

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



高信融資服務有限公司

Karl Thomson Financial Advisory Limited

A letter from the Board is set out on pages 4 to 14 of this circular.

A letter of recommendation from the Independent Board Committee is set out on pages 15 to 16 of this circular and a letter of recommendation from Karl Thomson Financial Advisory Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular.

A notice convening the EGM to be held at 25/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong on Monday, 18 December 2023 at 3:00 p.m. is set out on pages 35 to 36 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

21 November 2023

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Branch Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar in Hong Kong
“Company”	Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to approve the New Supply Framework Agreement and the Proposed Annual Caps contemplated thereunder
“Existing Annual Caps”	the annual caps for the Existing Supply Framework Agreement for the three years ending 31 December 2023
“Existing Supply Framework Agreement”	the agreement dated 19 July 2021 entered into between KBH and the Company for the supply of laminates and related upstream materials by the Group to the KBH Group
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprised of all independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser” or “Karl Thomson”	Karl Thomson Financial Advisory Limited, a corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the New Supply Framework Agreement and the Proposed Annual Caps
“Independent Shareholder(s)”	Shareholder not required to abstain from voting at the EGM
“INEDs”	the independent non-executive Directors
“KBH”	Kingboard Holdings Limited (stock code: 148), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“KBH Group”	KBH and its subsidiaries, excluding the Group
“Latest Practicable Date”	15 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of obtaining relevant information for inclusion herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Supply Framework Agreement”	the agreement entered into between the Company and KBH for the supply of laminates and related upstream materials by the Group to the KBH Group for a term up to 31 December 2026
“PCB(s)”	acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the New Supply Framework Agreement

DEFINITIONS

“Registrar’s Address”	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified, or supplemented from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent



KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

Executive Directors:

Mr. Cheung Kwok Wa (*Chairman*)
Mr. Cheung Kwok Keung (*Managing Director*)
Mr. Cheung Kwok Ping
Mr. Lam Ka Po
Mr. Cheung Ka Ho
Mr. Zhou Pei Feng

Non-executive Director:

Mr. Lo Ka Leong

Independent non-executive Directors:

Mr. Ip Shu Kwan, Stephen
Mr. Zhang Lu Fu
Mr. Kung, Peter
Mr. Ho Kwok Ming

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Head Office and Principal Place
of Business:*

23/F, Delta House
3 On Yiu Street
Shek Mun
Shatin, New Territories
Hong Kong

21 November 2023

To the Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcement and the circular of the Company dated 19 July 2021 and 16 August 2021 respectively in relation to the Existing Supply Framework Agreement. As the Existing Supply Framework Agreement will expire on 31 December 2023, the Company and KBH entered into the New Supply Framework Agreement, and set out the Proposed Annual Caps thereof for the three years ending 31 December 2026. Save for (i) the Proposed Annual Caps; and that (ii) the New Supply Framework Agreement shall be of a term from 1 January 2024 to 31 December 2026, the New Supply Framework Agreement is substantially the same as the Existing Supply Framework Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the New Supply Framework Agreement and the Proposed Annual Caps contemplated thereunder; (ii) the recommendation of the Independent Board Committee in respect of the transactions under the New Supply Framework Agreement and the Proposed Annual Caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the transactions under the New Supply Framework Agreement and the Proposed Annual Caps; and (iv) a notice convening the EGM.

B. NEW SUPPLY FRAMEWORK AGREEMENT

On 31 October 2023, KBH entered into the New Supply Framework Agreement with the Company in relation to the supply of laminates and related upstream materials by the Group to the KBH Group. Details of the New Supply Framework Agreement are set out below:

Parties:	(1) KBH
	(2) the Company
Nature of transaction:	<p>The Group will supply laminates and related upstream materials to the KBH Group.</p> <p>The amount of laminates and related upstream materials to be supplied is not fixed but are to be determined and agreed between the parties from time to time. The Group will not be obligated to supply a minimum amount of laminates and related upstream materials to the KBH Group and the KBH Group will not be obligated to purchase any set quantity of laminates and related upstream materials from the Group during the term of the New Supply Framework Agreement.</p> <p>The actual quantity, specification and price (with reference to and at or no less than the prevailing market price) of laminates and related upstream materials under the New Supply Framework Agreement will be subject to the individual orders placed by the KBH Group with the Group.</p>
Term:	From 1 January 2024 to 31 December 2026, both days inclusive.

LETTER FROM THE BOARD

Consideration: The price at which the materials are to be supplied will be at the then prevailing market prices, but in no event will the terms be less favourable to the Group than the terms available to independent third parties having regard to the quantity and other conditions of the sale.

To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered to independent third party customers of similar products (based on similar amount and similar specifications). In particular, where appropriate, the relevant sales department of the Group will compare the selling price offered to different customers (both the KBH Group and the independent third party customers) (based on similar amount and similar specifications) and will also monitor the movement of market price from time to time. The prevailing market prices and benchmark price information will be obtained through the market or third party customers so as to set the selling price to KBH Group under the New Supply Framework Agreement, which will be at or no less than the prevailing/benchmark prices. The sales department would consider at least one comparable transaction with an independent third party customer during the same period where applicable, and report to the senior management accordingly (*Note 1*). In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable (*Note 2*).

The Group will grant a credit period of 90 days to the KBH Group. The consideration will be settled in cash.

Notes:

1. As part of the internal requirement, the head of the sales department and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the order with the KBH Group under the New Supply Framework Agreement and compare it against one comparable transaction with independent third party customer of the Group as presented and reported by the sales department personnel. The historical price of such comparable transaction will be taken into account. As such, the terms offered to KBH Group in respect of the supply of laminates and related upstream materials under the New Supply Framework Agreement will be comparable to market terms, or not more favourable to, the KBH Group. As laminates and related upstream materials products and their market price are fairly standardized, and the Company possess rich industry experience, professional knowledge and price awareness, the Board believes that the Company's internal control system is sufficient for determining the market price of laminates and related upstream materials.
2. As part of the internal requirement, such market research comprises the sales department's coming into contact with and initiating business enquiries with potential buyers in relation to the goods contemplated under the New Supply Framework Agreement. Such potential buyers are independent third party to the Group and are market players which have been the Group's customers. The prices and terms acceptable to potential buyers are recorded and at least 2 summary reports of such open market research are submitted to the head of the sales department and/or the director-in-charge of the relevant operating subsidiary for their information and reference in considering the orders with KBH Group under the New Supply Framework Agreement.

