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

REPORT BY ERNST & YOUNG ADVISORY PTE. LTD.

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1. Introduction

The board of directors (the "**Board**") of Kingboard Copper Foil Holdings Limited (the "**Company**") refers to the Company's announcements dated 4 March 2013 and 22 January 2016 (the "**Previous Announcements**") in relation to the appointment of Ernst & Young Advisory Pte. Ltd. ("**EY**") to conduct an independent review in relation to the matters set out below (the "**Independent Review**").

As stated in the Company's announcement dated 22 January 2016 (the "**January 2016 Announcement**"), the Independent Review has been a complex and lengthy process, as the Company and the audit committee of the Company (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. Subsequent to the January 2016 Announcement, the Company and/or the Audit Committee have been involved in further meetings, discussions and teleconference calls with EY and the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to (i) discuss the Company's and the Audit Committee's comments and responses to the subsequent discussion drafts of the EY Report (as defined below) and (ii) address outstanding queries and issues raised by the abovementioned parties in respect of such discussion drafts of the EY Report.

The Board wishes to inform shareholders of the Company ("**Shareholders**") that EY has now completed the Independent Review and has on 11 October 2016 issued its report (the "**EY Report**") to the Audit Committee and the SGX-ST in respect of the Independent Review. A copy of the executive summary of the EY Report (the "**Executive Summary**") is set out as Appendix A to this Announcement. The Executive Summary was prepared by EY for the Company on the Company's instructions.

The key findings of the EY Report (to be read in conjunction with the Executive Summary), the Company's comments and responses to such findings and, where applicable to the Audit Committee only, the Audit Committee's comments and responses to such findings, are set out below.

Shareholders should read and carefully consider the Executive Summary in its entirety and in conjunction with the key findings of the EY Report and the comments and responses of the Company as set out in this Announcement.

References to the Audit Committee in respect of the Independent Review refer, more specifically, to the independent directors in the Audit Committee. For the duration of the Independent Review, the Audit Committee comprised Mr. Ong Tiong Wee, Mr. Chim Hou Yan and Mr. Ho Yin Sang, of whom Mr. Ong Tiong Wee and Mr. Chim Hou Yan are independent non-executive directors of the Company and Mr. Ho Yin Sang is a non-executive director of the Company. In this regard, Mr. Ho Yin Sang has abstained and not participated at all in the Independent Review as he is also a director of Kingboard Chemical Holdings Limited ("**KCHL**"). Separately, it should be noted that Mr. Chim Hou Yan was appointed to the Board and became a member of the Audit Committee on 23 February 2009 and was not a member of the Audit Committee during the Relevant Period (as defined below), which is subject to the Independent Review. A listing of the members of the Audit Committee during the Relevant Period is set out as Appendix B to this Announcement.

2. Scope of Review

As stated in the Previous Announcements, EY was appointed by the Audit Committee (after discussions between the Company and the SGX-ST) to conduct the Independent Review based on the following scope of work:

*Assessment of interested person transactions between the Company and its subsidiaries (collectively, the "**Group**") and the Kingboard Group*

(i) analyse the historical transfer pricing in relation to the sale and purchase of copper foil and/or other products (the "**IPTs**") between the Company and KCHL, its subsidiaries and associated companies (collectively, the "**Kingboard Group**") for the period from 16 December 1999 to 29 April 2011.[1]

It should be noted that the factual assessment was divided into two phases, with phase 1 being for the period from 16 December 1999 to 31 December 2008 (the "**Phase 1 Review**") and, depending on the outcome of the Phase 1 Review, phase 2 being for the period from 1 January 2009 to 29 April 2011 (the "**Phase 2 Review**"). Due to the unavailability of certain documents prior to 1 April 2001, it was subsequently agreed between EY and the Audit Committee that the review period for phase 1 would be revised to 1 April 2001 to 31 December 2008 (the "**Relevant Period**").

Following the completion of the Phase 1 Review, the Audit Committee is of the preliminary view that it is unnecessary to instruct EY to proceed with the Phase 2 Review in respect of the IPTs during the period from 1 January 2009 to 29 April 2011, for the following reasons:

(a) based on EY's assumptions, methodology and approach in the Phase 1 Review, the Audit Committee believes that EY's findings and analysis of the IPTs in Phase 2 will be substantially similar;

[1] In assessing the the IPTs, EY indicated that they relied on the Summary of Related Party Transactions (the "**Summary of RPT**") schedules prepared and provided by the management to the Audit Committee before each meeting of the Audit Committee and that the total sales for the period from 1 April 2001 to 31 December 2008 as reported in the annual reports for the corresponding period is not consistent with the aggregate sales reported in the Summary of RPT amounting to approximately HKD 35,175,000, which is 0.25 per cent. lower than the amount reported in such annual reports. As explained by the Company to EY, the difference arises primarily due to certain adjustments made by the auditors of the Company for the relevant period to the sales and costs of sales after the preparation of the Summary of RPT but before the issue of the annual reports. The auditors of the Company had formed an opinion as per the auditors' report in respect of the relevant financial year that the relevant consolidated financial statements had been properly drawn so as to give a true and fair view of the state of affairs of the Company.

(b) in turn, the Company's view that there was no GP Foregone (as defined and explained below) for the Relevant Period and the terms and pricing at which the IPTs were transacted with the Kingboard Group were in accordance with the terms of the Supplies Agreement (as defined below) and the Supplemental Supplies Agreements (as defined below) and the Judgement (as defined below) as issued by the Supreme Court of Bermuda ("**Bermuda Court**") in respect of the IPTs (as elaborated in paragraph 3.2 of this Announcement), is similarly likely to be the same; and

(c) as such, the Audit Committee is of the view that there is no added benefit in proceeding with the Phase 2 Review especially when weighed against the considerable costs and management time which will be incurred.

The Audit Committee will be engaging with the SGX-ST and EY before making its decision in respect of the Phase 2 Review.

(ii) perform an analysis and report on whether the Kingboard Group has fulfilled the commitments in relation to the purchase of copper foil and/or other products from the Company made in the prospectus of the Company dated 6 December 1999;

(iii) tabulate the financial implications (if any) on the Company as a result of (ii) above;

*Assessment of independence of Harvest Resource Management Limited and its related corporations ("**Harvest Resource**") with that of the Group*

(iv) assess the independence of Harvest Resource from the Company and its directors, substantial shareholders or employees;

(v) assess whether there is any connection/dealings, direct or indirect between the directors, shareholders or employees or the Kingboard Group and Harvest Resource; and

(vi) assess whether the business arrangements between Harvest Resource and the Kingboard Group, including the license agreement dated 3 August 2011 between the Company's wholly-owned subsidiary, Hong Kong Copper Foil Limited, and Harvest Resource (the "**Licensing Agreement**"), are performed *bona fide* at arm's length and are in compliance with the disclosure rules of the SGX-ST and Chapter 9 of the SGX-ST Listing Manual (the "**Listing Manual**").

3. Key Findings of the EY Report

3.1 Assessment of the IPTs

EY made the following analysis in relation to the IPTs between the Group and the Kingboard Group:

(i) as set out in paragraph 1.6.13 of the Executive Summary, premised on EY's plain reading of the language in the agreement between KCHL 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**"), along with the methodology as set out in paragraphs 1.6.1 to 1.6.12 of the Executive Summary, EY assessed the estimated gross profit foregone by the Company (the "**GP Foregone**") for the Relevant Period to be HKD1,176,757,000 (the "**First EY Estimate**"), which represents approximately 8.5 per cent. of the Company's total sales for the Relevant Period;

(ii) as set out in paragraph 1.6.16 of the Executive Summary, taking into consideration the legal opinion from Hong Kong counsel engaged by the Company, Ashurst (Hong Kong) LLP ("**Ashurst**") in relation to the interpretation of the Supplies Agreement and the Supplemental Supplies Agreements, EY re-assessed the estimated GP Foregone to be HKD710,655,000 (the "**Second EY Estimate**"). This amount takes into consideration the following for the period prior to shareholders' approval of the Supplemental Supplies Agreements (i.e. 1 April 2001 to 25 April 2007):

   (a) the gross profit margin proviso found in the Supplies Agreement would apply. The gross profit margin proviso in the Supplies Agreement required the Group to not sell its products at a unit price lower than the unit cost of the particular product plus the gross profit margin as defined in the Supplies Agreement, except in permitted circumstances; and

   (b) any deviation from the above would require due authorisation from the Audit Committee (to be noted from the minutes of the Audit Committee meetings) along with the relevant supporting documents to support the same.

   For the period subsequent to shareholders' approval of the Supplemental Supplies Agreements (i.e. from 26 April 2007 to 31 December 2008), on the basis that the Supplemental Supplies Agreements superseded the Supplies Agreement and all justifications for lower selling prices to Kingboard Group were considered as "special circumstances" and duly ratified by the Audit Committee, there was no GP Foregone; and

(iii) as set out in paragraphs 1.6.17 and 1.6.18 of the Executive Summary, EY indicates that taking into consideration the advice of Ashurst as well as on the basis that all transactions during the Relevant Period were ratified as confirmed by the management of the Company and ratified as confirmed by the Audit Committee, although not specifically documented in the minutes of the Audit Committee meetings (which, as clarified by the management of the Company and the Audit Committee to EY, did not mean that the Audit Committee did not take into consideration the Relevant Considerations (as defined below) during such meetings), the estimated GP Foregone for the Relevant Period was zero (the "**Third EY Estimate**").

3.2 The Company's Comments on the Assessment of the IPTs

The Company notes the First EY Estimate, the Second EY Estimate and the Third EY Estimate and the bases and assumptions made by EY in arriving at each of such estimates. The Company is of the view that the First EY Estimate and the Second EY Estimate does not provide an appropriate assessment of the GP Foregone and the assessment of the estimated GP Foregone, being that there is **no** GP Foregone during the Relevant Period, should be based on the Third EY Estimate, taking into account the following factors:

(i) as confirmed to EY during the Independent Review (and noted by EY in the Executive Summary), for the IPTs during the Relevant Period, the Audit Committee had taken into account the quantity, quality and special specifications of the products ordered, the creditworthiness of the customers and other special circumstances (such as, amongst other things, higher transportation and overhead costs for sales to third party customers) and market conditions of laminates and copper prices (collectively, the "**Relevant Considerations**") during meetings of the Audit Committee and the Board, in reviewing and ratifying all the IPTs between the Group and the Kingboard Group;

(ii) the Audit Committee was entitled under the Supplies Agreement and the Supplemental Supplies Agreement to take the Relevant Considerations into account in reviewing and ratifying the IPTs transacted with the Kingboard Group. As confirmed to EY during the Independent Review, the Audit Committee had taken the Relevant Considerations into account in reviewing and authorising the IPTs. In addition, the Audit Committee has, in its responses to EY, illustrated numerous instances where the Relevant Considerations were noted in the minutes of meetings of the Audit Committee although it recognises that these did not record in detail or exhaustively its consideration of all the applicable Relevant Considerations (which the Company will be taking steps to improve; see (iii) below);

(iii) the Company had explained to EY that the minutes of the meetings of the Audit Committee should not be treated as containing either complete, exhaustive, verbatim or detailed accounts of the discussions which took place at the meetings. In any case, the Audit Committee, takes note of EY's comment that the decision making process, minutes of all documents or information received and relied on by the Audit Committee and the reasoning or grounds for decisions made by the Audit Committee may not have been adequately recorded. In this regard, the Company has indicated that it will take steps to improve its minute taking and record keeping in respect of the process and discussions of meetings of the Board and the Audit Committee. Please see paragraph 3.7 of this Announcement for details; and

(iv) in addition, the IPTs falling in the period from 26 April 2007 to 31 December 2008 were governed by the Supplemental Supplies Agreement, which did not have the gross margin proviso unlike in the Supplies Agreement. In this regard, the circular dated 10 April 2007, which was issued to Shareholders in respect of the proposed amendments to, and the renewal of, the shareholders' mandate for interested person transactions (the "**Revised IPT Mandate**"), had set out the differences between the Supplies Agreement and the Supplemental Supplies Agreement and made clear that the gross profit margin proviso had been deleted, which is consistent with the Company's interpretation of the Supplies Agreement and the Supplemental Supplies Agreement.

Accordingly, the Company was of the view that the gross profit margin proviso in the Supplies Agreement should not apply to the sales of the Group for the period from 26 April 2007 to 31 December 2008, which view was supported by the legal advice provided by Ashurst, which advised that (a) the Supplemental Supplies Agreements superseded the Supplies Agreement, and (b) the term "special circumstances" as stated in the Supplemental Supplies Agreements should be given its ordinary and natural meaning, and there should be no exhaustive attempt to define or list the matters which may come within the rubric of "special circumstances".

