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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 12 of this circular.

A letter of recommendation from the Independent Board Committee is set out on pages 13 to 14 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 15 to 28 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 Thursday, 12 December 2019 at 3:00 p.m. is set out on pages 37 to 38 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 2019

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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
“Chemicals”	chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda
“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
“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, among other things, the New Supply and Service Framework Agreement and the Proposed Annual Caps contemplated thereunder
“Existing Annual Caps”	the annual caps for the Existing Supply and Service Framework Agreement for the three years ending 31 December 2019
“Existing Supply and Service Framework Agreement”	the agreement dated 26 October 2016 entered into between KBH and the Company for the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBH Group, details of which were disclosed in the announcement and the circular of the Company dated 26 October 2016 and 21 November 2016, respectively
“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

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprised of all independent non-executive Directors, namely Mr. Leung Tai Chiu, Mr. Ip Shu Kwan, Stephen, Mr. Zhang Lu Fu and Mr. Lau Ping Cheung, Kaizer
“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 Continuing Connected Transactions and the Proposed Annual Caps
“Independent Shareholder(s)”	any Shareholder that is 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 2019, 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 Continuing Connected Transactions”	the transactions contemplated in the New Supply and Service Framework Agreement
“New Supply and Service Framework Agreement”	the agreement dated 25 October 2019 entered into between the Company and KBH for the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBH Group for a term of three years from 1 January 2020 to 31 December 2022

DEFINITIONS

“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 and Service Framework Agreement
“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 nominal value of HKD0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar, the lawful currency of the United States of America
“%”	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. Liu Min (*resigned on 18 November 2019*)
Mr. Zhou Pei Feng

Non-executive Director:

Mr. Lo Ka Leong

Independent non-executive Directors:

Mr. Leung Tai Chiu
Mr. Ip Shu Kwan, Stephen
Mr. Zhang Lu Fu
Mr. Lau Ping Cheung, Kaizer

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 2019

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcement of the Company dated 26 October 2016 and the circular of the Company dated 21 November 2016 in relation to, among other things, the Existing Supply and Service Framework Agreement. Reference is also made to the announcement of the Company dated 25 October 2019, in which it was announced, among other things, that the Company and KBH would like to renew the Existing Supply and Service Framework Agreement and the proposed annual caps thereof for the three years commencing on 1 January 2020 and ending on 31 December 2022. The Company proposes to seek the Independent Shareholders' approval for the New Supply and Service Framework Agreement and the Proposed Annual Caps contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the New Continuing Connected Transactions and the Proposed Annual Caps contemplated thereunder; (ii) the recommendation of the Independent Board Committee in respect of the New Continuing Connected Transactions and the Proposed Annual Caps;

LETTER FROM THE BOARD

(iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the New Continuing Connected Transactions and the Proposed Annual Caps; and (iv) a notice convening the EGM.

B. NEW SUPPLY AND SERVICE FRAMEWORK AGREEMENT

On 25 October 2019, KBH entered into the New Supply and Service Framework Agreement with the Company in relation to the supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBH Group. Details of the New Supply and Service Framework Agreement are set out below:

Date:	25 October 2019
Parties:	(1) KBH (2) the Company
Nature of transaction:	The Group will supply laminates and related upstream component materials and provide drilling services to the KBH Group.

The amount of laminates and related upstream component materials to be supplied and the drilling services to be provided are 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 component materials or to provide drilling services to the KBH Group and the KBH Group will not be obligated to purchase any set quantity of laminates and related upstream component materials or drilling services from the Group during the term of the New Supply and Service Framework Agreement.

The actual quantity, specification and price (with reference to and at or no less than the prevailing market price) of laminates and related upstream component materials and the drilling services to be provided under the New Supply and Service Framework Agreement will be subject to the individual orders placed by the KBH Group with the Group.

Term:	Three years from 1 January 2020 to 31 December 2022, both days inclusive.
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LETTER FROM THE BOARD

Consideration: The materials will be supplied and drilling services will be provided 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 and services.