LETTER FROM THE BOARD

Historical figures, Existing Annual Caps and Proposed Annual Caps

The table below sets out the historical figures and the Existing Annual Caps and Proposed Annual Caps in relation to the amounts payable by the KBH Group to the Group under the Existing Supply Framework Agreement and the New Supply Framework Agreement:

Year ended 31 December 2021		Year ended 31 December 2022		Year ending 31 December 2023			Year ending 31 December		
							2024	2025	2026
							Estimated amount (up to 31 December 2023) <i>(Note 1)</i>		
Annual cap <i>(HKD'000)</i>	Actual amount	Annual cap <i>(HKD'000)</i>	Actual amount	Annual cap	September 2023) <i>(HKD'000)</i>	Proposed annual cap <i>(HKD'000)</i>	Proposed annual cap <i>(HKD'000)</i>	Proposed annual cap <i>(HKD'000)</i>	
4,900,000	4,856,648	5,243,000	4,096,187	5,610,000	2,640,823	3,521,097	4,491,000	4,626,000	4,765,000

Notes:

- This is an estimated figure by straight-line multiplication from the actual transactions during the nine months ended 30 September 2023.
- The actual transaction amount during 2023 up to the Latest Practicable Date has not exceeded the annual cap of the Existing Supply Framework Agreement for 2023.

The Proposed Annual Caps under the New Supply Framework Agreement were determined with reference to the internal projection of the transactions to be made having regard to (i) the historical transaction amount of sales of laminates and related upstream materials by the Group to the KBH Group; (ii) the anticipated demand for such materials for the three financial years ending 31 December 2026, (iii) the anticipated increase in market price of such materials; (iv) the expected increase in the production capacity of PCBs of KBH Group; and (v) inflation.

The sales to KBH Group for 2023 are estimated to be approximately HK\$3,521,097,000 by annualising the sales amount for the nine months ended 30 September 2023. The significant decrease in sales to KBH Group during 2023 was mainly due to the decrease in both the unit selling price and sales volume. The Company expects sales to pick up in 2024 and in the two years ending 31 December 2026 because after a downward cycle of more than a year, it is anticipated that the laminates market will rebound and gradually stabilise.

LETTER FROM THE BOARD

Among the goods to be supplied to KBH Group, laminates and related upstream materials are mainly produced from copper. The price fluctuations in copper would have significant impact on the selling price of the goods, which in turn would affect the Proposed Annual Caps. Based on the historical copper metal price quoted on the London Metal Exchange (<https://www.lme.com/>) in USD per ton from January 2023 to October 2023, the copper price decreased by 18% from USD9,500 to USD7,800 per ton. It is believed that the sharp decrease in the copper price was mainly due to the decrease in demand of copper arising from the economic decline in 2023. The Company expects copper price to rebound in 2024, following a brief decline in 2023, as demand for the commodity rises, driven by a growing market for electronic vehicles (EVs). Each type of EVs require considerably more copper than traditional vehicles with internal combustion engines. In view of the global trend for decarbonisation, the demand for electric vehicles is expected to see major growth over the next ten years, driven by technology improvements, increased affordability and the deployment of more electric chargers. This increase will cause a greater demand for copper. Consequently, the anticipated consumption will support the copper price, which will drive up the price of laminates and related upstream materials.

The Company anticipates higher demand for laminates and related upstream materials from KBH Group, as KBH Group expands its PCB production capacity. The current total production capacity of PCBs of KBH Group as at 30 June 2023 is 18.5 million square feet per month. With an aim of increasing the market penetration of PCBs, KBH Group has brought in 500,000 square feet of additional monthly capacity for multi-layered PCBs in Qingyuan starting from the third quarter of FY2023. With the new capacity, it is expected that the production capacity for PCBs of KBH Group will be increased by around 3% from FY2024.

The Proposed Annual Caps for the three financial years ending 31 December 2026 are calculated based on: (i) for the year ending 31 December 2024, the average amount of the actual transactions under the Existing Supply Framework Agreement for the year ended 31 December 2021 and 2022 and the estimated transaction amount for the year ending 31 December 2023 plus 8% (taking into account the increase in the production capacity of PCBs of KBH Group and the general buffer of 5%) which is provided to cater for potential increase in the selling price of the laminates and related upstream materials, and inflation in 2024; and (ii) for the years ending 31 December 2025 and 2026, an annual growth rate of 3%, based on China's targeted CPI growth rate of 3% (*Note*).

Having considered the above, the Directors (including the INEDs) are of the view that the Proposed Annual Caps for the New Supply Framework Agreement are fair and reasonable.

Note: The Chinese government targets inflation rate, or increase in consumer price index (CPI), of approximately 3 percent for the year ended 31 December 2023.

LETTER FROM THE BOARD

C. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW SUPPLY FRAMEWORK AGREEMENT

The Group is engaged in, among other things, the manufacturing and sale of laminates and related products, which require materials such as the Chemicals for its production.

The New Supply Framework Agreement provides flexibility for the Group to supply laminates and related upstream materials to the KBH Group. While the Group does not rely on the KBH Group for the sale of laminates and related upstream materials, given that the Group has established a close working relationship with the KBH Group, the Company believes that transactions under the New Supply Framework Agreement will enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole.

The transactions contemplated under the New Supply Framework Agreement are to be of a recurrent revenue nature to be occurred on a regular and continuing basis in the ordinary and usual course of business of the Group. The New Supply Framework Agreement provide a framework for supplies to the KBH Group from time to time on a non-exclusive basis and regulate the business relationship among the Group and the KBH Group in relation to the transactions thereunder.