While the Company recognises that EY may have its own interpretation of the Supplemental Supplies Agreements, the Company is of the view that the relevant consideration should be whether the Company was entitled to take the view that the gross profit margin proviso did not apply in respect of sales governed by the Supplemental Supplies Agreements, or acted reasonably, in taking the view which it did in respect of the Supplemental Supplies Agreements. In this regard, the Company's interpretation of the Supplies Agreement and the Supplemental Supplies Agreements is supported by legal advice provided by Ashurst.

In summary, the Company is of the view that there was **no** GP Foregone for the Relevant Period and the terms and price at which the IPTs were transacted with the Kingboard Group were in accordance with the terms of the Supplies Agreement and the Supplemental Supplies Agreements.

3.3 Assessment of Independence of Harvest Resource

EY made the following observations in relation to the independence of Harvest Resource and its related corporations with that of the Group:

(i) at paragraphs 1.6.27 to 1.6.29 of the Executive Summary, EY states that based on their independent checks conducted on 12 January 2012, Fogang Lianwei Trading Co. Ltd.'s (佛冈联威贸易有限公司) ("**Fogang Lianwei Trading**") (being the entity which operates the licence under the Licensing Agreement) legal representative and shareholder is Mr. Lin Yi Yuan (林亦源) (shareholder and director of Harvest Resource). EY's checks also revealed that Mr. Lin Yi Yuan was:

(a) a director and a former shareholder of 深圳吉雅达贸易有限公司 ("**Shenzhen Jiyada Trading**"), a wholly-owned subsidiary of KCHL; and

(b) the legal representative and executive director of 东威 (佛冈) 贸易有限公司 ("**Dong Wei (Fogang) Trading**"), a partially owned subsidiary of KCHL.

On 13 March 2012, EY performed another independent check and noted that Mr. Lin Yi Yuan ceased to be the director of Shenzhen Jiyada Trading with no changes noted for Dong Wei (Fogang) Trading and Fogang Lianwei Trading;

(ii) based on the above checks, EY is of the view that the Company's announcements on 3 August 2011 and 18 November 2011 (the "**Relevant Announcements**") and the letter from the Board of KCHL and Kingboard Laminates Holdings Limited ("**KLHL**") to the Audit Committee members on 1 August 2011 in connection with the relationship between the Company's ultimate holding company (KCHL) and Harvest Resource, are inaccurate; and

(iii) at paragraph 1.6.40 of the Executive Summary, EY states that notwithstanding the above connection between Harvest Resource and the Company through KCHL, the transaction (i.e. the Licensing Agreement), does not appear, prima facie, to fall within the definition of an "interested person transaction" pursuant to Chapter 9 of the Listing Manual. EY also states that based on information made available to them, they are unable to assess and further establish the relationship(s) that may exist between Harvest Resource's directors and shareholders, directly or indirectly, with the Group. However, should further information in relation to the abovementioned parties be made available to EY, EY may change their assessment accordingly.

3.4 The Company's Comments on the Assessment of Independence of Harvest Resource

The Company notes that EY is of the view that the Relevant Announcements and the letter from the Board of KCHL and KLHL to the Audit Committee members on 1 August 2011 in connection with the relationship between the Company's ultimate holding company (KCHL) and Harvest Resource were inaccurate.

It was previously announced in the Relevant Announcements that all of the shareholders and directors of Harvest Resource, being Mr. Lin Yi Yuan and Mr. Lin Xiao Yan, are independent third parties which do not have any prior relationship with KCHL and its subsidiaries. Prior to the release of the Relevant Announcements, the Audit Committee had taken steps to verify that Harvest Resource was not directly or indirectly related to the Kingboard Group, including obtaining confirmations (the "**Confirmations**") from each of the management of KCHL and KLHL that Harvest Resource is independent from, and is not connected with, KCHL and KLHL and their respective subsidiaries, and their directors, chief executives and substantial shareholders and their respective associates prior to the entry by the Company into the licensing transaction with Harvest Resource, and requesting that the Company's independent auditors, Deloitte & Touche LLP, look into and report on the appointment and independence of Harvest Resource.

The Audit Committee notes the observations of EY in relation to Mr. Lin Yi Yuan being previously a director and shareholder of Shenzhen Jiyada Trading, a wholly-owned subsidiary of KCHL. The Audit Committee has, since being informed of EY's observations in a discussion draft, sought clarification from the Company's management on the relationship of Mr. Lin Yi Yuan with the Kingboard Group, and the Company's management explained that Mr. Lin Yi Yuan's involvement in Shenzhen Jiyada Trading (prior to it becoming dormant in 2005) was purely historical and insignificant in nature and as such, they did not take into account the involvement of Mr. Lin Yi Yuan with Shenzhen Jiyada Trading in providing the Confirmations, as they did not regard such involvement to be material, given that Shenzhen Jiyada Trading had been a dormant company and an insignificant subsidiary of the Kingboard Group since 2005. In particular:

(a) prior to the listing of KLHL, an indirect subsidiary of KCHL, on the main board of The Stock Exchange of Hong Kong Limited on 7 December 2006 (the "**Listing**"), KLHL held 40 per cent. of the shares in Shenzhen Jiyada Trading through Mr. Lin Yi Yuan pursuant to a trust shareholding structure. Prior to 2004, under the laws of the People's Republic of China ("**PRC**"), only PRC citizens were permitted to hold shares of a trading company which operated in the PRC. Accordingly, Mr. Lin Yi Yuan was appointed in 1999 as a nominee director of Shenzhen Jiyada Trading to oversee the 40 per cent. interest he held in Shenzhen Jiyada Trading for and on behalf of KLHL. Mr. Lin Yi Yuan did not participate in the management of Shenzhen Jiyada Trading;

(b) Shenzhen Jiyada Trading did not have any business dealings with the Company when Mr. Lin Yi Yuan was a nominee director of Shenzhen Jiyada Trading from the date of his appointment in 1999 up to present date and when Mr. Lin Yi Yuan was a shareholder of Shenzhen Jiyada Trading during the period from 8 December 1998 to 6 December 2006, being the date Kingboard Investments Limited signed the constituent documents of Shenzhen Jiyada Trading;

(c) Shenzhen Jiyada Trading only contributed between approximately 0.12 per cent. to 0.53 per cent. to the Kingboard Group's turnover and 0.02 per cent. to 0.04 per cent. to the Kingboard Group's net profits from 2003 to 2005. As such, Shenzhen Jiyada Trading was not regarded as a significant group company of KCHL and Shenzhen Jiyada Trading became dormant in 2005;

(d) as part of the Listing, KLHL undertook various restructuring steps to establish KLHL as the holding company for the laminate-related operations of the Kingboard Group (save for Elec & Eltek International Company Limited). On 6 December 2006, the interests of Mr. Lin Yi Yuan in Shenzhen Jiyada Trading were transferred to Kingboard Investments Limited as part of the restructuring arrangements for no consideration; and

(e) Shenzhen Jiyada Trading has ceased operations and has been a dormant company since 2005 and formal approval from the Chinese authorities for the formation of a liquidation committee to commence winding-up procedures to liquidate Shenzhen Jiyada Trading was obtained on 16 December 2010. The liquidation process in relation to Shenzhen Jiyada Trading is currently in progress as at the date of this Announcement.

As Mr. Lin Yi Yuan's involvement in Shenzhen Jiyada Trading prior to it becoming dormant in 2005 was purely historical and insignificant in nature, the Board maintains its view that Harvest Resource should not be regarded as an interested person of the Company under the Listing Manual.

Similarly, the Company does not regard the involvement of Mr. Lin Yi Yuan in Dong Wei (Fogang) Trading to be material for the purposes of disclosure in the Relevant Announcements, as Dong Wei (Fogang) Trading was set up only after the Licensing Agreement was entered into and for the sole purpose of assisting Harvest Resource in its business operations pursuant to the Licensing Agreement. Furthermore, Dong Wei (Fogang) Trading was never used and remained dormant since its incorporation in 9 September 2011 due to the incorporation of Harvest Resource's own PRC Company, Fogang Lianwei Trading.

Notwithstanding the foregoing, the Company acknowledges that the disclosures made in the Relevant Announcements do not fully reflect Mr. Lin Yi Yuan's past connections to the Kingboard Group and will be taking steps to ensure that such inaccuracies do not happen again in the future. As set out in the table in paragraph 3.7 of this Announcement, in respect of all future announcements which require the disclosure of any prior relationship with interested persons and/or their associates, the Board will seek a confirmation in writing from the directors and controlling shareholders that they have disclosed all relationships, present and past, formal or informal, direct or indirect, in relation to the person(s) in question.

The management of KCHL and KLHL has confirmed to the Company that Mr. Lin Yi Yuan is not and was not at any point in time a nominee of any member of the Kingboard Group or any of its directors or shareholders, other than as set out above. In addition, other than as set out above, Mr. Lin Yi Yuan was not at any point in time involved in the business and operations of Shenzhen Jiyada Trading and Dong Wei (Fogang) Trading and did not at any point in time have any influence on the decision-making process or financial and/or operating policies of Shenzhen Jiyada Trading or Dong Wei (Fogang) Trading.

3.5 Judgment issued by the Supreme Court of Bermuda

EY made the following observations in paragraphs 1.7.3 to 1.7.8 of the Executive Summary in relation to the judgment released by the Bermuda Court on 10 November 2015 (the "**Judgment**"):

(i) EY notes that the Bermuda Court looked at two broad areas which were "said to be oppressive or prejudicial to Annuity & Life Reassurance Ltd. (the "**Petitioner**") as a minority shareholder": (a) Preferential Transfer Pricing" in the sales of copper foil to KLHL, a subsidiary of the Company and (b) "Harvest License Transaction";

(ii) based on EY's plain reading of the Judgment, EY is of the view that paragraphs 70 to 90 of the Judgment (which set out the Bermuda's Court's findings in respect of the "Preferential Transfer Pricing" issue) appear to relate to the issue of the liability of the Company and its majority shareholders to the minority shareholder. As EY's scope did not require EY to give an opinion on the liability of the Company and its majority shareholders, EY was of the view that the findings in the Judgment do not have an impact on EY's IPTs assessment summarised in paragraphs 1.6.1 to 1.6.19 of the Executive Summary; and

(iii) EY states that the findings by the Bermuda Court on the "the Harvest License Transaction" issues in paragraphs 91 to 184 of the Judgment appear to be consistent with EY's findings in paragraphs 1.6.20 to 1.6.38 of the Executive Summary, and notes that the Judgment stated that the Licensing Agreement was inconsistent with / violated the "spirit" of Chapter 9 of the Listing Manual. EY also notes that the Bermuda Court did not explicitly state whether the Company had breached Chapter 9 of the Listing Manual.

3.6 The Company's Comments on the Judgment issued by the Supreme Court of Bermuda

As stated in the Company's announcement dated 22 January 2016, the Bermuda Court rejected the Petitioner's allegations that the terms of the IPTs constituted preferential transfer pricing which was prejudicial to minority shareholders. In this regard, the following was set out in the Judgment:

(i) the Bermuda Court accepted the evidence of Mr. Fanshaw Tan, a Chartered Financial Analyst who gave evidence as a valuation expert for the Respondents, that if one compared the net profit margins of the Company and "Comparable Companies", the Company was consistently placed "*within the region of low to average*";

(ii) the Bermuda Court also accepted Mr. Tan's opinion which was not undermined, 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*"; and

(iii) the Bermuda Court went on to find that in relation to the pricing arrangements, "*there was no fundamental breach of the terms upon which shareholders reasonably expected the Company to operate*". Accordingly, the Bermuda Court held that the preferential transfer pricing allegations of the Petitioner failed as a freestanding basis for relief.

The Company wishes to reiterate that the Petitioner has not filed an appeal against the findings of the Bermuda Court in relation to the transfer pricing allegations, and the deadline for the filing of any such appeal has passed. We understand from the Company's Bermuda counsel that a party would not be permitted by the Bermuda Court to file an appeal out of time barring exceptional circumstances (such as a change in circumstances involving the introduction of new facts or evidence relating to the matter) justifying the same.

The Company is of the view that the Judgment in relation to the IPTs is consistent with the Company's view and position that that there was **no** GP Foregone for the Relevant Period and the terms and price at which the IPTs were transacted with the Kingboard

Group were in accordance with the terms of the Supplies Agreement and the Supplemental Supplies Agreements.

