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

CLARIFICATION WITH RESPECT TO THE ARTICLE DATED 11 JANUARY 2016 PUBLISHED IN THE EDGE SINGAPORE

The board of directors (the "**Board**") of Kingboard Copper Foil Holdings Limited (the "**Company**") refers to the article titled "Minority REVOLT" dated 11 January 2016 published in The Edge Singapore (the "**Article**") which makes various allegations regarding the conduct of the Board and the Company. The Board strongly disagrees with these allegations, and sets out below its responses with respect to the Article.

1. Judgment of the Supreme Court of Bermuda

The Article states that "*Two months ago, on Nov 10, the Bermuda courts found that the company and its majority shareholders had indeed flouted listing rules that protect minority shareholders*" and "*Significantly, evidence produced in the Bermuda courts showed that at least two nominee directors and one key senior operational non-director were aware that the majority shareholders intended to use the licensing agreement as a means of circumventing the IPT mandate veto.*"

The Board wishes to highlight, as announced by the Company on 16 November 2015, the Supreme Court of Bermuda (the "**Court**"), in its judgement dated 10 November 2015 (the "**Judgment**"), found that:

(a) the allegations that the terms of the interested person transaction sales to Kingboard Laminates Holding Limited constituted preferential transfer pricing which was prejudicial to minority shareholders were not proved; and

(b) the allegations that the terms of the licensing agreement (the "**Licensing Agreement**") entered into between the Company's wholly-owned subsidiary, Hong Kong Copper Foil Limited, and Harvest Resource Management Limited ("**Harvest Resource**") were wholly uncommercial and that Harvest Resource was a "sham" were also not proved.

In relation to the Court's findings that the Licensing Agreement was a commercially prejudicial means of enabling the Company to circumvent the petitioner's legitimate exercise of its right to veto the mandate (the "**IPT Mandate**") to enable the Company and its subsidiaries to enter into interested person transactions ("**IPTs**") with Kingboard Chemical Holdings Limited and its associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) (together, the "**Kingboard Group**"), as announced by the Company on 23 December 2015, the majority shareholders have on 22 December 2015 filed a Notice of Appeal with the Court of Appeal for Bermuda in respect of the judgment of the Supreme Court of Bermuda, including in relation to the following:

(a) findings on or in relation to the listing rules of the Singapore Exchange Securities Trading Limited; and

(b) the finding that the majority shareholders intended to use the Licensing Agreement as a means of circumventing the IPT Mandate veto.

The Article also states that the appeal filed by the majority shareholders would "*potentially [drag] the case out for years*". While the date of the appeal hearing is to be fixed subject to the Court's availability, the Company expects the appeal will take place in 2016.

As far as the Board is concerned, the Licensing Agreement was not used as a means of circumventing the veto by shareholders of the renewal of the IPT Mandate. As previously announced by the Company, as a result of minority shareholders voting down the renewal of the IPT Mandate, the management of the Company, in spite of their best efforts, were not able to find customers to whom they are able to supply the same amount of copper foil as they had previously supplied to the Kingboard Group. Accordingly, the Company had entered into the Licensing Agreement with Harvest Resource in order to ensure that a steady stream of income is received by the Company. Harvest Resource was selected to be the licensee as it offered the Company the best terms amongst the other potential licensees. The Licensing Agreement with Harvest Resource was subsequently extended on 30 August 2013 and 28 August 2015, and the Board was satisfied with Harvest Resource's performance under the Licensing Agreement.