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

- the finance department of the Group would review the implementation of the annual caps of the continuing connected transactions on monthly basis to ensure the transaction amounts would not exceed the approved annual caps;
- the audit committee of the Board would review the abovementioned work of the finance department to ensure that the annual caps have not been exceeded and to review internal control procedures of the Company to ensure that connected transactions are effected at arm's length prices. The INEDs would give their views on the continuing connected transactions, including, among others, whether the continuing connected transactions are fair and reasonable, and whether the actual transaction amounts incurred by the continuing connected transactions are within the approved annual caps pursuant to the requirements of the Listing Rules;

LETTER FROM THE BOARD

- the external auditor of the Group would review the continuing connected transactions and report the factual findings to the management of the Group on an annual basis, and review the implementation of the continuing connected transactions by the Company, including, among others, whether anything has come to the external auditor's attention that causes it to believe that the continuing connected transactions are not, in all material respects, in accordance with the pricing policies of the Group, and whether the amounts incurred by the continuing connected transactions are within the annual caps during the relevant year, pursuant to the requirements of the Listing Rules; and
- the sales department, as a result of its extensive experience in the industry, is familiar with the market information of the goods contemplated under the New Supply Framework Agreement. Additionally, based on the price comparisons to be done by the sales department as disclosed above, the Company would be able to assess if the relevant selling prices to the KBH Group under the New Supply Framework Agreement are in accordance with the pricing policy and is comparable to prices with independent third parties. The head of the sales department and/or the directors-in-charge of the relevant operating subsidiary, as the case may be, would review and approve the prices and each order under the New Supply Framework Agreement to ensure that the transactions thereunder are conducted in accordance with the pricing policies and on normal commercial terms or better.

In light of the above, the Directors (including the INEDs) are of the view that the internal control measures and the procedures in determining, reviewing and approving the prices with the KBH Group are effective, the New Supply Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the New Supply Framework Agreement were arrived at after arm's length negotiation between the relevant parties.

D. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, KBH is the controlling shareholder of the Company and owns (directly and indirectly) 2,301,434,000 Shares, representing approximately 73.76% of the issued Shares of the Company. Accordingly, KBH is a connected person of the Company and the transactions contemplated under the New Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (under Chapter 14A of the Listing Rules) of the amount on an annual basis under the New Supply Framework Agreement for each of the three years ending 31 December 2024, 2025 and 2026 exceeds 5%, the transactions contemplated under the New Supply Framework Agreement are subject to compliance with the annual review, reporting, announcement, circular and the independent shareholders' approval requirements by the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The following Directors have abstained from voting at the Board meeting approving the New Supply Framework Agreement and the Proposed Annual Caps by virtue of their stake/role in KBH: (i) Mr. Cheung Kwok Wa; (ii) Mr. Cheung Kwok Keung; (iii) Mr. Cheung Kwok Ping; (iv) Mr. Lam Ka Po; and (v) Mr. Cheung Ka Ho.

The respective shareholding interest of each of the above Directors in KBH as at the Latest Practicable Date is as follows:

Ordinary shares of HKD0.01 each of KBH (“KBH Shares”)

Name of Director	Capacity	Number of issued KBH Shares held	Approximate percentage of the issued share capital of KBH (%)
Mr. Cheung Kwok Wa (<i>note 1</i>)	Beneficial owner/ Interest of spouse	17,065,320	1.54
Mr. Cheung Kwok Keung	Beneficial owner	2,610,222	0.24
Mr. Cheung Kwok Ping (<i>note 2</i>)	Beneficial owner/ Interest of spouse	7,236,383	0.65
Mr. Lam Ka Po	Beneficial owner	2,500,000	0.23
Mr. Cheung Ka Ho	Beneficial owner	484,000	0.04

Notes:

- (1) 74,400 KBH Shares were held by his spouse.
- (2) 36,000 KBH Shares were held by his spouse.

LETTER FROM THE BOARD

Any connected person with a material interest in the New Supply Framework Agreement, and any Shareholder who has a material interest in the New Supply Framework Agreement and its associates will be required to abstain from voting at the EGM. KBH and their respective associates will be required to abstain from voting at the EGM. A list of all the Shareholders that were, to the best knowledge of the Company after having made all reasonable enquiries, required to abstain from voting at the EGM as at the Latest Practicable Date is as follows:

Abstaining Shareholder	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
KBH	117,635,500	3.77
Jamplan (BVI) Limited <i>(a wholly-owned subsidiary of KBH)</i>	1,785,000,000	57.21
Kingboard Investments Limited <i>(a wholly-owned subsidiary of KBH)</i>	398,798,500	12.78
Mr. Cheung Kwok Wa <i>(an executive Director)</i>	9,442,000	0.30
Ms. Liu Mei Juan <i>(spouse of Mr. Cheung Kwok Wa)</i>	75,000	0.002
Mr. Cheung Kwok Keung <i>(an executive Director)</i>	2,502,000	0.08
Mr. Cheung Kwok Ping <i>(an executive Director)</i>	3,000,000	0.10
Mr. Lam Ka Po <i>(an executive Director)</i>	3,303,000	0.11
Mr. Cheung Ka Ho <i>(an executive Director)</i>	216,000	0.007
Total	2,319,972,000	74.36

LETTER FROM THE BOARD

E. GENERAL

The Group

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of laminates and related upstream materials.

The KBH Group

KBH is an investment holding company. The KBH Group is principally engaged in the manufacture and sale of, among other things, PCBs, chemicals and magnetic products, and property development and investment. KBH, a company of which the shares are listed on the main board of the Stock Exchange (stock code: 00148), is the controlling shareholder of the Company.

F. EGM

A notice convening the EGM is set out on pages 35 to 36 of this circular. An ordinary resolution will be proposed at the EGM to approve the New Supply Framework Agreement and the Proposed Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Branch Registrar at the Registrar's Address as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

G. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendations to the Independent Shareholders on the New Supply Framework Agreement and Proposed Annual Caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 17 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Supply Framework Agreement and the Proposed Annual Caps.

The Directors (including the INEDs) are of the view that the New Supply Framework Agreement and the Proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the terms are fair and reasonable. Therefore, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to approve the New Supply Framework Agreement and the Proposed Annual Caps at the EGM.

LETTER FROM THE BOARD

H. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix on pages 31 to 34 of this circular.