In relation to paragraphs 1.7.5 to 1.7.8 of the Executive Summary, which discuss the Bermuda Court's findings in respect of the Licensing Agreement with Harvest Resource, the Company wishes to highlight the following:

(i) the Company reiterates, as mentioned above, that the Bermuda Court accepted that the Company's opportunities for diversification are hampered by market reality. At paragraph 99 of the Judgment, the Bermuda Court also inferred from Mr. Fanshaw Tan's evidence as a whole that the Licensing Agreement with Harvest Resource "*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*."; and

(ii) as stated in the Company's announcement dated 22 January 2016:

(a) as far as the Board was concerned, the Licensing Agreement was not used as a means of circumventing the veto by shareholders of the renewal of the interested person transaction mandate (the "**IPT Mandate**");

(b) 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, despite their best efforts, were not able to find customers to whom they were 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 was 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 has been satisfied with Harvest Resource's performance under the Licensing Agreement; and

(c) the Company has filed an appeal against the findings of the Bermuda Court in relation to the "Harvest License Transaction" and the appeal is pending. The appeal hearing is due to take place in the March 2017 session.

3.7 Corporate Governance

At paragraph 1.8 of the Executive Summary, EY states that during the course of their work, they noted certain matters which require the attention of the management and/or the Audit Committee. These matters are set out below, along with the Company's corresponding responses.

S/N	Description of Corporate Governance Issue	Response
1.	Weaknesses in the maintenance of its accounting records and documents i.e. purchase orders, delivery orders and suppliers' invoices for the Relevant Period (refer to paragraphs 1.4.2 and 1.4.5 of the Executive Summary).	The Company will be taking steps to establish a centralised system for the storage of all its accounting documents and records. Such system will ensure that all records are easily identified in no more than two or three locations.
2.	Certain pertinent information missing from the Summary of RPT, i.e. the names of the external customers (which were being referred to as "Customer A" or "Customer B"), due to the disclosure of such names being confidential and commercially sensitive (refer to paragraph 1.4.6 of the Executive Summary).	The Company will maintain two sets of records relating to the summaries of IPTs going forward: (i) one set of records which reflects the names of external customers as "Customer A" or "Customer B", to be provided in the relevant summaries of IPTs prepared for the Audit Committee's quarterly review and (ii) another set of records which identifies each external customer by name, which will be made available to the Audit Committee for its inspection.
3.	Certain decisions purportedly made during the Audit Committee meetings were undocumented in the Audit Committee minutes and there were no references made in relation to these decisions (refer to paragraph 1.6.17 of the Executive Summary).	The management of the Company and the Audit Committee will improve on the Company's methods of record-keeping and will ensure that the Company is diligent in documenting and recording any details relating to salient and crucial decisions reached and the basis for such salient and crucial decisions.
4.	Mr. Jackie Lo held positions in both the	Mr. Jackie Lo is a non-executive director of KLHL. He acted as KLHL's accounting manager

	Company (as a financial controller) and at the Kingboard Group level (as a non-executive director), prior to 2009. EY notes that EY was not provided with any assessment of potential conflict of interests by the Nominating Committee / Audit Committee of the Company.	since its listing in November 1999 and became the financial controller of the Company between 2002 and 2009. However, he is not involved in the sale or production of copper foil. Mr. Jackie Lo was only required to take an active role in matters relating to the IPTs due to the petition that was filed on 3 August 2011 in the Bermuda Court (the "**Petition**") by the Petitioner, naming the Company and a number of its shareholders. As financial controller of the Company between 2002 to 2009, Mr. Jackie Lo was familiar with the operations of the Company during the Relevant Period. He was also directly involved in the Company's listing on the SGX-ST in December 1999 and was familiar with the background to the Supplies Agreement and the IPTs. As such, subsequent to the filing of the Petition, Mr. Jackie Lo's scope of responsibility in the Company was expanded to include the role of the Company's spokesperson. He was therefore in charge of engaging the appropriate legal and financial advisors to the Company to challenge the allegations raised under the Petition and address any queries from the SGX-ST relating to the issues forming the subject matter of the Petition (including, but not limited to, the IPTs and the Company's entry into the Licensing Agreement with Harvest Resource). Mr. Jackie Lo, however, was not involved in any discussions and negotiations relating to the terms and pricing of copper foil in connection with the IPTs entered into by the Company with the Kingboard Group. He also did not receive any additional remuneration for his expanded scope of responsibility and does not hold any direct or indirect interest in the shares of the Company. A summary of the decision-making process and the background of the persons involved in such process in connection with the Company's entry into the IPTs during the Relevant Period is set out below: (1) The purchase department manager ("**PDM**") of the relevant Kingboard Group entity will approve the purchase orders prepared by the clerk and negotiate, for and on behalf of

		the relevant Kingboard Group entity, with his counterparts in the sales department of the Group on the terms and pricing of such purchase (the "**Kingboard Group Purchase**"). (2) Mr. Cheung Kwok Ping ("**Mr. Cheung**"), who is an executive director of the Company and KLHL[2], approves the terms and pricing of the sale for and on behalf of the Group. (3) Mr. Lam Ka Po ("**Mr. Lam**"), who is the chairman and executive director of the Company and an executive director of KLHL[3], also approves the terms and pricing of the sale for and on behalf of the Group, by referring to the estimated production cost of copper foil. (4) The PDM seeks final approval on the terms and pricing of such Kingboard Group Purchase from the relevant directors in charge of the relevant laminates factory. In this regard, Mr. Cheung is responsible for two paper laminates factories and one division of the sales department of KLHL and as such, he is also involved in approving the terms and pricing of the Kingboard Group Purchase for and on behalf of the Kingboard Group. (5) The Audit Committee reviews and ratifies the Company's entry into the IPTs on a quarterly basis. The Company has been advised by its Bermuda counsel that it has not identified any evidence or grounds at present which suggests that the decision-making process outlined above in relation to the Company's entry into the IPTs during the Relevant Period is inconsistent with or in violation of the laws of Bermuda and the bye-laws of the Company.

[2] Mr. Cheung is the brother of Mr. Cheung Kwok Wa and Mr. Cheung Kwok Keung, and an uncle of Mr. Cheung Ka Ho, each being an executive director or KLHL. Mr. Cheung also holds certain direct and/or indirect interests in the shares and/or equity derivatives (including share options) of certain entities within the Kingboard Group (including KBCH and KLHL).

[3] Mr. Lam is the co-founder of KBCH and holds certain direct and/or indirect interests in the shares and/or equity derivatives (including share options) of certain entities within the Kingboard Group (including KBCH and KLHL).

		Although Mr. Cheung and Mr. Lam had common directorships in both the Company and the Kingboard Group, they were also involved in approving the terms and pricing of copper foil for and on behalf of the Group in their capacity as senior members of the management of the Company and the Kingboard Group, as the case may be. Mr. Cheung and Mr. Lam, in view of their common directorships in both the Company and the Kingboard Group, also abstained from making any recommendation to Shareholders in their capacity as directors of the Company in the relevant circulars issued to Shareholders relating to the relevant IPT Mandates being proposed to Shareholders during the Relevant Period. In addition, Mr. Cheung and Mr. Lam, to the extent they held shares in the Company (whether directly or indirectly) at any point in time during the Relevant Period, had abstained and, where applicable, procured that their nominees abstained, from voting on all resolutions to approve any IPT Mandate proposed to Shareholders. Internal control measures were established pursuant to the IPT Mandates obtained, in order to ensure that the IPTs were conducted on normal commercial terms and that the Company was not disadvantaged in any way, including the following: (a) the Supplies Agreement and the Supplemental Supplies Agreements regulated the sale of copper foil by the Company to the Kingboard Group; (b) additionally, the Audit Committee reviewed the IPTs to ensure that they were carried out at arm's length and on commercial terms; all IPTs were summarised and submitted to the Audit Committee on a quarterly basis, and reviewed by the Audit Committee who would consider these, the Company's explanation for any price differential (including charts showing copper prices on the London Metal Exchange or industry data which were usually provided to the Audit Committee) and

		the Company's financial statements, to ensure that the Supplies Agreement and the Supplemental Supplies Agreements were adhered to, and that the IPTs were transacted on normal commercial arm's length terms; as set out in its responses to EY, the Audit Committee deemed it not practical or commercially viable for the Company to adhere inflexibly to the gross profit margin proviso and the sales margin vis-à-vis third parties; finally, the IPT Mandate from 2007 states that the Audit Committee could take into account the Relevant Considerations in reviewing the IPTs, which the Audit Committee did; and (c) KPMG Corporate Finance Pte. Ltd. ("**KPMG**") was also appointed as an independent financial adviser to review the processes and procedures under the IPT Mandate in 2003, 2006, 2007 and 2010 (the "**Previous IPT Mandates**"). KPMG, which was provided with details relating to the decision-making process and the background of the persons involved (as outlined above) in connection with the Company's entry into the IPTs during the Relevant Period, was of the opinion that the guidelines and review procedures if applied strictly would be sufficient to ensure that the IPTs would be transacted on normal commercial terms. The Audit Committee during their review of the IPTs in the Relevant Period did not find that the IPTs were not negotiated on normal commercial terms or that the Company had been disadvantaged. To strengthen the internal procedures and processes of the Company, the Company will adopt and implement a new policy governing all IPTs to be entered into by the Company and consolidating such internal procedures and processes to be followed in respect of any IPTs (the "**Proposed IPT Policy**"). A copy of the Proposed IPT Policy is set out as Appendix C to this Announcement. In this regard, any new IPT Mandate will be subject to the approval of Shareholders at the general meeting to be

		convened, and will include full disclosure of the decision-making process and safeguards in respect of the proposed IPTs. In line with the Proposed IPT Policy, the Company intends to clearly delineate the persons involved in approving the terms and pricing of the sale of copper foil to the Kingboard Group for and on behalf of the Company. In this respect, the financial controller of the Company at the relevant time, being an individual who is not a director of any member of the Kingboard Group and does not hold any executive appointment within the Kingboard Group (other than as the financial controller of the Company) (the "**Financial Controller**"), instead of Mr. Cheung and/or Mr. Lam, will be given the authority to approve the terms and pricing of the sale of copper foil to the Kingboard Group for and on behalf of the Company, and this will be conditional upon: (a) such Financial Controller first confirming in writing to the Board that he is not involved and will not be involved in any decisions relating to, the terms and pricing of the purchase of copper foil for and on behalf of the Kingboard Group in relation to any IPT; and (b) the Company's confirmation that such Financial Controller's remuneration will be paid by the Company. Further, Mr. Cheung and Mr. Lam will not be involved in this process as far as the Company is concerned. Mr. Cheung and Mr. Lam will confirm in writing to the Board that they have withdrawn and will withdraw from any involvement in negotiating, proposing and/or recommending, and will abstain from any decisions relating to, the terms and pricing of the sale of copper foil for and on behalf of the Company in relation to any IPT. As at the date of this Announcement, Mr. Lam Kam Cheung is the Financial Controller. Mr. Lam Kam Cheung is not a director of any member of the Kingboard Group and does not hold any executive appointment within the Kingboard

		Group, other than as the financial controller of the Company. Mr. Lam Kam Cheung is also not involved in approving the terms and pricing of the purchase of copper foil for and on behalf of the Kingboard Group and is not related to any employee or director of any member of the Kingboard Group. The Audit Committee is of the view that the application of the processes and procedures outlined in the immediately preceding paragraph above and the Proposed IPT Policy for IPTs, including the reviews to be made on a quarterly basis by the Audit Committee (with internal audit assistance) (the "**New Procedures**"), would be sufficient to ensure that IPTs will be on normal commercial terms, and would not be prejudicial to the interests of the Company and its minority shareholders. In addition, each of the Company and the Audit Committee is of the view that the New Procedures would further strengthen the guidelines and procedures applied for the Previous IPT Mandates, as reviewed and opined on by KPMG, and such New Procedures are not inconsistent with the guidelines and procedures applied for such Previous IPT Mandates. As at the date of this Announcement, the Company has not entered into any IPTs with the Kingboard Group due to the ongoing licensing arrangement with Harvest Resource.
5.	Inaccurate announcements made by the Company on 3 August 2011 and 18 November 2011 as mentioned in paragraph 1.6.29 of the Executive Summary.	Please see explanation above (as set out in paragraph 3.4). In addition, for future announcements which require the disclosure of any prior relationship with interested persons and/or their associates, the Board will seek a confirmation in writing from the directors and controlling shareholders that they have disclosed all relationships, present and past, formal or informal, direct or indirect, in relation to the person(s) in question.

Upon the establishment and/or implementation of the relevant processes and procedures proposed in the responses to the corporate governance issues set out in items 1 to 3 above, the Company will make an announcement to update Shareholders of the same.

4. Conclusion

For the reasons set out above, the Company is of the view that there was no GP Foregone for the Relevant Period and the terms and pricing at which the IPTs were transacted with the Kingboard Group were in accordance with the terms of the Supplies Agreement and the Supplemental Supplies Agreements. This is consistent with the Judgement issued by the Bermuda Court in respect of the IPTs.