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 or services (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 and Service 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 and Service 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 component materials and the provision of drilling services under the New Supply and Service Framework Agreement will be comparable, or not more favourable to, the KBH Group.
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 and services contemplated under the New Supply and Service 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 and Service 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 and Service Framework Agreement and the New Supply and Service Framework Agreement:

Year ended 31 December 2017		Year ended 31 December 2018		Year ending 31 December 2019		Year ending 31 December			
						31 December 2020	31 December 2021	31 December 2022	
Annual cap (HKD'000)	Actual amount	Annual cap (HKD'000)	Actual amount	Annual cap (HKD'000)	September 2019 (HKD'000)	Estimated amount (up to 31 December 2019) (Note)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)
1,900,000	1,835,757	2,090,000	2,065,525	2,299,000	1,617,849	2,202,465	2,753,000	2,945,000	3,151,000

Note: This is an estimated figure by proportionate adjusted multiplication from the actual sale amount during the nine months ended 30 September 2019.

The Proposed Annual Caps under the New Supply and Service 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 to the KBH Group; (ii) the anticipated demand for the laminates and related upstream component materials and drilling services by the KBH Group for the three financial years ending 31 December 2022, (iii) the anticipated increase in market price of the goods and services; and (iv) inflation.

The estimated increase in market price for laminates and related upstream component materials is mainly attributable to the potential price increase in copper and crude oil. Copper is the major raw material to produce laminates. The price fluctuation in copper will have significant impact on the selling price of laminates. The movement of copper price has been on a downward trend over the past years. The substantial decrease in copper price was mainly due to the decrease in demand in copper arising from the slow-down of economic growth in the PRC. In light of the economic stimulation plans implemented by the PRC government, the market expects the copper price to recover due to stabilisation in manufacturing activity and re-stocking cycle. The anticipated consumption coupled with production cuts will also support copper prices going forward. On the other hand, crude oil also plays an essential role in producing laminates and other upstream component materials. As such, the crude oil price will also affect the selling price of laminates and other upstream component materials. Taking into account the low oil price in the past years, the Organisation of the Petroleum Exporting Countries has decided to lower the crude oil output per month, which in turn resulted in a large room for crude oil price increase. Having considered the above, the Proposed Annual Caps have taken into account the potential price fluctuation in copper and crude oil.

LETTER FROM THE BOARD

The Directors also considered the anticipated demand of laminates and related upstream component materials and drilling services from KBH Group in the coming three years. In order to cope with the anticipated increase in demand for PCBs by the telecommunications and automobiles sectors, it is expected that the KBH Group will expand its PCB production capacity. In view of this, the Directors expect the demand for goods and services from the Company by the KBH Group will have a stable growth in the coming three years.

Having considered the above and the estimated demand for laminates and related upstream component materials and drilling services by the KBH Group for each of the financial years ending 31 December 2020, 2021 and 2022, and on the assumption that there will be an annual growth rate of 25% in 2020 and 7% in 2021 and 2022, in respect of the supply of laminates and related upstream component materials and drilling services to KBH Group, the Directors (including the INEDs) are of the view that the Proposed Annual Caps for the New Supply and Service Framework Agreement are fair and reasonable.

Reasons for and benefits of entering into the New Supply and Service 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 and Service Framework Agreement provides flexibility for the Group to supply laminates and related upstream component materials and provide drilling services to the KBH Group. While the Group does not rely on the KBH Group for the sale of laminates and related upstream component materials and provision of drilling services, given that the Group has established a close working relationship with the KBH Group, the Company believes that transactions under the New Supply and Service Framework Agreement will enhance the revenue of the Group through increased sales and thus benefit the Company and the Shareholders as a whole. Further, the Group considers that the KBH Group is a reliable business cooperation partner and such co-operation is beneficial to the business of the Group.

The transactions contemplated under the New Supply and Service 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 and Services Framework Agreement provides a framework for supplies 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.

LETTER FROM THE BOARD

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 a monthly basis to ensure the transaction amounts would not exceed the approved annual caps;
- the audit committee of the Board would review the implementation of continuing connected transactions during the period and samples of quotation on a semi-annual basis. The INEDs will 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;
- 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 them 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, based on its experience in the industry, is familiar with the market information of the goods and services contemplated under the New Supply and Service Framework Agreement. Additionally, based on the price comparisons to be done by the sales department as disclosed above, it will be able to assess if the relevant selling prices to the KBH Group under the New Supply and Service Framework Agreement are in accordance with the pricing policy and are comparable to or not less favourable than prices offered to independent third parties. The head of the sales department and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review and approve the prices and each order under the New Supply and Service Framework Agreement to ensure that the transactions thereunder are conducted in accordance with the pricing policy, on normal commercial terms or better, and at or no less than the then prevailing price for each order.