Yours faithfully
For and on behalf of the Board
Cheung Kwok Wa
Chairman



KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

21 November 2023

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 21 November 2023 (“**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the New Supply Framework Agreement and the Proposed Annual Caps are on normal or better commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we have appointed Karl Thomson Financial Advisory Limited as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 4 to 14 of the Circular, which sets out information in connection with the New Supply Framework Agreement and the Proposed Annual Caps. We also wish to draw your attention to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders which contains its advice to us in respect of the New Supply Framework Agreement and the Proposed Annual Caps as set out on pages 17 to 30 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation of the Independent Financial Adviser, we the Independent Board Committee, consider that the terms of the New Supply Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to approve the New Supply Framework Agreement and the Proposed Annual Caps at the EGM.

Yours faithfully

For and on behalf of the

Independent Board Committee

Ip Shu Kwan, Stephen, *Independent non-executive Director*

Zhang Lu Fu, *Independent non-executive Director*

Ho Kwok Ming, *Independent non-executive Director*

Kung, Peter, *Independent non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Karl Thomson Financial Advisory Limited to the independent board committee of Kingboard Laminates Holdings Limited and its independent shareholders in respect of the continuing connected transactions contemplated under the New Supply Framework Agreement for inclusion in this circular.



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

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Wan Chai, Hong Kong
香港灣仔莊士敦道181號大有大廈6字樓607-610室

21 November 2023

To the Independent Board Committee and the Independent Shareholders of
Kingboard Laminates Holdings Limited

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions contemplated under the New Supply Framework Agreement between the Company and Kingboard Holdings Limited (the “**Continuing Connected Transactions**”) and the proposed annual caps for the financial years ending 31 December 2024, 2025 and 2026 (the “**Proposed Annual Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 21 November 2023 (the “**Circular**”), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

On 31 October 2023, the Company has entered into the New Supply Framework Agreement with KBH for the three years ending 31 December 2026, pursuant to which the Group would supply laminates and related upstream materials to the KBH Group from 1 January 2024 to 31 December 2026, both days inclusive.

KBH, being the controlling shareholder of the Company, owns, directly and indirectly, approximately 73.76% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, KBH is a connected person of the Company as defined under the Listing Rules. Any transactions between the Group and the KBH Group, as a result, will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest applicable percentage ratios (under Chapter 14A of the Listing Rules) of the Proposed Annual Caps under the New Supply Framework Agreement for each of the three years ending 31 December 2024, 2025 and 2026 exceeds 5% and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the New Supply Framework Agreement constitute non-exempt continuing connected transactions of the Company under Rules 14A.36 of the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listings Rules.

KBH and their respective associates will be required to abstain from voting at the EGM. Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping, Mr. Lam Ka Po, Mr. Cheung Ka Ho being the Executive Directors will abstain from voting at the EGM approving the New Supply Framework Agreement and the Proposed Annual Caps.

An independent board committee has been established to advise Independent Shareholders as to (i) whether the terms of the New Supply Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the New Supply Framework Agreement are in the interests of the Company and the Shareholders as a whole; (iii) whether the New Supply Framework Agreement are in the ordinary and usual course of business of the Group and (iv) how the Independent Shareholders should vote in respect of the resolution(s) to approve the New Supply Framework Agreement and the transactions contemplated thereunder at the EGM. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules.

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular, relevant market data and information available from public sources and the website of the Stock Exchange and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements and representations made or referred to in the Circular are true at the time they are made and continue to be true up to the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Company, the Directors and the management of the Company in the Circular are reasonable made after due enquiry. We consider that we have been provided with sufficient information to form a reasonable basis for issuing our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and management of the

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Company and have no reason to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

BACKGROUND INFORMATION

(i) Information on the Company

The Group is principally engaged in the production and sale of laminates and related upstream materials. The following table set out (i) audited financial information of the Group for the two financial years ended 31 December 2021 and 31 December 2022 (“FY2021” and “FY2022” respectively) as extracted from the annual report of the Company for the year ended 31 December 2022 (the “FY2022 Annual Report”) and (ii) the unaudited financial information of the Group for the six months ended 30 June 2022 and 30 June 2023 (“1H2022” and “1H2023”, respectively) as extracted from the interim report of the Company for the six months ended 30 June 2023 (the “2023 Interim Report”):

	FY2021 <i>HK\$'000</i> (audited)	FY2022 <i>HK\$'000</i> (audited)	1H2022 <i>HK\$'000</i> (unaudited)	1H2023 <i>HK\$'000</i> (unaudited)
Revenue	28,799,810	22,363,680	13,175,953	8,109,913
Profit for the period	6,783,479	1,909,384	1,826,075	422,575
		As at		
		30 June	As at 31 December	
		2023	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)	(audited)
Total assets		24,331,445	24,299,812	29,821,785
Total liabilities		10,296,260	9,227,821	10,756,661

During the year ended 31 December 2022, the Group recorded revenue of approximately HK\$22,363,680,000 representing a decrease of approximate 22.35% when compared with the revenue of approximately HK\$28,799,810,000 recorded in 2021. As disclosed in the FY2022 Annual Report, the decrease in revenue was mainly due to demand drop in the electronics industry during the period.

The profit for the year was also decreased from HK\$6,783,479,000 to HK\$1,909,384,000. Owing to a surge in commodity, energy and transportation cost in FY2022. Cost increases, along with falling unit prices of goods, which caused a drop in the Group’s profit margins. In light of lower stock turnover rates and falling unit prices of laminates and upstream materials of the Group in the first two months of the year of 2023, a provision was made for inventory impairment which also contribute to the decrease in profit for the year.

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The FY2022 Annual Report revealed that despite a demand drop in the electronics industry, the Group has achieved with active market development and progress in terms of product portfolio enhancement. There was a significant proportionate expansion in the sales of high-end and high-value-added products, including thin laminates used in portable devices, lead-free and halogen-free laminates meeting high environmental standards, fire-retardant laminates with broad compatibility, and high-frequency and high-speed laminates with low loss and high transmission speed.