The Company, however, notes the findings highlighted by EY in the EY Report relating to corporate governance matters and as set out above, the Company will put in place the relevant measures set out in paragraph 3.7 of this Announcement to enhance the Company's corporate governance procedures and processes, including the adoption and implementation of the Proposed IPT Policy.

By Order of the Board

Ong Tiong Wee
Audit Committee Chairman and Independent Non-Executive Director

11 October 2016

Appendix A
Executive Summary of the EY Report

Factual assessment into (i) specific transactions entered into by Kingboard Copper Foil Holdings Limited and its subsidiaries and (ii) relationship between Kingboard Copper Foil Holdings Limited with Harvest Resource Management Limited and its related corporations

11 October 2016

Report to the Audit Committee and Singapore Exchange Limited

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List of Abbreviations

The following companies are named in this report:

Name of Companies	Abbreviations
Ashurst (Hong Kong) LLP	"Ashurst"
Dong Wei (Fogang) Trading Company Limited ("东威(佛冈)贸易有限公司")	"Dong Wei (Fogang) Trading"
Elec & Eltek International Company Limited	"Elec & Eltek"
Ernst & Young Advisory Pte. Ltd.	"EY Advisory"
Fogang Lianwei Trading Co. Ltd. ("佛冈联威贸易有限公司")	"Fogang Lianwei Trading"
Hong Kong Copper Foil Limited	"HKCFL" / the "Licensor"
Harvest Resource Management Limited and its related corporations	"Harvest Resource"
Harvest Resource Management Limited	"HRML" / the "Licensee"
Kingboard Chemical Holdings Limited	"KCHL"
Kingboard Chemical Holdings Limited and its subsidiaries and associated companies (excluding KBCF Group)	"Kingboard Group"
Kingboard Copper Foil Holdings Limited	"KBCF" or the "Company"
Kingboard Copper Foil Holdings Limited and its subsidiaries	"KBCF Group"
Kingboard Laminates Holdings Limited	"KLHL"
Shenzhen Jiyada Trading Co Ltd ("深圳吉雅达贸易有限公司")	"Shenzhen Jiyada Trading"
Singapore Exchange Limited	"SGX"

The following individuals are named in this report:

Name of individuals	Abbreviations	Position/Roles
Mr. Jackie Lo Ka Leong	"Jackie Lo"	Company Secretary of KCHL; Non-Executive Director of KLHL; Financial Controller of KBCF prior to 2009
Mr. Andy Lam Kam Cheung	"Andy Lam"	Financial Controller of KBCF since 2009
Mr. Lin Yi Yuan ("林亦源")	"Lin Yi Yuan"	Shareholder and director of Harvest Resource; former director and shareholder of Shenzhen Jiyada Trading; legal representative and executive director of Dong Wei (Fogang) Trading; legal representative, director and shareholder of Fogang Lianwei Trading
Mr. Leo Lam	"Leo Lam"	Finance Controller for the Company's operation at Fogang and Lianzhou, China
Mr. Ong Tiong Wee	"Mr. Ong"	Current Audit Committee Chairman of KBCF
Mr. Zheng Jia Ping ("郑家平")	"Zheng Jia Ping"	Assistant General Manager of Fogang Lianwei Trading
Mdm. Lin Xiao Yan ("林少燕")	"Lin Xiao Yan"	Shareholder and director of Harvest Resource
Mr. Robert Lai	"Robert Lai"	Former Audit Committee Chairman

The following are other abbreviations used in this report:

Abbreviations	Descriptions
"AC"	Audit Committee of KBCF
"BVI"	British Virgin Islands
"Bermuda Judgment"	Judgment issued by the Commercial Court of Bermuda dated 10 November 2015
"Comparable Sales"	Sales of certain copper foil products made to both Kingboard Group and third party customers in the same month
"Comparable Sales with lower unit selling prices"	Comparable Sales made to Kingboard Group with a lower unit selling price as compared to third party customers
"GP forgone"	Aggregate difference in gross profit the Company may have forgone if the same products were sold to Kingboard Group at the same unit selling price made to third party customers
"IPTs"	Interested person transactions
"Letters of Response"	These refer to letters with the Management's and the AC's written responses in relation to EY Advisory's draft reports
"License Period"	1 September 2011 to 31 August 2013, and subsequently extended to 31 August 2017
"License Agreement"	License agreement entered between HKCF and HRML dated 3 August 2011
"LME"	London Metal Exchange
'NTA"	Net tangible assets
"PRC"	People's Republic of China
"Pre-listing Gross Profit Margin"	The average gross profit margin of specific products sold by KBCF Group to Kingboard Group over a period of 6 months immediately preceding the date of listing and quotation of the shares in the capital of KBCF on SGX
"Summary of RPT"	Monthly interested person transactions are recorded within schedules named by the Company as Summary of Related Party Transactions ("hereinafter referred to as "Summary of RPT")
The "Prospectus"	The Company's Listing Prospectus dated 6 December 1999
The "Relevant Period"	1 April 2001 to 31 December 2008

Abbreviations	Descriptions
The "Supplies Agreement" or the "Original Copper Foil Supply Agreement"	The agreement entered between KCHL and KBCF to regulate the sales of copper foil to the Kingboard Group dated 29 November 1999
The "Supplemental Supplies Agreements"	Supplemental Copper Foil Supply Agreement and Second Supplemental Copper Foil Supply Agreement dated 5 November 2006 and 13 December 2008 respectively
"Third party customers"	Customers of KCBF Group other than Kingboard Group

1. Executive Summary

1.1 Our appointment

1.1.1 On 21 November 2011, pursuant to the discussions between Kingboard Copper Foil Holdings Limited ("KBCF" or the "Company") and Singapore Exchange Limited ("SGX"), the Audit Committee of KBCF ("AC") appointed Ernst & Young Advisory Pte. Ltd. ("EY Advisory") as an independent reviewer to examine the interested person transactions[1] ("IPTs") that had occurred between 16 December 1999 and 29 April 2011.

1.1.2 On 4 January 2012, the scope of work of EY Advisory was expanded to include a review of the records and documentations of the Company to assess whether the shareholders and directors of Harvest Resource Management Limited ("HRML") and its related corporations (collectively known as "Harvest Resource") were related to the Kingboard Group at the time prior to or during the signing of the license agreement dated 3 August 2011.

1.1.3 The analyses of the IPTs and assessment of the licensing arrangement involving Harvest Resource are collectively referred to as the "Matters" in this report.

1.1.4 The objective of our work is to provide the AC of KBCF and SGX with a report of our factual findings into the Matters.

[1] Interested persons transactions were defined in Shareholders Mandate as i) supply of copper foil to the Kingboard Group; ii) purchase of chemicals from the Kingboard Group; iii) management services agreement with Kingboard Group.

1.2 Scope of our work

1.2.1 The scope of work in relation to the Matters is set out below:

Assessment of interested person transactions between the KBCF Group and Kingboard Group

a. Analyse the historical transfer pricing in relation to the sale and purchase of copper foil and/or other products between KBCF and Kingboard Group, which refers to Kingboard Chemical Holdings Limited ("KCHL") and its subsidiaries and associated companies ("Kingboard Group"), other than KBCF and its subsidiaries ("KBCF Group") for the period from 16 December 1999 to 29 April 2011;

b. Perform an analysis and report on whether the Kingboard Group has fulfilled the terms in relation to the purchase of copper foil and/or other products from KBCF made in KBCF's prospectus dated 6 December 1999; and

c. Tabulate the financial implications (if any) on KBCF as a result of scope (b) above.

Assessment of independence of Harvest Resource with that of KBCF Group

d. Assess the independence of Harvest Resource from the Company and its directors, substantial shareholders or employees;

e. Assess whether there is any connection/dealings, direct or indirect, between the directors, shareholders or employees of the Kingboard Group and Harvest Resource; and

f. Assess whether the business arrangements between Harvest Resource and the Kingboard Group (including the Licencing Agreement) are performed at arm's length and are in compliance with the disclosure rules of the SGX and Chapter 9 of the SGX Listing Manual.

1.2.2 The factual assessment in paragraph 1.2.1(a) was divided into 2 phases – (i) Phase 1 was for the period from 16 December 1999 to 31 December 2008 and (ii) depending on the outcome of Phase 1, Phase 2 was intended to cover the period from 1 January 2009 to 29 April 2011.

1.2.3 Due to unavailability of certain documents prior to 1 April 2001, we have agreed with the AC to revise Phase 1's review period to cover from 1 April 2001 to 31 December 2008 (the "Relevant Period") instead. As at the date of this report, we have not been instructed to commence work for Phase 2 i.e. from 1 January 2009 to 29 April 2011.

1.3 General limiting conditions and constraints

1.3.1 Our report has been prepared on the basis of management information, financial data and documentation prepared by KBCF Group relevant to our scope of work, as well as interviews and/or discussions conducted with relevant persons.

1.3.2 The findings in this report are based on facts obtained from the interviews and/or discussions as well as review of documents that were provided to us.

1.3.3 The procedures that we have performed in arriving at the findings in this report do not constitute an audit or a review made in accordance with the Singapore Standards of Auditing or Singapore Standards on Review Engagements or anywhere else; accordingly, no assurance will be expressed in this regard.

1.3.4 The scope of work set out in this report does not amount to an internal audit and shall not be relied upon as the primary basis for assessing the adequacy of the system of internal controls.

1.3.5 Unless expressly stated, the information contained in this report has not been subject to detailed verification procedures and no document expert has been engaged to independently verify the authenticity of the documents provided to us. No representation is made by EY Advisory as to the accuracy or completeness of such information and nothing contained in this report is or shall be construed as a representation of the future.

1.3.6 All assumptions made for the purpose of this engagement are based on information and representations provided by KBCF Group and persons in connection with our work. We do not give any representation, warranty, indemnity or undertaking expressly or impliedly as to the accuracy or completeness of such information provided to and used by us in our assignment.

1.3.7 We wish to highlight that the people we interviewed were not under oath. Hence, certain judgment would need to be exercised as to the reliability of the views and recollections of those interviewed and/or discussed.

1.3.8 Any report issued by EY Advisory or excerpts should not be used by KBCF for any purpose other than that stated in our letter of engagement without our prior written consent. In the event that we provide written approval to KBCF to use any of our reports for purposes other than that stated in our letter of engagement, we will need to approve the form and context of such a report to be released. In addition, we require an appropriate indemnity from KBCF absolving EY Advisory from any liability or consequence arising from the release of such report for purposes other than that specified above.

1.3.9 Neither the whole nor part of our report, nor any reference thereto, may be circulated nor published in any way whatsoever, nor used for any other purpose than that specified in the report without our prior written consent pertaining to the form and context in which it appears. Except if requested by SGX to furnish the report to the relevant authority and/or regulatory board, this report should not be used by and/or disclosed to third parties, without the express consent of EY Advisory. No reliance should be placed by third parties on the report for any purposes whatsoever and EY Advisory shall not be responsible to third parties who have acted on the information contained therein.

1.3.10 No reliance should be placed on preliminary draft and/or draft reports issued by us for discussion purposes and EY Advisory shall not be responsible to any parties who have placed reliance on such preliminary draft and/or draft reports.

1.3.11 We reserve the right (but we are not under any obligation) to review, alter and amend our report in the light of any matters not previously brought to our attention as a result of new developments, which may or may not materially affect our opinion both prior to and subsequent to the date of this report.

1.4 Specific limiting conditions and constraints

1.4.1 This report states our factual findings in relation to the Matters. Our interpretation, if any, is based on our plain reading of the documents provided to us. Hence, nothing herein may be regarded as our interpretation of the law, if applicable.

1.4.2 In assessing the sale of the copper foil products by the Company to Kingboard Group, we relied on the Summary of Related Party Transactions[2] schedules prepared by the Management to the AC of the Company at each AC meeting ("Summary of RPT"), however we are unable to adequately assess the completeness and/or the accuracy of the schedules. The total sales for the period from 1 April 2001 to 31 December 2008 as reported in the annual reports for the corresponding period is inconsistent with the aggregate sales reported in the Summary of RPT. The aggregate difference amounted to approximately HKD 35,175,000 which is 0.25% lower than reported in the annual reports. The Management was of the view that the impact of the sales difference on total sales of KBCF as reported in the annual reports was insignificant.

Mr. Andy Lam Kam Cheung, Financial Controller of KBCF ("Andy Lam") advised that the main difference was a result of certain adjustments made to the sales and cost of sales after the preparation of the Summary of RPT but before the announcement. We requested but did not receive the relevant information in support of the adjustments. The Management represented that they were unable to provide the relevant supporting document as such documents/records date back several years and due to the passage of time and changes in personnel, KBCF was unable to collate a complete set of records which would support the adjustments.

