Harvest Resource. Further, Harvest Resource has maintained the Assets in good condition and repair throughout the term of the Licence Agreement. In this regard, the Company conducted an on-site inspection of the Premises and verified that all of the fixed assets reflected on the Company's fixed asset register are accounted for and there are no inventories being held by the Company for Harvest Resource.

2. PRINCIPAL TERMS OF THE EXTENSION OF THE LICENCE AGREEMENT

The Licensor has today entered into a letter of extension and amendments to, *inter alia*, extend the licence period for a further two years, i.e. until 31 August 2017 (the "**Licence Period**"). Apart from the foregoing, all terms and conditions of the Licence Agreement remain unchanged and in full force and effect.

2.1 Licence Fee. The Licence Fee is payable in advance on the first day of each and every calendar month for the duration of the Licence Period.

2.2 Deposit. The deposit of HKD20,000,000 (the "**Deposit**") which was previously paid by the Licensee at the entry into of the Licence Agreement will continue to be retained by the Licensor for the duration of the Licence Period, free of any interest to the Licensee, to ensure the Licensee's due performance and observance of the extended Licence Agreement.

In the event of any breach or non-observance or non-performance by the Licensee of any of the agreements, stipulations or conditions mentioned in the Licence Agreement, the Licensor

shall be entitled to terminate the Licence Agreement in which event the Deposit may be forfeited by the Licensor.

Unless the Deposit is forfeited as described in the paragraph above or as described in paragraph 2.3 below in accordance with the terms of the Licence Agreement, the Licensor will repay the Licensee the Deposit (or the balance thereafter after deduction which the Licensor is entitled to make) without any interest thereon.

2.3 **Termination and Re-entry.** Within the first 12 months of the Licence Period, either the Licensor or the Licensee 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 HKD1,000,000 or such other amount as may be mutually agreed in writing between the parties. After the expiration of the first 12 months of the Licence Period, the Licensor may terminate the Licence Agreement, at its sole discretion, by serving on the Licensee not less than one month prior notice in writing.

Both the Licensor and the Licensee agree that, at any point in time, if:

(i) the Licence Fee or any part thereof is not paid for 14 days after becoming due (whether it has been formally demanded or not);

(ii) there shall be a material breach of the agreements by the Licensee in the Licence Agreement;

(iii) the Licensee shall become bankrupt or go into liquidation, as the case may be, or if a petition of bankruptcy or winding-up, as the case may be, is filed against the Licensee;

(iv) the Licensee shall enter into any compensation or arrangement with creditors; or

(v) the Licensee's goods are or will be seized pursuant to a court order,

the Licensor shall be entitled to re-enter the relevant properties and the licence shall be terminated but without prejudice to any rights which may have accrued to the Licensor or the Licensee by reason of any prior breach of any of the obligations in the Licence Agreement on the part of the Licensee or the Licensor. The Deposit shall also be forfeited by the Licensor but the Licensor has a right to claim any further damages which the Licensor has sustained or may sustain.

2.4 **Secondment of Employees.** The Company will continue to second all employees of the Company (excluding key members of the Management) (the "**Employees**") to Harvest Resource to reduce the operational costs of the Company as the wages of the Employees would then be paid by Harvest Resource. In terms of payment arrangements, Harvest Resource will first transfer an amount equivalent to the salaries otherwise payable to the Employees to the Company on a monthly basis by a specified date, after which, the Company will then pay the Employees.

2.5 **Recourse in Event of Default.** In the event Harvest Resource defaults on its monthly payments to the Licensor, the Licensor is entitled to terminate the Licence Agreement and forfeit the Deposit.

3. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE LICENCE AGREEMENT

3.1 **Directors' and Controlling Shareholders' Interests.** None of the directors and controlling shareholders of the Company have any interest, direct or indirect, in the Licence Agreement.

3.2 **Relationship with Harvest Resource.** The directors and controlling shareholders of the Company do not have, directly or indirectly, any relationship with Harvest Resource, its directors and/or its subsidiaries.

By Order of the Board

Lam Ka Po
Chairman

28 August 2015