(ii) Information on the KBH Group

KBH is an investment holding company, the subsidiaries of which are principally engaged in manufacture and sale of, among other things, printed circuit boards (PCBs), chemicals, magnetic products, property development and investment. Against this background, the KBH Group has been providing and will continue to provide chemicals including methanol, formalin, phenol, acetone, bisphenol A and caustic soda to the Group. Such chemicals are essential for the production of laminates and related upstream materials by the Group. In return, the Group has been providing and will continue to provide the laminates products and related upstream materials to the KBH Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

To formulate our opinion regarding the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

I. Reasons and benefit of entering into the New Supply Framework Agreement

The Group is principally engaged in the production and sale of laminates and related upstream materials. Laminates are used in the production of PCBs which in turn are used in the production of a wide variety of electronic products. KBH is the controlling shareholder of the Company. KBH Group is principally engaged in the business of production and sale of PCBs and chemicals, property development and investment.

In its ordinary course of business, KBH Group has been from time to time purchasing the laminates products and related upstream materials from different suppliers (including but not limited to the Group). Indeed, KBH Group has been carrying on transactions with the Group since 2006. According to the FY2022 Annual Report, the Group's largest customer was KBH Group, being subsidiaries of KBH other than the Company or its subsidiaries, and the percentage of sales attributable to the KBH Group was approximately 18% during the year. Due to the long-standing and close working relationship between the Group and the KBH Group, the Group has been familiar with the product specifications or demands of the KBH Group, and accordingly can supply laminates products and related upstream materials to the KBH Group in a cost-effective manner. Given such close working relationship with the KBH Group, transactions under the New Supply Framework Agreement will enable the KBH Group to obtain reliable and stable source of laminates products and related upstream materials from the Group, and at the same time it will enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole.

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Having considered the facts that (i) the Existing Supply Framework Agreement will expire shortly on 31 December 2023; (ii) it is expected that KBH Group will continue to enter into transactions of similar nature with the Group from time to time thereafter; and (iii) the purpose of entering into the New Supply Framework Agreement is solely for the renewal of terms and the annual caps of the transactions contemplated under the Existing Supply Framework Agreement for a term up to 31 December 2026, in order to facilitate transactions on a continuing basis in the ordinary and usual course of business of the Group. Having considered the above, we concur with the view of the Directors that the entering into of the New Supply Framework Agreement are in the interests of the Group and the Shareholders as a whole.

II. Terms of the New Supply Framework Agreement

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

Date:	31 October 2023
Parties:	(1) KBH (2) the Company
Product to be supplied:	supply of laminates and related upstream materials by the Group to the KBH Group, without any limitation on the maximum and minimum quantity but is to be determined and agreed between the parties from time to time.
Pricing:	<p>The materials will be supplied at the then prevailing market prices, but in no event will the terms be less favourable to the Group than the terms available to independent third parties having regard to the quantity and other conditions of the sale.</p> <p>To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered to independent third party customers of similar products (based on similar amount and similar specifications). In particular, where appropriate, the relevant sales department of the Group will compare the selling price offered to different customers (both the KBH Group and the independent third party customers) (based on similar amount and similar specifications) and will also monitor the movement of market price from time to time.</p> <p>The Group will grant a credit period of 90 days to the KBH Group. The consideration will be settled in cash.</p>
Term:	From 1 January 2024 to 31 December 2026, both days inclusive.

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Pursuant to the terms of the New Supply Framework Agreement, there is no limitation on the quantity of laminates and related upstream materials to be supplied by the Group to the KBH Group. The actual quantity, specification and price of laminates and related upstream materials to be supplied will be determined and agreed between the parties from time to time. The Group will not be obligated to supply a minimum amount of laminates and related upstream materials to the KBH Group and the KBH Group will not be obligated to purchase any set quantity of laminates and related upstream materials under the term of the New Supply Framework Agreement.

Regarding the pricing mechanism, the price at which the materials to be sold in each transaction under the New Supply Framework Agreement is agreed to be at or no less than the then prevailing market prices, but in no event will the terms be less favourable to the Group than the terms available to independent third parties having regard to the quantity and other conditions of the sale. In determining the prevailing market price, the Group will obtain prevailing market prices and benchmark price information through the market or third party customers. The sales department would consider at least one comparable transaction with an independent third party customer during the same period where applicable, and report to the senior management accordingly. In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable.

III. Internal control and historical transaction records

During discussion with the management of the Group, we are advised that the Group has implemented as set of internal control procedures to ensure the pricing mechanism is fully applied.

Prior to accepting a purchase order from the KBH Group, the sale department of the Company will obtain prevailing market prices and benchmark price information through the market or third parties customers. In the previous sales transactions, the Group would consider at least one comparable transaction with an independent third party customer during the same period. In case of absence of comparable transaction or price quotation, the Group will conduct market price research on the open market. The historical price of such comparable transaction will be taken into account. As such, the terms offered to KBH Group in respect of the supply of laminates and related upstream materials under the New Supply Framework Agreement will be comparable to market terms, or not more favourable to, the KBH Group. Besides, the sales procedures to the KBH Group are identical to that of independent third party customers, which include the steps of order enquiry, price negotiation, order confirmation, product delivery and payment.

To review the internal control procedure in relation to carrying out of the transactions contemplated under the Existing Supply Framework Agreement, we have obtained and reviewed the documents including, but no limited to, an exhaustive pricing research report and sample invoices in respect of sales of laminates and related upstream materials under the Existing Supply Framework Agreement. The sales department has reviewed the prices by obtaining the independent market data and summarized in the pricing research reports to ensure the prices of good are sold at the prevailing market prices.

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Regarding our investigation on the historical transactions contemplated under Existing Supply Framework Agreement, we have requested the Company to provide us a master list of all transactions conducted between the Group and the KBH Group during the period between June 2021 and June 2023 (the “**Period under Review**”) and sample invoices for our review. Each set of sample invoice shall include the invoice for historical sales transactions between the Group and the KBH Group and at least one quotations/invoices for those similar transactions between the Group and the independent third party customers.

In view of the numerous transactions conducted during the Period under Review, we have randomly selected one sample for every two months of each financial year and therefore has reviewed 12 sets of sample invoices during the Period under Review for historical sales transactions between the Group and the KBH Group against those of similar transactions between the Group and other independent third party customers. Based on the invoices provided to us, we noted that the sale department of the Company has considered at least one similar transactions with the independent third party customers purchasing similar goods in determining the price and payment terms offered to the KBH Group. Besides, we also noted that the price and payment terms offered to the KBH Group were in fact no more favourable than those offered to the independent third party customers. We are of the view that the pricing policy and mechanism in respect of the sales of laminates and related upstream materials has been well implemented, and the interests of the Company and the Shareholders are properly safeguarded.