LETTER FROM THE BOARD

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 selling prices to the KBH Group are effective in safeguarding that the transactions contemplated under the New Supply and Service Framework Agreement be conducted on normal commercial terms or better from time to time, and that the New Supply and Service Framework Agreement is in the ordinary and usual course of business of the Group, and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the New Supply and Service Framework Agreement were arrived at after arm's length negotiation between the relevant parties.

C. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, KBH, directly or indirectly, owns approximately 69.37% of the issued share capital of the Company. Accordingly, KBH is a connected person of the Company and the transactions contemplated under the New Supply and Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the amount on an annual basis under the New Supply and Service Framework Agreement for each of the three years ending 31 December 2020, 2021 and 2022 is/are equal to or greater than 5%, the transactions contemplated under the New Supply and Service Framework Agreement are subject to compliance by the Company with the annual review, reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following Directors have abstained from voting at the Board meeting approving the New Supply and Service Framework Agreement and the Proposed Annual Caps as they are shareholders of 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.

Any connected person with a material interest in the New Continuing Connected Transactions, and any Shareholder who has a material interest in the New Continuing Connected Transactions 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. As at the Latest Practicable Date, Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping, Mr. Lam Ka Po and Mr. Cheung Ka Ho, directly and, as the case may be, through spouse's interest, were interested as to 6,904,000 Shares, 97,000 Shares, 1,000,000 Shares, 1,303,000 Shares and 2,000 Shares of the Company, respectively. Each of them and their respective associates will not vote at the EGM. To the best knowledge of the Company after having made all reasonable enquiries, as at the Latest Practicable Date, there were no other Shareholders (save as disclosed above) who were required to abstain from voting in respect of the resolution proposed to be considered and, if thought fit, approved by the Independent Shareholders at the EGM, and the total number of Shares of the abovementioned abstaining Shareholders were 2,146,502,500 Shares, representing approximately 69.67% of the total number of Shares as of the Latest Practicable Date.

LETTER FROM THE BOARD

For ease of reference, a list of all the Shareholders that are, to the best knowledge of the Company after having made all reasonable enquiries, required to abstain from voting at the EGM is as follows:

As at the Latest Practicable Date

Abstaining Shareholder	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
KBH	78,945,000	2.56
Jamplan (BVI) Limited <i>(a wholly-owned subsidiary of KBH)</i>	1,785,000,000	57.94
Kingboard Investments Limited <i>(a wholly-owned subsidiary of KBH)</i>	273,251,500	8.87
Mr. Cheung Kwok Wa	6,829,600	0.222
Ms. Liu Mei Juan <i>(spouse of Mr Cheung Kwok Wa)</i>	74,400	0.002
Mr. Cheung Kwok Keung	97,000	0.003
Mr. Cheung Kwok Ping	1,000,000	0.032
Mr. Lam Ka Po	1,303,000	0.042
Mr. Cheung Ka Ho	2,000	0.00006
Total	2,146,502,500	69.67

D. 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 component 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. As at the Latest Practicable Date, KBH, a company of which the shares are listed on the main board of the Stock Exchange, are interested in approximately 69.37% of the issued share capital of the Company and is therefore the controlling shareholder of the Company.

LETTER FROM THE BOARD

E. EGM

A notice convening the EGM is set out on pages 37 to 38 of this circular. An ordinary resolution will be proposed at the EGM to approve the New Continuing Connected Transactions 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 office of the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, 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 EGM or any adjourned meeting should you so wish.

F. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its recommendations to the Independent Shareholders on the New Continuing Connected Transactions and Proposed Annual Caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 15 to 28 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Continuing Connected Transactions and the Proposed Annual Caps.