1.4.3 Notwithstanding the above, we have relied on the Summary of RPT as our primary source of information as there are no other alternate sources of documents.

1.4.4 We were informed by the Company that certain relevant documents prior to 1 April 2001 were no longer available. Hence, the Relevant Period was revised accordingly (refer to paragraph 1.2.3).

[2] This document is referenced as "Summary of RPT" although it relates to IPT as defined in the SGX Listing Manual.

1.4.5 Based on the Summary of RPT, we have selected 201 samples based on identified risk areas (including, but not limited to, sales made to Kingboard Group at a lower unit selling prices as compared to third party customers; and sales made to Kingboard Group with negative gross profit margin) for transaction testing. As at the date of this report, we have yet to receive the complete set of documents which would include, among others, customers' purchase orders, sales invoices, delivery orders and payment documents.

1.4.6 The Summary of RPT did not include names of customers as we were informed by the Management that the former AC Chairman, Mr. Robert Lai, implemented the practice of not disclosing the names of each external customer, as it would be commercially sensitive to disclose them. This was implemented to protect the confidentiality of the Company's customer list. Hence, we could only rely on the Company's representation to assess the customers reflected therein.

1.4.7 The Company's Listing Prospectus in 1999 (the "Prospectus") and the Supplies Agreement between the Company and Kingboard Group dated 29 November 1999 (the "Supplies Agreement")[3] made reference to certain gross profit achievement after the listing of KBCF Group. The reference made to the same is extracted below:

"……….the gross profit margin achieved from sales to the Kingboard Group after the listing of the KBCF Group shall not be lower than that <u>currently achieved</u> by the KBCF Group until such time the KBCF Group meaningfully diversifies its sales to parties other than the Kingboard Group….."

The Supplies Agreement has defined *"gross profit margin"* to be the average gross profit margin of such KBCF product sold by the KBCF Group over a period of 6 months immediately preceding the date of listing and quotation of the shares of KBCF on the SGX. Due to the passage of time, KBCF was unable to provide us with the relevant information and/or documents for the 6 months immediately preceding the date of listing so as to facilitate the assessment of the average gross margin.

[3] There are 2 supplemental supplies agreement subsequent to 29 November 1999. The first supplemental agreement was dated 5 November 2006 whilst the second supplemental agreement was dated 13 December 2008. None of these 2 supplemental agreements altered the reference made to the gross profit margin achievement as stated in clause (4) of the Supplies Agreement.

In the absence of the information and/or documents, we have relied on the unaudited results for 6 months ended 30 September 1999 as set out in the Prospectus to assess the average gross profit margin and noted that the gross profit margin was approximately 47.6% ("Pre-listing Gross Profit Margin")[4].

1.4.8 The Summary of RPT sets out the sales to Kingboard Group and third party customers on a monthly basis. Hence, unit price comparison for certain products in relation to sales to third party customers vis-à-vis that of Kingboard Group was made on a monthly basis.

1.4.9 As at the date of this report, we have not received certain information and documents which we requested from KBCF as set out above. Had we received them, there may be additional information that may have relevance to the findings stated in this report.

1.5 Responses from the AC and the Management

1.5.1 Copies of the draft reports in their entirety were shared with the AC and the Management to allow them the opportunity to submit their written responses in respect of our findings and observations.

1.5.2 We received the AC and the Management's written responses (collectively known as "Letters of Response") as follows:-

a. An undated letter from the Company communicated to us on 17 September 2012 through their solicitors;

b. Six (6) letters from the Company dated 12 April 2013, 15 August 2013, 4 June 2014, 21 April 2015, 5 April 2016 and 5 May 2016 through the Company's solicitors; and

[4] Information extracted from page 18 of the Company's Prospectus dated 6 December 1999 – turnover and operating profit for six months ended 30 September 1999 (unaudited) were HKD 177,396,000 and HKD 84,449,000 respectively. The gross profit margin is the ratio of operating profit divided by turnover i.e. HKD 84,449,000 ÷ HKD 177,396,000 = 47.6%

c. Eight (8) letters from Mr. Ong Tiong Wee, the AC of KBCF ("Mr. Ong") dated 18 September 2012, 1 October 2012, 12 April 2013, 15 August 2013, 4 June 2014, 22 April 2015, 30 March 2016 and 5 May 2016. One (1) email from Mr. Ong on 2 February 2016.

On 15 August 2013, through the Company's solicitors, we were provided the legal opinion from a Hong Kong legal firm, Ashurst (Hong Kong) LLP ("Ashurst") that was engaged by the Company. Ashurst's legal opinion included an analysis of terms and conditions relating to the Supplies Agreement as well as the Supplemental Copper Foil Supply Agreement and Second Supplemental Copper Foil Suppler Agreement dated 5 November 2006 and 13 December 2008 respectively (collectively the "Supplemental Supplies Agreements") entered into between KCHL and KBCF.

Upon receipt of the abovementioned responses, several meetings and/or discussions were held with the Management and/or the AC, including a teleconference discussion with Ashurst to obtain clarifications on further queries in relation to the same. As it was necessary that each and every response is duly deliberated and/or considered and discussed with the relevant parties, the entire process required more time.

1.6 Summary of findings and/or observations

Assessment of interested person transactions between the KBCF Group and Kingboard Group

1.6.1 The Supplies Agreement (governed by laws of the Republic of Singapore)[5], between the Company and KCHL was dated and signed on 29 November 1999. The salient terms in relation to the purchase of copper foils by the Kingboard Group from KBCF Group in the Supplies Agreement, which were consistent with that of the Prospectus of the Company, are set out below:

a. Clause 4.1: *"…the unit price at which any KBCF products is to be sold to the Kingboard Group shall not be less favourable than that at which KBCF or the relevant KBCF Group Company would have at the relevant point of time quoted or sold to its third party customers generally having regards to the quantity, quality and special specifications of the products ordered and the creditworthiness of the customers and other special circumstances* <u>*Provided Always*</u> *that such unit price shall also not be lower than the amount which is equal to the unit cost of that particular KBCF product plus the gross profit margin*[6]*."* This is subject to paragraph (b) below.

b. Clause 4.2: the above clause *"shall cease to apply when the total sales of the relevant KBCF Product to the third party customers (i.e. customers other than the Kingboard Group) for the preceding twelve (12) months exceeds 30% of the KBCF Group's total sales of such KBCF Product for the same preceding period of twelve (12) months."*

[5] The Supplies Agreement provides for the construction, validity and performance of the agreement to be governed in all respects by the laws of the Republic of Singapore.

[6] Gross profit margin is defined in the Supplies Agreement as *"…the average gross profit margin of such KBCF product sold by the KBCF Group over a period of 6 months immediately preceding the date of listing and quotation of the shares in the capital of KBCF on the SES"*

c. Clause 4.3: *"in the event of a material decline in the pricing of laminates produced and sold by the Kingboard Group, the parties hereto agree to submit the relevant transaction(s) to the Audit Committee for its deliberation as to whether the gross profit margin of the relevant KBCF product could be reduced and the extent of such reduction…"*. *"…a "material decline in the pricing of the laminates" shall be deemed to have taken place if the average unit sale price of laminates sold by the Kingboard Group over the period of 3 months immediately preceding the date of the relevant purchase of a KBCF Product is lower by not less than 5% when compared to the average unit sale price of laminates sold by the Kingboard Group over a period of three (3) months immediately preceding the date of listing and quotation of the shares in the capital of KBCF on the SES."*

d. Clause 4.4: *"…if as a result of developments in the market conditions for copper foil to giving rise to a material fluctuation in the prices of copper foil to the extent that the AC deems it no longer practical or commercially viable for the parties to continue to transact in accordance with the terms of this Agreement, the AC shall be authorized to make such amendments or modifications to the terms of this Agreement so that the parties can continue to transact on commercial arm's length terms."*

e. Clause 4.5: *"…the Kingboard Group is not obliged to purchase any KBCF Product at a unit price which is less favourable to the Kingboard Group than that at which Kingboard or the relevant Kingboard Group company could have at the relevant point of time bought from its third party suppliers (i.e. suppliers other than the KBCF Group) generally having regards to the quantity, quality, special specifications of the products ordered, creditworthiness of such suppliers and other special circumstances if any."*

The Supplies Agreement further defined the gross profit margin as *"the average gross profit margin of such KBCF product sold by the KBCF Group over a period of 6 months immediately preceding the date of listing and quotation of the shares in the capital of KBCF on the SES".*

1.6.2 Under clause 4.2 of the Supplies Agreement, the above terms would cease to apply when the total sales of the KBCF product to third party customers (i.e., customers other than the Kingboard Group) exceeded 30% of the KBCF Group's total sales of such KBCF product for the same preceding period of 12 months.

1.6.3 In assessing the unit selling prices sold to third party customers vis-à-vis that of Kingboard Group, we had, on a monthly basis, compared specific products that were sold to Kingboard Group and third party customers in order to identify the unit price differences.

1.6.4 Based on the Summary of RPT, we noted that out of a total sales of about HKD 13,783,063,000 during the Relevant Period, only about HKD 9,068,736,000 (65.8%) of sales are comparable i.e., we are able to match certain products that were sold to Kingboard Group and third party customers during the same month to identify the unit price differences (hereinafter known as "Comparable Sales").

1.6.5 Some of the Comparable Sales were made at a lower unit selling price to Kingboard Group as compared to third party customers (hereinafter known as "Comparable Sales with lower unit selling prices").

1.6.6 The unit price differences of the Comparable Sales with lower unit selling prices, which garnered a gross profit margin lesser than Pre-listing Gross Profit Margin[7], were multiplied by the quantity sold to the Kingboard Group during the month for the mentioned products to compute the aggregate difference in gross profit the Company may have forgone if the same were sold to Kingboard Group at the unit selling price made to third party customers in the same month (hereinafter known as "GP forgone").

1.6.7 For the GP forgone, we understand from the minutes of the AC meetings as well as Circular to Shareholders dated 10 April 2007 that the Company had, amongst other reasons, justified the lower selling price to Kingboard Group vis-à-vis third party customers on the basis of quantity, quality and special specifications of the products ordered, the creditworthiness of the customers and other special circumstances.

[7] Pre-Listing Gross profit margin is discussed in paragraph 1.4.7.

1.6.8 In view of inadequate documentation and/or information as set out in paragraph 1.4.7 above, we are unable to reasonably assess the average gross profit margin of the Company for the preceding 6 months prior to the date of listing of KBCF. Hence, we have relied on the unaudited results for 6 months ended 30 September 1999 as set out in the Prospectus and noted that the gross profit margin was approximately 47.6% ("Pre-listing Gross Profit Margin")[8].

1.6.9 Based on our assessment for the Relevant Period, the Company was unsuccessful in diversifying its sales to third parties in excess of 30% (refer to paragraph 1.6.2 above). Accordingly, for sales to Kingboard Group at a lower unit selling price than to third party customers, the Company was required to maintain an average gross profit margin, of at least 47.6%[9].

1.6.10 Further in accordance with clauses 4.3 and 4.4 of the Supplies Agreement (see paragraph 1.6.1(c) and (d) respectively), we noted from the minutes of the AC meetings that the Company had, for five (5) financial quarters during the Relevant Period, cited the increasing copper price as one of the justifications for the lower selling price/gross profit margin for its sales to the Kingboard Group vis-à-vis third party customers. The AC represented that they would obtain and verify supporting documents before providing any concurrence to the justifications provided by the Management. From our comparison of the prices of copper foil for the five (5) financial quarters to that of the London Metal Exchange ("LME"), we are only able to verify the justifications given for three (3) out of five (5) financial quarters mentioned above.

[8] The Company, through their solicitors commented that based on certain assumptions, the Pre-Listing Gross Profit Margin could range between 45.35% and 46.16%. We have assessed based on this range of Pre-Listing Gross Profit Margin but the gross profit margin that KBCF was selling to Kingboard Group was lower that the Pre-Listing Gross Profit Margin computed by the Company, hence it has no impact to our computation of the GP forgone.

[9] Pre-Listing Gross profit margin is discussed in paragraph 1.4.7.

1.6.11 As the terms of the Supplies Agreement, in particular the selling price of the copper foil sold by the Company to the Kingboard Group, took into consideration: (i) the market condition as set out in paragraph 1.6.1(d) above; and (ii) had been appropriately tabled for the AC's approvals and/or ratifications[10]; we had removed the Comparable Sales with lower unit selling prices which also garnered a gross profit margin lesser than the Pre-listing Gross Profit Margin for three (3)[11] out of five (5) financial quarters from our GP forgone assessment.