Having considered that (i) the terms of the New Supply Framework Agreement were negotiated based on normal commercial terms and the materials will be supplied will be provided at the then prevailing market prices, but in no event will the terms be less favourable to the Group than the terms available to independent third parties having regard to the quantity and other conditions of the sale; and (ii) the documents including, but no limited to, sample quotations, invoices and pricing research reports reviewed by us are consistent with the relevant internal control measures as aforementioned; we are of the view that there are sufficient internal control procedures in place to ensure transactions contemplated under the New Supply Framework Agreement will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IV. Analysis on the Proposed Annual Caps under the New Supply Framework Agreement

Proposed Annual Caps

The table below sets out the Proposed Annual Caps of the New Supply Framework Agreement for the financial years ending 31 December 2024, 2025 and 2026 (“**FY2024**”, “**FY2025**” and “**FY2026**”) respectively:

	For the year ending 31 December		
	2024	2025	2026
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed Annual Caps	4,491,000	4,626,000	4,765,000
Annual growth rate (%)	–	3.00%	3.00%

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In determining the proposed annual cap for the New Supply Framework Agreement for each of the three years ending 31 December 2026, the management of the Company has taken into account:

- i. the historical transaction amount of sales of laminates and related upstream materials by the Group the KBH Group;
- ii. the anticipated demand for the laminates and related upstream materials by the KBH group for the three financial years ending 31 December 2026;
- iii. the anticipated increase in market price of such materials;
- iv. the expected increase in the production capacity of PCBs of KBH Group; and
- v. inflation

We have discussed with the management of the Company the underlying principal assumptions and bases considered in the determination of the Proposed Annual Cap. In assessing the reasonableness and fairness of the basis of determination of the Proposed Annual Caps, we have considered and examined (i) the historical transaction amount of the sales under the Existing Supply Framework Agreement; (ii) the anticipated demand for the laminates and related upstream materials by the KBH group; and (iii) price volatility of the goods.

Historical amount of sale and the Existing Annual Caps

The following table sets out (i) the historical transaction amount of the sales of laminates and related upstream materials for FY2021, FY2022 and the nine months period ended 30 September 2023 (“9M2023”) under the Existing Supply Framework Agreement (“**Historical Amount of Sales**”); (ii) the Existing Annual Caps under the Existing Supply Framework Agreement; and (iii) the utilization rate for FY2021, FY2022 and 9M2023 of the Existing Annual Caps and the estimated sale for FY2023 by straight-line multiplication from the actual transactions during the nine months ended 30 September 2023:

	For the year ended		For the nine	For the year
	31 December		months	ending
	2021	2022	ended	ending
	HK\$'000	HK\$'000	30 September	31 December
			2023	2023
			HK\$'000	HK\$'000
Historical	4,856,648	4,096,187	2,640,823	3,521,097
Amount of			<i>(note 1)</i>	<i>(note 2)</i>
Sales				
Existing Annual				
Caps	4,900,000	5,243,000	5,610,000	5,610,000
% of utilization	99.12	78.13	47.07	62.76

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Notes:

1. This is the actual amount for the nine months ended 30 September 2023.
2. This is an estimated figure by proportionate adjusted multiplication from the actual sale amount during nine months ended 30 September 2023.

As illustrated in the table above, the Historical Amount of Sales for FY2021, FY2022 and 9M2023 were approximately HK\$4.86 billion, HK\$4.10 billion and HK\$2.64 billion respectively. In addition, we noted that the utilization rates of the Existing Annual Caps for the FY2021, FY2022 and 9M2023 ranged from approximately 47.07% to 99.12%. Both of the Historical Amount of Sales and utilization rates are in the decreasing trend. As advised by the management of the Company, the decrease in the Historical Amount of Sales and low utilization rates for FY2022 and 9M2023 are mainly attributable to the reasons explained as follow.

Amid an under-supply of laminates and upstream materials in 2021, a large number of industry peers have successively conducted varying degrees of expansion of production thereby significantly increasing market supply and at the same time, this supply expansion coincided with a demand shrinkage in the electronics industry during FY2022, and thus the laminate sales of the Group and unit prices both went down during the year.

Apart from that, the impact of multiple headwinds during FY2022, including the Russia-Ukraine war and other geopolitical clashes, as well as global inflation, have brought some negative impact on the electronics industry. The demand for laminates and upstream materials has significantly decreased due to sluggish sentiment of the electronics market in the PRC. Accordingly, the Historical Amount of Sales and the utilization rate in FY2022 both decreased as compared to that of FY2021.

Anticipated demand for the laminates and related upstream materials by the KBH group

The Group has worked closely with KBH Group to determine the Proposed Annual Caps for each of the three financial years ending 31 December 2026. We have reviewed the expansion plan on the PCBs of the KBH Group provided by the Group.

Based on the information provided by the management of the Group, the current total production capacity of PCBs of the KBH Group as at 30 June 2023 is 18.5 million square feet per month. With an aim of increasing the market penetration of PCBs, the KBH Group has brought in 500,000 square feet per month of additional capacity for multi-layered PCBs in Qingyuan, China starting from the third quarter of FY2023. With the new capacity, it is expected that the production capacity for PCBs of the KBH Group will be increased by around 3% from FY2024.