The Directors (including the INEDs) are of the view that the New Continuing Connected Transactions 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. Therefore, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the New Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

G. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix on pages 29 to 36 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 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 21 November 2019 (“**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 Continuing Connected Transactions 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 12 of the Circular, which sets out information in connection with the New Continuing Connected Transactions 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 Continuing Connected Transactions and the Proposed Annual Caps as set out on pages 15 to 28 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 Continuing Connected Transactions 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 resolution to approve the New Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Leung Tai Chiu, *Independent non-executive Director*

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

Zhang Lu Fu, *Independent non-executive Director*

Lau Ping Cheung, Kaizer, *Independent non-executive Director*

LETTER OF ADVICE FROM KARL THOMSON

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 and Service 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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香港灣仔莊士敦道181號大有大廈6字樓606-610室

21 November 2019

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 transactions contemplated under the New Supply and Service Framework Agreement between the Company and Kingboard Holdings Limited (the “**Continuing Connected Transactions**”) and the sizes of the proposed annual caps for the Continuing Connected Transactions for the financial years ending 31 December 2020, 2021 and 2022 (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 2019 (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 25 October 2019, the Company has entered into the New Supply and Service Framework Agreement with KBH, pursuant to which the Group will supply laminates and related upstream component materials and provide drilling services to the KBH Group. KBH, being the ultimate holding company of the Company, owns, directly or indirectly, 69.37% 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 OF ADVICE FROM KARL THOMSON

As one or more of the applicable percentage ratios (under Chapter 14A of the Listing Rules) of the Proposed Annual Caps for the Continuing Connected Transactions on an annual basis exceeds 5% and the annual consideration is more than HK\$10,000,000, the Continuing Connected Transactions also 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 and Mr. Cheung Ka Ho, each being a Director will abstain from voting at the EGM approving the New Supply and Service 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 and Service Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the New Supply and Service Framework Agreement is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the New Supply and Service 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 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.

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BACKGROUND INFORMATION

(i) Information on the Company

The Group is principally engaged in the manufacture and sale of laminates and related upstream component materials. Laminates are used in the production of PCBs which in turn applied in the production of a wide variety of electronic products. Set out below are certain financial information extracted from the annual report of the Company for the year ended 31 December 2018 (the “FY2018 Annual Report”) and the interim report of the Company for the six months ended 30 June 2019 (the “FY2019 Interim Report”):

	For the six months ended 30 June 2019 HK\$’000 (unaudited)	For the financial year ended 31 December 2018 2017 HK\$’000 (audited) (audited)	
Revenue	7,631,220	20,645,776	18,337,952
Profit for the period	1,086,475	3,257,991	3,772,251

	As at 30 June 2019 HK\$’000 (unaudited)	As at 31 December 2018 2017 HK\$’000 (audited) (audited)	
Total assets	28,040,926	28,721,741	28,551,223
Total liabilities	9,944,087	10,878,739	10,564,289

During the year ended 31 December 2018, the Group recorded revenue of approximately HK\$20,645,776,000, representing an increase of approximately 12.58% when compared with the revenue of approximately HK\$18,337,952,000 recorded in 2017. However, the profit for the year slightly decreased from HK\$3,772,251,000 to HK\$3,257,991,000. As disclosed in the FY2018 Annual Report, the decrease in profit was mainly due to the increase in the cost of raw materials such as copper for laminates production as well as the finance costs during the period. The Group’s gross profit margin also dropped from 29.62% to 26.79%. As at 31 December 2018, the Group had total assets and total liabilities of approximately HK\$28,721,741,000 and HK\$10,878,739,000 respectively.

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The FY2018 Annual Report also revealed that due to slow growth in the demand for automobiles and home appliances in China, the overall demand for laminates was weakened. Sales of laminates showed a modest decline with the average monthly shipment volume of 9.64 million square metres in 2018, compared to the average monthly shipment volume of 10 million square metres in 2017.

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK\$7,631,220,000, representing a decrease of approximate 21.20% when compared to that of the corresponding period in 2018. The profit for the period also dropped from HK\$1,783,190,000 to HK\$1,086,475,000. As disclosed in the FY2019 Interim Report, such decline in overall performance was due to the combined effects of the decline in products prices as well as the high comparative figures of the corresponding period in 2018. Despite the decline in overall performance, the Group maintains a strong financial position. As at 30 June 2019, the Group had total assets and total liabilities of approximately HK\$28,040,926,000 and HK\$9,944,087,000 respectively.