In this regard, it should be noted that even though the Court found that "*[t]he transaction was in a general sense commercially prejudicial to the Petitioner as a minority shareholder*", the Court had accepted the evidence of Mr. Fanshaw Tan, a Chartered Financial Analyst who gave evidence as a valuation expert for the respondents, that the Company's opportunities for diversification are hampered by the market reality as "*major market players are often vertically integrated [like the Kingboard Group] and often find themselves heavily dependent on their 'internal' supplier, through a stable supplier customer relationship*". The Court also inferred from Mr. Tan's evidence as a whole that the Licensing Agreement was "*a response to a crisis which mitigated the far worse damage which might have been suffered by the Company if it had simply lost its major customer and not taken any immediate steps to fill the void.*"

As stated in the Company's circular dated 6 April 2011, the Company had not been able to meaningfully diversify its sales to customers outside the Kingboard Group as, among other reasons, the Kingboard Group is the parent group of the Company, and as such, the Company is viewed as a competitor to the potential customers of the Company (namely other laminate manufacturers) who are thus not willing to purchase copper foil from the Company. The Company had successfully increased its sales to third party customers (i.e. customers who are not within the Kingboard Group) from approximately 6.13 per cent. in FY2000, being the first completed financial year after the Company was listed on the Main Board of the SGX-ST in 1999, to approximately 11.11 per cent. in FY2010. In monetary terms, the revenue attributable to sales to third party customers had increased from approximately HKD24.2 million in FY2000 to approximately HKD474.7 million in FY2010, which represented almost a twenty-fold increase in sales to third party customers since the Company was listed.

Insofar as it is suggested by the author of the article and/or the interviewee(s) quoted therein that the Company has been run unfairly or prejudicially, or that shareholders' rights have been "violated", over the past 15 years, it is clarified that the Court specifically rejected any complaint of unfairness prior to the veto in 2011, and found that "*[T]here was no fundamental*

breach of the terms upon which such shareholders reasonably expected the Company to operate".

The Article also states that "*The Bermuda courts could now order that the company be wound up, or compel the company to buy back shares held by the minority shareholders seeking relief from the oppressive conduct of the majority shareholders.*"

It was decided by the parties to the litigation relating to the petition made by Annuity & Life Re Ltd which named the Company and a number of its shareholders (the "**Bermuda Litigation**") that the trial would be split into two stages, namely "liability" stage and "relief" stage. The Court has yet to determine the precise relief to be afforded to the minority shareholders and invited counsel to apply for specific directions in relation to the relief to be granted.

The Company's Bermuda counsel is of the view that, if the judgment of the Court is upheld, it is likely that the majority shareholders will be the ones to bear any relief ordered by the courts and such relief will involve the majority shareholders being ordered to buy-out the shares held by the minority shareholders, at a market price to be determined with reference to when the prejudicial effect of the license agreement began. If the parties fail to agree on a buy-out price, it would be necessary to hold the hearing to determine such price. In other words, the Company, as a nominal respondent in these shareholders' proceedings, will unlikely become ordered to "buy back" the minority shareholders' shareholding.

The Article further states that *"Interestingly, Kingboard Copper Foil said it required SGX's approval for its licensing deal with Harvest Resource Management. To some minority investors, that seems to suggest that SGX had not asked enough questions about the deal. However, SGX tells The Edge Singapore that the licensing agreement did not require its approval."*

When the Company announced the signing of the Licensing Agreement on 3 August 2011, the Company did not expressly state that it required the approval of the SGX-ST. The announcement disclosed that the grant of the licence to Harvest Resource under the Licensing Agreement was subject to any regulatory approval required by law or any regulatory body or the rules of any recognised stock exchange. As set out at paragraph 143 of the Judgment, the Company did discover, prior to operationalising the Licensing Agreement on 1 September 2011, that no approval was in fact required and accordingly, no approval was sought from the SGX-ST or any other regulatory body. Nevertheless, the SGX-ST did raise queries regarding the Licensing Agreement, to which the Company had responded in its announcements dated 8 August 2011 and 18 November 2011, and the Company had also agreed to expand the scope of the Independent Review (as defined below) on or around 9 January 2012 to include the Licensing Agreement.