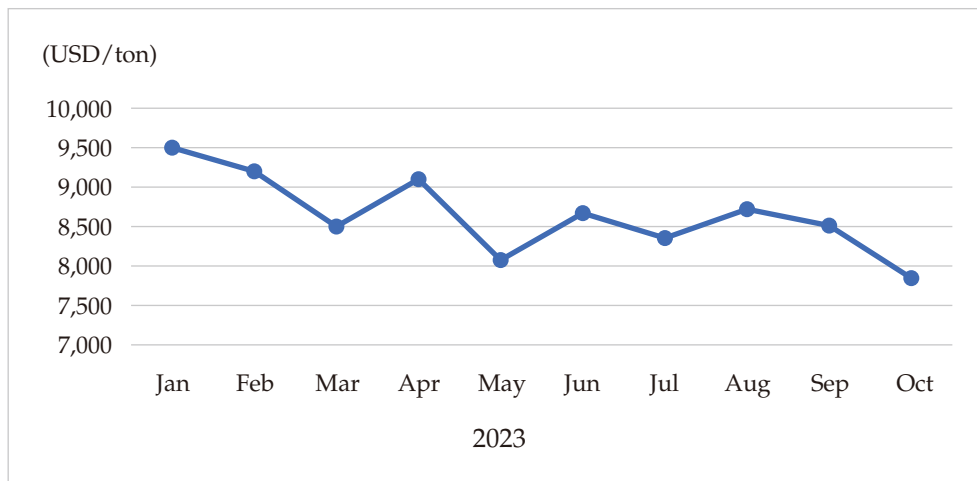
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The Chinese market, benefiting from the downstream growth of 5G communication, consumer electronics and automotive electronics, the overall PCBs market in China grow steadily. According to the data published by the National Bureau of Statistics of China, from FY2017 to FY2022, the consumption of information products and services in the PRC showed a gradual upward trend, reaching approximately RMB1.73 trillion in FY 2022, representing a year-on-year increase of 9.48%.

Looking forward, in view of greater potential in autopilot and high-speed internet sectors, and leveraging on the accumulated expertise in 6G mobile telecommunications and high-speed servers, the demand on precise and advanced multi-layered PCBs continuously increased. Led by such market trend and aiming to fulfil ardent demand, the KBH Group is actively diversifying its product portfolio into a higher-value-added product portfolio by progressively expanding its capacities for advanced multi-layered PCBs and thus the demand on goods from the Group is expected to be in stable growth.

Price volatility of the goods

Laminates and related upstream materials is mainly produced from copper. The price fluctuations in copper would have significant impact on the selling price of the goods, which in turn affect the Proposed Annual Caps. In view of this, we have conducted a review on the recent trend of the copper price. The diagram shown below is a graph of copper metal price quoted on the London Metal Exchange (www.lme.com) in US Dollar (“USD”) per ton from January 2023 up to October 2023.



In the first half of the year of 2023, the price of copper decreased from USD9,500 per ton to USD8,000 per ton. Subsequently, the price of copper rebounded to around USD8,700 per ton as at 1 August 2023, which represents an increase of approximately 8%. Meanwhile, the price of copper decreased to USD7,800 per ton, which represents a decline of approximately 18%, during the period between January 2023 and October 2023.

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Assessment of the Proposed Annual Cap for FY2024

As advised by the management of Group, the calculation of proposed annual cap for FY2024 of HK\$4,491,000,000 is based on the average amount of the actual transaction amount under the Existing Supply Framework Agreement for the years ended 31 December 2021 and 2022 and the estimated transaction amount for the year ending 31 December 2023 plus 8% (taking into account the increase in the production capacity of PCBs of KBH Group and the general buffer of 5%).

From the table above, we noted that the Historical Amount of Sales between the Group and the KBH Group have been quite volatile. It becomes more difficult for the management of the Company to carry out a precise estimation on sales in the coming years. Therefore, the calculation of proposed annual cap for FY2024 is based on the average amount of sale of FY2021, FY2022 and the estimated transaction amount for FY2023.

According to the production plan of the KBH group as discussed above, it is anticipated that the demand for laminates and related upstream materials from the KBH Group would be driven by the increase in the production capacity of PCBs starting from the third quarter of FY2023, provided that a new PCBs production line of production factory located in Qingyuan, China will be starting up. Starting from FY2024, the production capacity of PCBs will be expanded with the addition of 500,000 square feet per month and thus the current production capacity of PCBs will be increased from 18,500,000 square feet to 19,000,000 square feet per month in FY2024, representing an annual growth of approximately 3%.

We understand from the management that the general buffer of 5% is provided to cater for potential increase in the selling price of goods. Based on our review on the historical price of copper as discussed in the paragraph above, the copper price is considered to be relatively fluctuated and has dropped by approximately 18% during the period between January 2023 and October 2023. In view of the recent high inflation rate of the United States of America and Europe and geopolitical risks (in particular, the ongoing Russian-Ukrainian conflict), the management anticipated that the commodity price will go upwards. Therefore, we are of the view that certain buffer shall be made on the proposed annual cap for FY2024 in order to cater for the potential increase in global copper price.

In view of the foregoing, considering the anticipated increase in demand on laminates and related upstream materials from the KBH Group given its expansion plan in production capacity of PCBs starting from FY2024 and potential increase in global copper price, we consider that the calculation of the Proposed Annual Cap for FY2024 is justifiable.

Assessment of the Proposed Annual Cap for FY2025 and FY2026

We understand from the management that the proposed annual caps for FY2025 and FY2026 are estimated by the management of the Company with an expected annual growth of approximately 3% to provide a flexibility for the Group in dealing with any unforeseeable circumstances, in particular, for any unforeseeable increase of the sale amounts and unexpected fluctuation in selling price of the laminates and related upstream materials in FY2025 and FY2026.

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As discussed above, the demand on advanced multi-layered PCBs from telecommunications and automobiles sector continuously increased, it is expected that the production capacity of PCBs of the KBH Group will keep expanding in order to cope with increasing market demand of advanced multi-layered PCBs. We considered that it is rational for the Company to take into account the unforeseeable increase of the sale amounts and unexpected fluctuation in selling price of goods in the coming years when determining of the proposed annual caps for FY2025 and FY2026. Given the year-on-year growth rate of the consumption of information products and services in China is 9.48%, when comparing with the market growth rate, the proposed annual growth rate is considered as a prudent estimation.

Having considered the factors and circumstances as stated above, we concur with the Directors that the Proposed Annual Caps under the New Supply Framework Agreement is fair, reasonable and justifiable, on normal commercial terms or better, in ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole.

V. Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year, the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report of the Company that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) in accordance with the New Supply Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (b) each year, the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
 - (iii) were not entered into, in all material respects, in accordance with the New Supply Framework Agreement; and

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- (iv) have exceeded the Proposed Annual Caps;
- (c) the Company must allow, and ensure that the relevant counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

The Company confirms that they will strictly comply with the aforementioned annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules in respect of the Continuing Connected Transactions under the New Supply Framework Agreement. In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the sale transactions by way of the proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the proposed annual caps not being exceeded, we are of the view that appropriate measures have been in place to monitor the conduct of the Continuing Connected Transactions and assist in safeguarding the interests of the Independent Shareholders.