(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, 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, phenol resin and caustic soda to the Group. Such chemicals are essential for the production of laminates and related upstream components by the Group. In return, the Group has been providing and will continue to provide the laminates products and related upstream component materials and provision of drilling services to the KBH Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

The Group has been providing the laminates products and related upstream component materials and provision of drilling services to the KBH Group since 2006. As advised by the management of the Company, the KBH Group has been one of the top five customers of the Group in term of revenue for many years. In particular, the sales to the KBH amounted to approximately HK\$2.1 billion for the year ended 31 December 2018, attributing around 10% of the total revenue of the Group. As such, the KBH Group is undoubtedly an important customer to the Group. By entering into the New Supply and Service Framework Agreement, the Company will able to secure the demand from the KBH Group for its products and service which help broaden its revenue base and further enhance its market position.

Given the Existing Supply and Service Framework Agreement will expire on 31 December 2019 and shall be subject to renewal, therefore the company has proposed to

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enter into the New Supply and Service Framework Agreement for term of three years up to 31 December 2022. The purpose of entering into the New Supply and Service Framework Agreement is solely for the renewal of terms and the annual caps of the transactions contemplated under the Existing Supply and Service Framework Agreement for further three years from 1 January 2020 to 31 December 2022, in order to facilitate continuing the sales transactions to KBH Group. The transactions are of a recurrent nature and will be carried out on a regular and 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 transactions contemplated under the New Supply and Service Framework Agreement, fall within the ordinary and usual course of business of the Group.

II. Terms of the New Supply and Service Framework Agreement

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

Date	25 October 2019
Parties	(1) the Company (2) KBH
Product and services to be supplied	supply of laminates and related upstream component materials and provision of drilling services by the Group to the KBH Group.
Pricing	The materials will be supplied and drilling services will be provided at or no less than the then prevailing market prices, but in no event will the terms be more favourable to the Group than the terms available to independent third parties having regard to the quantity and other conditions of the sale and services.

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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 or services (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 and Service 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.

Term From 1 January 2020 to 31 December 2022, both days inclusive.

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 and Service 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 component materials and the provision of drilling services under the New Supply and Service Framework Agreement will be comparable, or not more favourable to, the KBH Group.
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 and services contemplated under the New Supply and Service 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 and Service Framework Agreement.

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Pursuant to the terms of the New Supply and Service Framework Agreement, there is no limitation on the quantity of laminates and related upstream component materials to be supplied and drilling services to be provided by the Group to the KBH Group. The actual quantity, specification and price of laminates and related upstream component materials to be supplied and drilling services to be provided 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 component materials or to provide drilling services to the KBH Group and the KBH Group will not be obligated to purchase any set quantity of laminates and related upstream component materials or drilling services from the Group under the term of the New Supply and Service Framework Agreement.

Regarding the pricing mechanism, the price at which the materials to be sold in each transaction under the New Supply and Service Framework Agreement is agreed to be *“at or no less than the then prevailing market prices, but in no event will the terms be more favourable to the Group than the terms available to independent third parties having regard to the quantity and other conditions of the sale and services.”* In determining the prevailing market price, the Group will consider the prices offered to independent third party customers of similar products or services (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. In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable. Since the price of products to be sold by the Group will be set at or no less than the prevailing/benchmark prices, under such basis, we are of the view that the pricing mechanism of the New Supply and Service Framework Agreement is fair and reasonable.

As confirmed by the management of the Company, the terms of the New Supply and Service Framework Agreement were arrived at after arm’s length negotiations between the Group and the KBH Group and the Directors consider that the terms of the New Supply and Service Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

III. Internal Control and Historical Transaction Records

During discussion with the management of the Group, we are advised that the Group would adopt certain internal control procedures to ensure the pricing mechanism is fully applied.

For the prices of products sold by the Group, prevailing market prices and benchmark price information will be obtained 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, Group will conduct market price research on the open market. As advised by the management of the Company, prior to accepting a purchase order, the sale department of the Company will consider the price offered to the KBH Group or independent third party customers to

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ensure the selling price to KBH Group under the New Supply and Service Framework Agreement, which will be at or no less than the prevailing/benchmark prices. 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.