1.6.12 Further, from the minutes of the AC meetings, we noted one other justification for the lower selling price/gross profit margin in relation to sales by the Company to Kingboard Group. The Management justified to the AC that the transportation and overhead costs for sales to third party customers were higher compared to Kingboard Group due to the proximity of the Kingboard Group to the Company's factories. As such, the savings arising from the mentioned costs could be used as a higher discount for the sales to Kingboard Group. However, we were not provided with any supporting documents or analyses to substantiate the total transportation and overhead costs saved.

Accordingly, for the purpose of our assessment, we did not account for this justification as it was not expressly set out in the Supplies Agreement, the Supplemental Supplies Agreements and the Prospectus.

1.6.13 Premised on our plain reading of the language in the Supplies Agreement and the Supplemental Supplies Agreements, along with the methodology as set out in paragraphs 1.6.1 to 1.6.12 above, we have assessed the estimated GP forgone attributed to the lower selling price/gross profit margin for the Comparable Sales by the Company to the Kingboard Group vis-à-vis third party customers during the Relevant Period to be HKD 1,176,757,000. This is approximately 8.5% of total sales for the Relevant Period.

[10] The IPT transactions were summarized and presented in Summary of RPT to the AC for approvals and/or ratifications during the quarterly meetings. The same is indicated in Appendix I, paragraph 6(iii)(b) of the Shareholders' Circular dated 10 April 2007. The role of ratifications by the AC is not mentioned in Supplies Agreement and/or Supplemental Supplies Agreements.

[11] Accordingly, the Comparable Sales with lower unit selling prices which also garnered a gross profit margin lesser than the Pre-listing Gross Profit Margin for the remaining 2 financial quarters are included in the computation of GP forgone.

1.6.14 We had shared our preliminary assessment in entirety with the AC and the Management who responded with differing views. The differences stem primarily from the omission of the gross profit margin proviso which was provided for in the Supplies Agreement but not in the subsequent Supplemental Supplies Agreements[12]. We summarise below the salient differences:

a. The AC and the Management took the view that sales which pertained to the period from 26 April 2007[13] to 31 December 2008 were governed by the Supplemental Supplies Agreements i.e., without the gross profit margin proviso. The relevant clause (i.e. clause 4.1) in the Supplemental Supplies Agreements is set out below:-

Supplemental Supplies Agreements

"Notwithstanding the provision of Clause 4 of the Original Copper Foil Supply Agreement, the price at which any of the copper foil is to be supplied by any member of the KBCF Group to any member of the Kingboard Group shall be determined in accordance with the then prevailing market price and in no event shall the terms be more favourable to the Retained Group[14] and that offered by the KBCF Group to independent third parties at the relevant point of time (generally having regard to the quantity, quality and special specifications of the products ordered and other special circumstances). The KBCF Group shall grant a credit period of up to 90 days to the Retained Group."

In the course of our assessment and our plain reading of the Supplemental Supplies Agreements, we had considered the gross profit margin proviso in the Supplies Agreement to be intact and shall be concurrently applied unless certain circumstances give rise to an inconsistency between the Supplies Agreement and the Supplemental Supplies Agreements. This consideration was made based on the understanding of clause 3.3 of the Supplemental Supplies Agreements, as set out below:-

[12] Clause 11 of the Supplemental Supplies Agreements provides for the Original Supplies Agreement (as supplemented by the Supplemental Supply Agreements) to be governed by and construed in accordance with the laws of the Hong Kong.
[13] Amendments to, and renewal of, the Shareholders Mandate for Interested Person Transactions as described in the Circular dated 10 April 2007 was approved by shareholders during the Special General Meeting held on 26 April 2007.
[14] This is referred to as the " Kingboard Group" in first Supplemental Supplies Agreement. Other than that, there are no other material differences between Supplemental Copper Foil Supply Agreement and Second Supplemental Copper Foil Supply Agreement.

Clause 3.3 of the Supplemental Supplies Agreements:

"This Agreement shall be supplemental to the Original Copper Foil Supply Agreement upon commencement of this Agreement pursuant to Clause 3.1 above[15]. However, in the event of inconsistency between this Agreement and the Original Copper Foil Supply Agreement, this Agreement shall prevail."

Clause 3.3 was not included in the Circular to the Shareholders dated 10 April 2007 (hereinafter known as "Circular"). It was also not specifically stated in the Circular that the Supplies Agreement was intended to be superseded by the Supplemental Supplies Agreements. Accordingly, we believe the Supplemental Supplies Agreements were intended to be supplementary and not to supersede the Supplies Agreement. Additionally, there were no expressed provisions within the Supplemental Supplies Agreements suggesting that the initial gross profit margin provision in the Supplies Agreement had been superseded and/or removed.

b. Notwithstanding the above, even with the omission of the gross profit margin proviso from the Supplemental Supplies Agreements, the justifications for lower unit selling price to the Kingboard Group vis-à-vis third parties which premised on: (i) generally having regards to the quantity, quality and special specifications of the products ordered and other special circumstances; and (ii) the AC making approvals and/or ratifications based on market conditions of laminates and copper pricings in light of which the AC deemed it no longer practical or commercially viable to transact in adherence with the terms of the Supplies Agreement so as to enable the party to continue to transact on an arm's length basis; were lacking based on the documents provided to us, in particular, the minutes of the AC meetings. From the available minutes of the AC meetings, we are unable to adequately assess the considerations and/or deliberations made by the AC when making such approvals and/or ratifications.

[15] Clause 3.1 states *".... This Agreement shall commence on the date of this Agreement and the Original Copper Foil Supply Agreement, as supplemented by this Agreement, shall remain in force from the date hereof until 31 December 2008, both days inclusive, subject to the provisions of Chapter 9 of the SGX Listing Manual and the Listing Rule"*

This has impeded our assessment of the estimated GP forgone attributed to the lower selling price/gross profit margin for the Comparable Sales by the Company to the Kingboard Group vis-à-vis third party customers. *[Note: we had duly excluded from our assessment the relevant transactions which were justified and authorised in accordance with the minutes of the AC meetings]*

Further, the phrase "*special circumstances*" was not specifically defined in clause 4.1 of the Supplemental Supplies Agreements. Accordingly, we did not include such *"special circumstances"* in our assessment as it was neither specifically defined in the Supplemental Supplies Agreements nor specifically provided for in the documents provided to us; in particular, the minutes of the AC meetings did not state that this clause was invoked and/or applied in relation to the "*special circumstances*".

c. Separately, for the sales prior to the Supplemental Supplies Agreements i.e., the period from 1 April 2001 to 25 April 2007, the Management commented, and agreed by the AC, that certain lower unit selling price to the Kingboard Group was due to the unfavourable market condition as it relates to the pricing of laminates. We did not identify from the minutes of the AC meetings that the AC had approved and/or authorised the adjustment to the gross profit margin under such condition (unfavourable market condition for the pricing of laminate) as required pursuant to clause 4.3 of the Supplies Agreement. Accordingly, we had assessed the estimated GP forgone attributed to the lower selling price/gross profit margin for the Comparable Sales by the Company to the Kingboard Group vis-à-vis third party customers on the basis that the approvals and/or ratifications were absent from the minutes of the AC meetings provided to us. In relation to unfavourable market condition for copper pricing, we had checked and verified three (3) out of five (5) instances in which the approvals from the AC were obtained. Hence, we had excluded such instances from the assessment of the estimated GP forgone.

1.6.15 On 15 August 2013, the Company sought legal assistance from Ashurst to provide an analysis of the terms and conditions relating to the Supplies Agreement and Supplemental Supplies Agreements. In summary, Ashurst advised that:

a. The Supplemental Supplies Agreements superseded the Supplies Agreement in entirety. Hence, the gross profit margin proviso was only relevant for the period from 1 April 2001 to 25 April 2007; and

b. The word *"special circumstances"* could not be exhaustive and hence not specifically defined in the Supplemental Supplies Agreements. In relation thereto, the Company had included, amongst others, higher transport and overhead costs to third party customers vis-à-vis sales to Kingboard Group as a justification for lower selling price pursuant to *"special circumstances"*.

1.6.16 Taking into consideration the legal opinion from Ashurst, we have re-assessed the estimated GP forgone to be HKD 710,655,000. This amount takes into consideration the following for the period prior to shareholders' approval of the Supplemental Supplies Agreements (i.e., 1 April 2001 to 25 April 2007):

a. The gross profit margin proviso would apply; and

b. Deviation from the above, if any, would require due authorisation from the AC (to be noted from minutes of the AC meeting) along with the relevant supporting documents to support the same.

For the period subsequent to shareholders' approval of the Supplemental Supplies Agreements i.e., from 26 April 2007 to 31 December 2008, on the basis that: (i) the Supplemental Supplies Agreements superseded the Supplies Agreement; and (ii) all justifications for lower selling prices to Kingboard Group were considered as *"special circumstances"* and duly ratified by the AC; there is no GP forgone.

1.6.17 Further to the above, in relation to paragraph 1.6.16(b), the Management and the AC clarified that the omission of authorisation by the AC in the minutes of meeting were due to incomplete minutes and does not necessarily mean that the AC did not take into consideration, inter alia, the quantity, quality and special circumstances of the products ordered and other special circumstances and market conditions of laminates and copper prices ("Relevant Considerations") during their meetings. The letter from the Company's solicitors to EY Advisory dated 15 August 2013 stated that *"the minutes of meetings of the AC should not be treated as containing either complete, exhaustive, verbatim or detailed accounts of the discussions which took place at the meeting"* and "*although certain written documentation provided to E&Y may not specifically state that the Audit Committee had taken into account the Relevant Considerations, this does not mean that the Audit Committee had in fact not done so."*

We spoke with the AC, in particular, an independent director of the Company (Mr. Ong) on 20 September 2012 who confirmed that although: (i) the decision-making process; (ii) the minutes of all documents or information received and relied on by the AC; and (iii) the reasoning/grounds for decisions made by the AC; were not adequately recorded, the Relevant Considerations were discussed and deliberated during the AC and Board meetings. In Mr. Ong's letters to us, he stated that the AC did consider the Relevant Considerations in reviewing and authorising all the interested person transactions to the Kingboard Group. *[Note: For the Relevant Period, we wish to highlight that there were changes to the members of the AC and Mr. Ong has been a member of the AC since 2002 until the date of this report. A listing of directors in the AC for the Relevant Period is set out in Appendix ES-A]*

1.6.18 Taking into consideration the advice of Ashurst as well as on the basis that all transactions during the Relevant Period were ratified as confirmed by the Management and the AC, although not specifically documented in the minutes of the AC meetings, the estimated GP forgone is zero amount.

1.6.19 A summary of the assessment of the estimated GP forgone is set out in the table below.

<table>
<tr><td colspan="6">Period: 1 April 2001 to 31 December 2008</td></tr>
<tr><td colspan="6">Total Sales: HKD 13,783,063,000 (Per Summary of RPT)[16]</td></tr>
<tr><td colspan="5">Comparable Sales
HKD 9,068,736,000</td><td rowspan="5">Non-Comparable Sales

HKD 4,714,327,000</td></tr>
<tr><td colspan="4">Sales to Kingboard Group:
HKD 7,862,150,000</td><td rowspan="4">Sales to External Third Party

HKD 1,206,586,000</td></tr>
<tr><td colspan="3">The base of our assessment of GP forgone
HKD 6,753,145,000</td><td rowspan="3">Exempted from Assessment (3 Financial Quarters)

HKD 1,109,005,000</td></tr>
<tr><td>Preliminary assessment</td><td>Revised assessment with advice from Ashurst</td><td>Assessment with advice from Ashurst <u>AND</u> on the basis that all transaction duly ratified</td></tr>
<tr><td>HKD 1,176,757,000</td><td>HKD 710,655,000</td><td>HKD 0</td></tr>
</table>

Assessment of independence of Harvest Resource Management Limited and its related corporations with that of KBCF Group

1.6.20 On 29 April 2011, the shareholders of the Company did not approve the renewal of the mandate ("Shareholders Mandate") to enable the Company and its subsidiaries to enter into interested person transactions with Kingboard Group.