VI. Our recommendation

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

1. the entering into of the New Supply Framework Agreement are conducted in the ordinary and usual course of business of the Group;
2. the purpose of entering into the New Supply Framework Agreement is for renewal of the Existing Annual Caps such that other terms and conditions of the Existing Supply Framework Agreement remain unchanged;
3. the size of the proposed annual caps under New Supply Framework Agreement are determined by the Directors under a prudent approach and are fair and reasonable; and
4. the Group has been continuously doing business with the KBH Group since 2006 and considers the Group as a reliable supplier and business cooperation partner, in which a prudent internal control and monitoring of all the transactions have been evidenced;

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We conclude that the terms of the New Supply Framework Agreement and the size of corresponding Proposed Annual Caps are on normal commercial terms, in the ordinary an usual course of business, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution be proposed at the EGM to approve the New Supply Framework Agreement and the corresponding Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Karl Thomson Financial Advisory Limited
Cherrie Wong
Responsible Officer

Ms. Cherrie Wong is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Karl Thomson Financial Advisory Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 10 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENTS

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

Interests (long positions) of the Directors in the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

(a) Ordinary shares of the Company

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Kwok Wa (<i>note 1</i>)	Beneficial owner/ Interest of spouse	9,517,000	0.31
Mr. Cheung Ka Ho	Beneficial owner	216,000	0.007
Mr. Cheung Kwok Keung	Beneficial owner	2,502,000	0.08
Mr. Cheung Kwok Ping	Beneficial owner	3,000,000	0.10
Mr. Lam Ka Po	Beneficial owner	3,303,000	0.11
Mr. Ip Shu Kwan, Stephen	Beneficial owner	350,000	0.01
Mr. Kung, Peter	Interests held jointly with his spouse	60,000	0.002

Note:

(1) 75,000 Shares were held by his spouse

(b) Non-voting deferred shares of HKD1 each of Kingboard Laminates Limited, a wholly-owned subsidiary of the Company

Name of Director	Capacity	Number of non-voting deferred shares held (note)
Mr. Cheung Kwok Wa	Beneficial owner	1,058,000
Mr. Cheung Kwok Keung	Beneficial owner	529,000
Mr. Cheung Kwok Ping	Beneficial owner	952,200
Mr. Lam Ka Po	Beneficial owner	581,900

Note: None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

(c) KBH Shares

Name of Director	Capacity	Number of issued KBH Shares held	Approximate percentage of the issued share capital of KBH (%)
Mr. Cheung Kwok Wa (note 1)	Beneficial owner/ Interest of spouse	17,065,320	1.54
Mr. Cheung Kwok Keung	Beneficial owner	2,610,222	0.24
Mr. Cheung Kwok Ping (note 2)	Beneficial owner/ Interest of spouse	7,236,383	0.65
Mr. Lam Ka Po	Beneficial owner	2,500,000	0.23
Mr. Cheung Ka Ho	Beneficial owner	484,000	0.04
Mr. Lo Ka Leong (note 3)	Interest of spouse	50,000	0.005

Notes:

- (1) 74,400 KBH Shares were held by his spouse.
- (2) 36,000 KBH Shares were held by his spouse.
- (3) 50,000 KBH Shares were held by his spouse.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

4. DIRECTORS' INTEREST IN SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING INTEREST

As at the Latest Practicable Date,

- (a) save for Mr. Lo Ka Leong who is the company secretary of KBH, none of the Directors was a director or employee of a company that had an interest or short position in the Shares and underlying shares of the Company, which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO;
- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which was significant in relation to the business of the Group;
- (c) none of the Directors and his/her respective close associates had any competing interests (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder); and
- (d) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. EXPERT'S QUALIFICATION AND CONSENT

- (a) Karl Thomson is a corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance).

- (b) As at the Latest Practicable Date, Karl Thomson did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Karl Thomson has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Karl Thomson are given as of the date of this circular for incorporation herein.
- (e) Karl Thomson has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. GENERAL

- (a) The company secretary of the Company is Ms. Ng Mei Kam Kennis. Ms. Ng is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kblaminates.com) for display for a period of not less than 14 days before the date of the EGM and on the date of the EGM:

- (a) this circular;
- (b) the letter from Karl Thomson, the text of which is set out on pages 17 to 30 of this circular;
- (c) the written consent from Karl Thomson; and
- (d) the New Supply Framework Agreement.



KINGBOARD LAMINATES HOLDINGS LIMITED

建滔積層板控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1888)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Kingboard Laminates Holdings Limited (“**Company**”) will be held at 25/F., Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong on Monday, 18 December 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT** the entering into of the New Supply Framework Agreement (as defined in the circular of the Company dated 21 November 2023 (the “**Circular**”)) and the transactions and the Proposed Annual Caps (as defined in the Circular) contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”

By order of the Board of
Kingboard Laminates Holdings Limited
Ng Mei Kam Kennis
Company Secretary

Hong Kong, 21 November 2023

*Hong Kong head office and principal place of business:
23/F, Delta House
3 On Yiu Street, Shek Mun,
Shatin, New Territories
Hong Kong*

NOTICE OF EGM

Notes:

- (1) Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder.
- (2) Where there are joint registered holders of any share in the issued share capital of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company ("**Register of Members**") in respect of such share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, a form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting as the case may be.
- (4) The register of members of the Company will be closed from Wednesday, 13 December 2023 to Monday, 18 December 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, all transfers accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 12 December 2023.
- (5) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at any time between 1:00 p.m. and 3:00 p.m. on the day of the meeting, the meeting will be adjourned. The Company will post an announcement on the Company's website (www.kblaminates.com) and the HKEX news website (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situations.
- (6) As at the date hereof, the board of directors of the Company consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho and Zhou Pei Feng, being the executive directors, Mr. Lo Ka Leong, being the non-executive director, and Messrs. Ip Shu Kwan, Stephen, Zhang Lu Fu, Kung, Peter and Ho Kwok Ming being the independent non-executive directors.