2. Status of the Independent Review by Ernst & Young

The Article states that "*in the wake of the minority shareholder revolt in 2011, the regulator ordered Kingboard Copper Foil to conduct an independent review of the IPTs and the licensing agreement. Yet, it took the company 2½ years to announce that Ernst & Young had been appointed to conduct the review and that the review was at an "advanced stage". The findings, if any, have not been reported to shareholders. When approached for comment, SGX said the review was ongoing and that it had reminded the company to update the market when it is completed.*"

As announced by the Company, the audit committee of the Company (the "**Audit Committee**"), after its discussions with the SGX-ST, had appointed Ernst & Young Advisory Pte. Ltd. ("**EY**") on 21 November 2011 to carry out an independent review (the "**Independent Review**") of the IPTs. The scope of the Independent Review was expanded on or around 9 January 2012 to include the Licensing Agreement.

The Independent Review has been a complex and lengthy process, as the Company and the Audit Committee had to ensure that all the relevant issues being considered in respect of the Independent Review were fully and properly analysed by, discussed with and reviewed by EY.

The Company had required a considerable amount of time to collate the relevant information requested by EY, as such information related to IPTs dating back over 10 years from the time of commencement of the Independent Review. The task of collating such information was complicated by the age and volume of records involved and various changes to the Company's finance staff taking care of such records over the past 10 years. In addition, the Company had to secure the time and cooperation of Harvest Resource in order to collate additional materials requested by EY in respect of Harvest Resource, given that Harvest Resource is a separate legal entity and not a related corporation of the Company. After the Company had collated all of the foregoing information, EY needed time to review and analyse such information, and then produce the discussion drafts of its report in respect of the Independent Review (the "**EY Report**").

In connection with each discussion draft of the EY Report, the Company and the Audit Committee had many meetings, discussions and teleconference calls with EY and the SGX-ST to (i) discuss the Company's and the Audit Committee's comments and responses to the multiple discussion drafts of the EY Report, and (ii) address numerous queries from, and observations of, the abovementioned parties in respect of such discussion drafts of the EY Report. The SGX-ST was involved in, and was kept updated, throughout the process of the Independent Review.

As at the date of this Announcement, EY has prepared multiple discussion drafts of the EY Report, and the Company and the Audit Committee have submitted many rounds of formal responses, letters and supplemental letters setting out their views and comments to such discussion drafts of the EY Report. Given the nature of the issues involved and the scope of the information being reviewed, a substantial amount of time was necessary to allow for discussions between the Company, the Audit Committee, EY and the SGX-ST, as well as the process of reviewing and commenting on the various discussion drafts of the EY Report. For example, one of the issues considered by the Company, the Audit Committee and EY in connection with the Independent Review was the interpretation of the agreement between Kingboard Chemical Holdings Limited and the Company dated 29 November 1999 (the "**Supplies Agreement**") and the supplemental agreements to the Supplies Agreement dated 5 November 2006 and 13 December 2008 (the "**Supplemental Supplies Agreements**"). Following the discussions between the Company, the Audit Committee and EY in respect of the foregoing, the Company had appointed an international law firm as Hong Kong legal counsel to advise on the proper interpretation of the Supplies Agreement and the Supplemental Supplies Agreements under Hong Kong law. Subsequently, the Company had also arranged for EY to meet with Hong Kong legal counsel to further discuss their legal opinion in respect of the Supplies Agreement and the Supplemental Supplies Agreements.

Separately, the Company has been subject to the Bermuda Litigation while the Independent Review was ongoing. Accordingly, the Company and the Audit Committee had to balance their time and resources in managing and handling both the Independent Review and the Bermuda Litigation.

As at the date of this Announcement, the Company and the Audit Committee are reviewing the latest discussion draft of the EY Report, and are aiming to announce the findings of the Independent Review by the end of the second quarter of 2016. The Company and the Audit Committee will continue to have discussions and meetings with EY and the SGX-ST to discuss and resolve any outstanding comments and/or queries in respect of the latest discussion draft of the EY Report.

The Company reserves all its rights in relation to the Article. The Company will make further disclosures on a timely basis to update shareholders of the Company as and when there are any material developments in this matter

By Order of the Board

Lam Ka Po
Chairman

22 January 2016