1.6.21 Consequently, on 3 August 2011, the Company announced that its subsidiary, namely, Hong Kong Copper Foil Limited ("HKCFL" or the "Licensor")[17], had entered into a *"License Agreement"* with HRML (the "Licensee"). According to the announcement, HRML is an investment holding company incorporated in the British Virgin Islands. Further, the announcement stated that *"All of the shareholders and directors of the Licensee are independent third parties which do not have any <u>prior</u> relationship with KCHL, the ultimate holding company of the Company, and its subsidiaries".*

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[16] Amount is different from annual report
[17] A subsidiary of KBCF

1.6.22 Prior to the above said announcement, we understand that the Board of KCHL and Kingboard Laminates Holdings Limited ("KLHL") had on 1 August 2011 written to the AC members of KBCF to confirm that "*.....the Subject Company*[18]*is independent from, and is not connected with, Kingboard Chemical / Laminates, its subsidiaries, and their respective directors, chief executives and substantial shareholders, and their respective associates. "*

1.6.23 Based on the License Agreement, the Licensor will grant the Licensee a license for the period from 1 September 2011 to 31 August 2013 for an aggregate consideration of HKD 240,000,000 to:

a. *"Use the leasehold properties, comprising factory buildings in Fogang, People's Republic of China (the "PRC") and, factory building in Lianzhou, PRC (hereinafter referred as "the Properties");*

b. *Use, consume and dispose of the inventory which shall include consumables and stock in trade ("the Inventory"); and*

c. *Use the machinery, together with all other equipment and facilities as from time to time located at the properties ("the Machinery")."*

1.6.24 HKCFL was an investment holding company and the Properties, Inventory and Machinery constitute all of the manufacturing facilities of the Company and its subsidiaries for copper foil products.

1.6.25 Based on another announcement of the Company dated 18 November 2011, the Company confirmed that *"....all of the shareholders and directors of Harvest Resource are independent third parties which do not have any <u>prior</u> relationship with Kingboard Chemical Holdings Limited, the ultimate holding company of the Company, and its subsidiaries. In this regard, the shareholders and directors of Harvest Resource are Lin Yi Yuan and Lin Xiao Yan".*

[18] Subject Company refers to Harvest Resource Management Limited

1.6.26 Based on the certificate of incorporation of HRML, we noted that it was incorporated on 11 March 2011. Although the License Agreement specifically stated that the license *"……is strictly personal to the Licensee who shall not transfer or assign or otherwise deal with the benefit and the obligations of this License at any time during the License Period",* we understand that the license is operated by a PRC entity, namely 佛冈联威贸易有限公司 ("Fogang Lianwei Trading"), which was incorporated on 1 September 2011.

1.6.27 Based on our independent checks conducted on 12 January 2012, Fogang Lianwei Trading's legal representative and shareholder is Mr. Lin Yi Yuan (林亦源) (shareholder and director of Harvest Resource). Our checks also revealed that Mr. Lin Yi Yuan (bearer of PRC Identity Card Number 440701195803110617[19]) was:

a. A director and a former shareholder of 深圳吉雅达贸易有限公司 ("Shenzhen Jiyada Trading"), a wholly-owned subsidiary of KCHL; and

b. The legal representative and executive director of 东威 (佛冈) 贸易有限公司 ("Dong Wei (Fogang) Trading"), a partially owned subsidiary of KCHL.

1.6.28 On 13 March 2012, we performed another independent check and noted that Mr. Lin Yi Yuan ceased to be the director of Shenzhen Jiyada Trading with no changes noted for Dong Wei (Fogang) Trading and Fogang Lianwei Trading.

1.6.29 Based on the above, it would appear that: (i) the Company's announcements on 3 August 2011 and 18 November 2011; and (ii) the letter from the Board of KCHL and KLHL to the AC members of KBCF on 1 August 2011 in connection with the relationship between the Company's ultimate holding company (KCHL) and Harvest Resource, are inaccurate. We understand that the SGX Corporate Disclosure Policy Part IX – Content and Preparation of Public Announcement requires each announcement to be factual, clear and succinct.

[19] The PRC identity card number of Mr. Lin Yi Yuan as per independent check is the same as a copy of Mr. Lin Yi Yuan's identification card we obtained from KBCF's management.

1.6.30 Through the assistance of Mr. Jackie Lo Ka Leong (Company secretary of KCHL, non-executive director and member of audit committee of KLHL and Financial Controller of KBCF in 2008) ("Jackie Lo"), we managed to secure an interview with personnel of Harvest Resource. Prior to the interview, we were requested to prepare a list of questions to be sent to Harvest Resource through Mr. Jackie Lo. On 11 April 2012, we did not manage to speak to Mr. Lin Yi Yuan. We spoke to Mdm. Lin Xiao Yan ("林少燕") (bearer of PRC Identity Card Number 440701196112150040) – the other shareholder and director of Harvest Resource and shareholder of Fogang Lianwei Trading along with Mr. Zheng Jia Ping ("郑家平"), the Assistant General Manager of Fogang Lianwei Trading and in the presence of Mr. Jackie Lo and Mr. Andy Lam. During the interview, we were discouraged by Mr. Jackie Lo and Mr. Andy Lam from raising follow-up questions that were not originally in the list of questions. The interview was completed in approximately 30 minutes. We understand from the Management that HRML is a separate legal entity and not part of the KBCF Group where it does not owe any obligations to accede to our requests, and was cooperating on its own volition at the request of KBCF.

1.6.31 We were informed by Mr. Zheng Jia Ping during the interview that one of the major customers of Fogang Lianwei Trading was Elec & Eltek International Company Limited ("Elec & Eltek"), a subsidiary of KCHL since November 2004. Be that as it may, we were informed by the Management that Elec & Eltek was not a major customer of Harvest Resource.

1.6.32 Based on the interview with Mdm. Lin Xiao Yan and Mr. Zheng Jia Ping, we are unable to assess whether they have an established reputation and/or track record in the copper foil industry and the extent of their client base (customers other than Kingboard Group) as we noted that the office of Harvest Resource which we visited appeared sparsely furnished with minimal activities and few employees were present at the time of our visit. We did not have the opportunity to speak to any of these employees.

1.6.33 Further, our visit to the Company's factory at Fogang, PRC on 24 November 2011, revealed that the general employees at the factory were unaware of the change in management arising from the License Agreement. We also observed that the products at the warehouse were labelled with the Company's label instead of Harvest Resource. In response to this observation, we were informed by Mr. Jackie Lo that it was not necessary to inform the factory employees of the License Agreement with HRML as long as they stay employed whilst the product labelling was a timing issue as Harvest Resource had yet to obtain the relevant permit and/or license for product labelling at the time of our visit. We were told that the permit/license requirement had been obtained in March 2012. However, we are unable to confirm the same as our requests to visit the Fogang factory (which is in close proximity to the Fogang Lianwei Trading office) in conjunction with our interview with Mdm. Lin Xiao Yan and Mr. Zheng Jia Ping in April 2012 were denied, as the Management told us that HRML has no legal obligations to accede to our requests and was cooperating at the request of the Company.

1.6.34 We had shared the findings and/or observations above as it relates to Harvest Resource in its entirety with the AC and the Management. The AC responded that they had taken certain procedures to verify the independence of Harvest Resource prior to the BOD's approval of the License Agreement including (i) obtaining confirmation from KCHL and KLHL, (ii) requesting the Company's auditors to look into Harvest Resource's independence, and (iii) meeting with Harvest Resource's personnel at their offices. The AC stated that the procedures carried out did not show any connections between Harvest Resource and KBCF Group.

1.6.35 The Management responded that Shenzhen Jiyada Trading was a dormant company and was an insignificant subsidiary of the Kingboard Group since 2005. The Management did not regard the involvement of Mr. Lin Yi Yuan, who had resigned as a director of Shenzhen Jiyada Trading since 13 March 2012, to be material for the purposes of disclosure in the announcement set out in paragraphs 1.6.29.

1.6.36 As for Dongwei (Fogang) Trading, the Management represented that it was incorporated on 9 September 2011 in good faith as part of providing assistance to the business operations of Harvest Resource for the duration of the License Agreement in terms of liaising with the relevant Chinese government authority. The Company further represented that Donggwei (Fogang) Trading was not used by the Company to assist Harvest Resource in its operations and has remained dormant since its incorporation. Further, Mr. Lin Yi Yuan has resigned from the foregoing positions since 22 April 2012.

1.6.37 Although the Company may have certain reasons for the non-disclosure of the connections between the Company and Harvest Resource, it remains inaccurate as:-

a. the Company's announcement on 3 August 2011 stated *"All of the shareholders and directors of the Licensee are independent third party which do not have any <u>prior</u> relationship with Kingboard Chemical Holdings Limited, the ultimate holding company of the Company, and its subsidiaries".*

b. the Company's announcement on 18 November 2011 stated *"…all of the shareholders and directors of the Licensee are independent third parties which do not have any <u>prior</u> relationship with KCHL, the ultimate holding company of the Company, and its subsidiaries. In this regard, the shareholders and directors of Harvest Resource are Lin Yi Yuan and Lin Xiao Yan".*

1.6.38 From the announcements made by the Company on 30 August 2013 and 28 August 2015, we noted that License Agreement with Harvest Resource had since been extended to 31 August 2017.

The Company had revised its disclosures on 30 August 2013 to state that the *"directors and controlling shareholders of the Company do not have, directly or indirectly, any relationship with Harvest Resources, its shareholders".*

1.6.39 In view of the connection between Harvest Resource and the Company though KCHL, the question arises as to whether the License Agreement could potentially be viewed as *"interested party transaction"* which requires the Company to make an immediate announcement in accordance with Chapter 9 of the SGX Listing Manual.

1.6.40 Notwithstanding the above connection between Harvest Resource and the Company through KCHL, the transaction i.e., the License Agreement between HRML and HKCFL, does not appear, prima facie, to fall within the definition of an interested person pursuant to Chapter 9 of the SGX Listing Manual in relation to *"interested person transaction"* which defines an interested person transaction as a transaction between an entity at risk and an interested person. The manual further defines an *"entity at risk"* and *"interested person"* (Rule 904) as follows:

"Entity at risk"

a. *means (i) the issuer, (ii) a subsidiary of the issuer that is not listed on the Exchange or an approved exchange; or (iii) an associated company of the issuer that is not listed on the Exchange or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.*

"Interested person"

b. *In the case of a company, it means (i) a director, chief executive officer, or controlling shareholder of the issuer; or (ii) an associate of any such director, chief executive officer, or controlling shareholder*

"an associate"

c. *An associate is define as:*

In the case of a company,

(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

(i) His immediate family

(ii) The trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) Any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which is and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

1.6.41 Based on information made available to us, we are unable to assess and further establish the relationship(s) that may exist between the HRML's directors and shareholders, directly or indirectly, with KBCF Group. However, should further information in relation to the abovementioned parties be made available to us, we may change our assessment accordingly.

1.7 Judgment issued by the Commercial Court of Bermuda

1.7.1 Subsequent to issuance of our draft reports and prior to the finalisation of this report, the Company informed us of a judgment issued by the Commercial Court of Bermuda dated 10 November 2015 ("Bermuda Judgment"). We understand that the Bermuda Judgment was issued pursuant to a legal action initiated by Annuity & Life Reassurance Ltd. (a minority shareholder of the Company) against KBCF, KCHL and entities related to KCHL (including the majority shareholders of the Company) for oppressive or prejudicial conduct.

1.7.2 During a meeting between the representatives of EY Advisory, SGX, the AC and the Company's solicitors on 2 February 2016, we were requested to consider the decision made by Chief Justice Ian R.C. Kawaley in the Bermuda Judgment and to make changes to the report, if necessary.

1.7.3 We understand that the Commercial Court looked at two broad areas which were *"said to be oppressive or prejudicial to the Petitioner (i.e. Annuity & Life Reassurance Ltd.) as a minority shareholder":* (i) *"Preferential Transfer Pricing"* in the sales of copper foil to KLHL, a subsidiary of KCHL and (ii) *"Harvest License Transaction"*.

1.7.4 Based on our plain reading of the Bermuda Judgment, paragraphs 70 to 90 of the Bermuda Judgment appear to relate to the issue of the liability of the Company and its majority shareholders to the minority shareholder. As our scope did not require us to give an opinion on the liability of the Company and its majority shareholders, the findings in the Bermuda Judgment do not have an impact on our IPTs assessment summarised in paragraphs 1.6.1 to 1.6.19.

1.7.5 The findings by the Commercial Court of Bermuda on the *"the Harvest License Transaction"* issues in paragraphs 91 to 184 of the Bermuda Judgment appear to be consistent with our findings in paragraphs 1.6.20 to 1.6.38.

1.7.6 We note from the Bermuda Judgment that KLHL, a subsidiary of Kingboard Group, was purchasing copper foil from Harvest Resource during the tenure of the License Agreement and the Court was of the view that Harvest Resource *"effectively stepped into the Company's shoes as a supplier of copper foil to the Kingboard Group using most of the Company's equipment, plant and manpower".* The Court was also of the view that the *"License Agreement was implemented in order to achieve indirectly substantially the same flow of copper foil to Laminates (i.e. KLHL) after April 29, 2011 that Laminates received from the Company before the IPT Mandate was blocked."*

1.7.7 It would appear that the License Agreement, in substance, was established "*to circumvent the IPT Mandate from the Kingboard Group perspective in that Laminates was able to access a supply of copper foil from Harvest comparable to that which the Company formerly supplied."* In paragraph 164 of the Bermuda Judgment, the Court stated that *"the Harvest License Agreement (both as initially implemented and because it has been maintained in force for more than four years) in my judgment was in substantive terms inconsistent with the spirit"* of Rules 901 and 902 of the SGX Listing Manual.

1.7.8 The Bermuda Judgment stated that the License Agreement was inconsistent with/violated the *"spirit"* of Chapter 9 of the Listing Manual. It is noted that the Court did not explicitly state whether the Company has breached Chapter 9 of the Listing Manual.

1.7.9 We understand that the Company has on 23 December 2015 filed a Notice of Appeal against the Commercial Court of Bermuda's decision in particular, paragraphs 91 to 184 of the findings on the *"Harvest License Transaction".*

1.7.10 We were informed by the Company solicitors and the AC that the Petitioner has not filed an appeal against the findings of the Bermuda Court in relation to the transfer pricing allegations, and the deadline for the filing of any such appeal has passed.

1.8 Corporate governance

During the course of our work, we noted the following matters which require the attention of the management and/or the AC:

a. Weaknesses in the maintenance of its accounting records and documents i.e., purchase orders, delivery orders and suppliers' invoices for the Relevant Period (refer to paragraphs 1.4.2 and 1.4.5).

b. Certain pertinent information missing from the Summary of RPT i.e., the names of the external customers as they were being referred as *"Customer A"* or *"Customer B"* (refer to paragraph 1.4.6).

c. Certain decisions purportedly made during the AC meetings were undocumented in the AC minutes and there were no references made in relation to these decisions (refer to paragraph 1.6.17).

d. Mr. Jackie Lo held positions in both KBCF (as a Financial Controller) and at the Kingboard Group level (as a non- executive director), prior to 2009. We were not provided with any assessment of potential conflict of interests by the Nominating Committee/AC of KBCF.

e. Inaccurate announcements made by the Company on 3 August 2011 and 18 November 2011 as mentioned in paragraph 1.6.29.

Appendix B
Directors in the Audit Committee for the Relevant Period

Appendix B
Directors in the Audit Committee for the Relevant Period

2001	
Name	**Designation**
Lee Joo Hai	Chairman/Independent Director
Teo Kiang Kok	Independent Director
Lai Chung Wing, Robert	Independent Director
Chang Winq Yiu	Executive Director
2002	
Name	**Designation**
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Cheung Kwok Ping	Executive Director
2003	
Name	**Designation**
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Cheung Kwok Ping	Executive Director
2004	
Name	**Designation**
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Cheung Kwok Ping	Executive Director
2005	
Name	**Designation**
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Cheung Kwok Ping	Executive Director
2006	

Name	Designation
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Ho Yin Sang	Executive Director
2007	
Name	**Designation**
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Ho Yin Sang	Non-Executive Director
2008	
Name	**Designation**
Lai Chung Wing, Robert	Chairman/Independent Director
Ong Tiong Wee	Independent Director
Chim Hou Yan	Independent Director
Ho Yin Sang	Non-Executive Director

Appendix C
Proposed IPT Policy

POLICY ON INTERESTED PARTY TRANSACTIONS

1. OVERVIEW

1.1 As a company listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), Kingboard Copper Foil Holdings Limited (the "**Company**") is required to comply with the SGX-ST Listing Manual ("**Listing Manual**"), including requirements applicable to interested party transactions.

1.2 This policy is in addition and supplemental to Chapter 9 of the Listing Manual to provide guidance in identifying, reviewing and approving interested person transactions. In applying this policy, regard must be given to the economic and commercial substance of the interested person transaction, instead of legal form and technicality.

1.3 For the purposes of compliance with the Listing Manual, an interested person transaction ("**IPT**") is a transaction between the entity at risk and an interested person.

1.4 An "entity at risk" is:

(i) the Company;

(ii) a subsidiary of the Company that is not listed on SGX or an approved exchange; or

(iii) an associated company of the Company that is not listed on SGX or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

1.5 An "interested person" is:

(i) a director, chief executive officer or controlling shareholder of the Company; or

(ii) an associate of any such director, chief executive officer or controlling shareholder.

1.6 An "associate" is:

(i) in relation to any director, chief executive officer or controlling shareholder (being an individual):

(a) his immediate family, i.e. the individual's spouse, child, adopted child, step-child sibling and parent;

(b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(c) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; or

(ii) in relation to a substantial shareholder or a controlling shareholder (being a company), means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

1.7 The Company is committed to taking such measures as may be necessary to guard against the risk that interested persons could influence the Company to enter into transactions with interested persons that may adversely affect the interests of the Company or its shareholders.

2. POLICY

2.1 In compliance with the requirements of the Listing Manual and to safeguard the interests of the Company and its shareholders, the Company's policy is that:

(i) all IPTs should be carried out on normal commercial terms and should not be prejudicial to the interest of the Company's shareholders;

(ii) any single IPT (the "**Relevant Transaction(s)**") where the value thereof is equal to, or more than 3% of the latest audited net tangible assets of the Company and its subsidiaries (the "**Group**") must be reviewed by the Audit Committee, and approved by the Board of Directors of the Company (the "**Board**") prior to the Company entering into such IPT (the "**Review**") so as to ensure that the Relevant Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and/or its minority shareholders;

(iii) the process surrounding IPTs should be transparent and documented;

(iv) shareholder approval ("**Shareholders' Approval**") must be obtained for any IPT (except any transaction below $100,000) of value equal to or more than:

(a) 5% of the Group's latest audited net tangible assets; or

(b) 5% of the Group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year.

Alternatively, the Company must obtain a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for the Company's day-to-day operations;

(v) the Audit Committee will review all IPTs on a quarterly basis to ensure that:

(a) they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and/or its minority shareholders; and

(b) the established guidelines and procedures for the IPTs have been complied with,

(collectively, the "**Quarterly Review**");

(vi) the Audit Committee shall consider from time to time whether the established guidelines and procedures for IPTs have become inappropriate or are unable to ensure that the IPTs will be transacted on normal commercial terms, and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority shareholders; and

(vii) if during a review by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures (including the Review) established for IPTs have become inappropriate or are unable to ensure that the IPTs will be transacted on normal commercial terms, and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority shareholders, it will take such actions (which may include the examination of an IPT and its supporting documents or such other data deemed necessary by the Audit Committee) as it deems appropriate and/or, together with the Board, institute additional procedures as necessary to ensure that future IPTs are on normal commercial terms and not prejudicial to the interests of the Company and/or its minority shareholders.

2.2 An interested person must promptly notify the company secretary of any material interest that an interested person may have in an IPT. The company secretary will promptly notify the chairman of the Audit Committee and the Board of such IPT. The chairman of the Audit

Committee will determine if the IPT is regarded as a Relevant Transaction which requires Review under this policy.

2.3 The Company will also maintain a register of all the IPTs entered into. The internal auditors of the Company will review all such IPTs recorded on the register on a quarterly basis.

2.4 Where the Company proposes to enter into the IPT, the following procedures should be followed:

I. Corporate Profile

(i) Independent searches should be carried out with information bureaus to obtain up to date information on the corporate structure of the proposed counterparty.

(ii) The entities possessing a relationship or nexus with the proposed counterparty (the "**Related Entity**") shall be identified for the purpose of identifying the interested persons.

(iii) The key shareholders, senior executives, managers and officers of the proposed counterparty and its Related Entity shall be identified for the purpose of identifying the interested persons.

II. Disclosure of Conflict of Interest

(i) Any officer or member of the Company's management (the "**Management**") who is involved in negotiating terms with the proposed counterparty, evaluating the proposed counterparty for the purposes of making a recommendation for the Company to enter into the IPT (the "**IPT Negotiations**"), shall immediately disclose any interest in or relationship with the proposed counterparty that conflicts or may conflict with his or her duties (the "**Conflicted Person(s)**"). Unless with the prior consent of the Board, such Conflicted Person(s) shall withdraw from any IPT Negotiations and shall not in any way influence the outcome of the negotiation and the decision of the Audit Committee, the Board and/or the shareholders. As an illustration, the Board may provide such consent where the Conflicted Person(s) is not involved in acting for the proposed counterparty in negotiating, evaluating, recommending or deciding the terms of the IPT and the Board is satisfied that such Conflicted Person(s) will be able to act in the best interest of the Company during the IPT Negotiations (the "**Excluded Person(s)**").

(ii) Any Excluded Person(s) permitted by the Company to be involved in the IPT Negotiations shall provide the Company with a confirmation that they will act in the best interest of the Company during the IPT Negotiations.

(iii) In the event that such Excluded Person is a director, he shall abstain from voting on the IPT.

(iv) Interests that conflict or may conflict with the official duties of the Management may include but is not limited to the following:

(a) financial interests including share, loan, bond or any interest in the business of the proposed counterparty, held directly or indirectly by, and belonging to

- the Management; or
- the Management's immediate family members.

(b) any appointment as a company director, partner, consultant, adviser or employee of the proposed counterparty; or

(c) any appointment being an appointment which has the ability to directly or indirectly influence the decision making process (including as director, partner, consultant, adviser or employee) in the proposed counterparty held by an immediate family member.

(v) Any member of the Audit Committee shall:

(a) immediately disclose any interest in or relationship with the proposed counterparty that conflicts or may conflict with his or her duties; and

(b) abstain from participating in the Review and/or the Quarterly Review (whichever is applicable).

III. Review and/or Quarterly Review

(i) The Review shall be carried out by the Board and/or the Audit Committee (where applicable) for the Relevant Transaction(s) in accordance with the following procedures:

(a) when proposing, recommending and/or advising that the Company enter into the Relevant Transaction, the Management must inform the Board and the Audit Committee of the Relevant Transaction, including the proposed counterparty and how they are related or connected. The nature of any such relationship, connection and/or interest should be disclosed to the Board and the Audit Committee;

(b) details of the Relevant Transaction, how the commercial terms were reached and where they may be evidenced and the rationale for and/or benefit to the Company should also be disclosed. In particular, the Management shall inform the Board and the Audit Committee of the methods or procedures for determining the transaction prices and the procedures which will be undertaken to ensure that such Relevant Transaction will be carried out at arm's length;

(c) the Board and/or the Audit Committee should seek legal advice from the Company's counsel or external counsel where appropriate, having regard to (but not limited to) the nature and complexity of the transaction, and the amount involved, in considering each Relevant Transaction; and

(d) the Board and/or the Audit Committee should also seek an independent adviser's opinion where appropriate, having regard to all relevant factors, including the same stated above, in considering each Relevant Transaction.

(ii) The Audit Committee shall conduct the Quarterly Review in accordance with the following procedures:

(a) prior to the meeting of the Audit Committee, the Audit Committee should be provided with an information pack containing, the summaries of the IPTs for the relevant quarter (in the event such summaries do not identify external customers by name, the Management shall, if so requested by the Audit Committee, provide the Audit Committee with such records identifying each external customer by name), a calculation worksheet of the gross profit attributable to goods sold to the interested person vis-à-vis external customers and such other supporting documents or industry data which may be necessary for the Audit Committee to conduct its Review;

(b) the Management shall inform the Audit Committee of the methods or procedures for determining the transaction prices and the procedures which were undertaken to ensure that the IPTs were carried out at arm's length;

(c) the Audit Committee should seek legal advice from the Company's counsel or external counsel where appropriate, having regard to (but not limited to) the nature and complexity of the transaction, and the amount involved, in considering the IPTs; and

(d) the Audit Committee should also seek an independent adviser's opinion where appropriate, having regard to all relevant factors, including the same stated above, in considering the IPTs.

IV. Shareholders' Approval

(i) If Shareholders' Approval is required for the IPT, the shareholders should likewise be informed of all the relevant information relating to the IPT.

(ii) Such Shareholders' Approval must be obtained either prior to the IPT being entered into, or if the IPT is expressed to be conditional on such Shareholders' Approval, prior to the completion of the IPT.

(iii) The opinion of an independent adviser stating whether the IPT is carried out on normal commercial terms and is prejudicial to the interests of the Company and its minority shareholders should be included in the circular to shareholders.

(iv) In a meeting to obtain Shareholders' Approval, the interested person and any associate of the interested person must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.

3. CONCLUSION

3.1 This Policy will be reviewed on a regular basis by the Company and updated as and when there are major changes in legislations or the business environment, in order to ensure its relevance and effectiveness.