Furthermore, the Group has implemented the following internal control measures to monitor the continuing connected transactions of the Company such that all these transactions are on normal commercial terms, fair and reasonable as well as complying with the Listing Rules:

1. The finance department of the Group would review the implementation of the annual caps of the continuing connected transactions on monthly basis and to ensure the transaction amounts would not exceed the approved annual caps;
2. The audit committee of the Board would review the implementation of the continuing connected transaction such as the summaries of continuing connected transactions during the period and the samples of quotations on semi-annual basis. The INEDs will 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;
3. 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
4. The sales department, based on its experience in the industry, is familiar with the market information of the goods and services contemplated under the New Supply and Service Framework Agreement. Additionally, based on the price comparisons to be done by the sales department as disclosed above, it will be able to assess if the relevant selling prices to the KBH Group under the New Supply and Service Framework Agreement are in accordance with the pricing policy and is comparable to or not less favourable than prices offered to independent third parties. The head of the sales department and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review and approve the prices and each order under the New Supply and Service Framework Agreement to ensure that the transactions thereunder are conducted in accordance with the pricing policy, on normal commercial terms or better, and at or no less than the then prevailing price for each order.

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Based on the internal control manual, the documents including, but not limited to, pricing research reports and transaction records regarding the transactions between the Group and the KBH Group provided by the management of the Company, we noted that (i) the finance department of the Company has regularly monitored the cumulative transaction amounts against the approved annual caps; (ii) the sales department has obtained the independent market data and recorded in pricing research reports and such reports are submitted to the managers of the sales department for their review to ensure the prices of good and services are at the prevailing market prices; and (iii) the Company has engaged its auditors to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company.

Besides, it was stated in the annual reports of the Company for the years ended 31 December 2017 and 2018 that the auditors of the Company confirmed that the continuing connected transaction (i) has been approved by the Board; (ii) had been entered into in accordance with the terms of the relevant agreements governing the transactions; and (iii) the actual transaction amount did not exceed the respective annual caps for the two years ended 31 December 2018.

For the purpose of this letter of advice, we have reviewed records of historical transactions contemplated under the Existing Supply and Service Framework Agreement during January 2017 to September 2019 (the “**Period under Review**”). We have requested the Company to provide us a master list of transactions conducted during the Period under Review.

In view of the numerous transactions conducted during the Period under Review, we have selected six sets of sample invoices on a random basis for each financial year. Under such basis, we have reviewed a total of 18 sets of invoices for historical sales transactions between the Group and the KBH Group against those of similar transactions between the Group and other independent customers. We noted that the sales department of the Company has considered the at least one similar transactions with the independent third party customers purchasing similar goods and/or services in determining the price and payment terms offered to the KBH. Based on the invoices provided to us, we noted the date of transaction, price per unit, volume of sales, name and model of good and service of the invoices for the sales to independent third party customers and KBH are similar. In particular, the price and payment terms offered to the KBH were no more favourable than those offered to the independent third parties customers.

Having considered that (i) the Company has adequate internal control procedures as aforementioned; and (ii) the documents including, but not limited to, sample invoices, pricing research reports and transaction records reviewed by us are consistent with the relevant internal control measures as aforementioned; we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

In light of the above, we are of the view that the terms and condition of the New Supply and Service Framework Agreement are on normal commercial terms and are fair and reasonable and the entering into the New Supply and Service Framework Agreement are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

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IV. Historical amounts and the Proposed Annual Caps

The table below set out the historical figures, the Existing Annual Caps and the Proposed Annual Caps in relation to the New Supply and Service Framework Agreement:

	For the year ended 31 December		For the year ending 31 December	
	2017	2018	2019	2019
Historical sales (<i>HK\$'000</i>)	1,835,757	2,065,525	1,617,849 <i>(Note 1)</i>	2,202,465 <i>(Note 2)</i>
Annual growth rate (%)	–	12.52		6.63
Annual caps (<i>HK\$'000</i>)	1,900,000	2,090,000		2,299,000
% of utilization	96.62	98.83		95.80
			For the year ending 31 December	
			2020	2021
Proposed annual caps (<i>HK\$'000</i>)			2,753,000	2,945,000
Annual growth rate (%)			–	7.00
				7.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2019.
2. This is an estimated figure by proportionate adjusted multiplication from the actual sale amount during nine months ended 30 September 2019.

In determining the proposed annual cap for the New Supply and Service Framework Agreement for each of the three years ending 31 December 2022, the management of the Company has taken into account:

- i. the historical transaction amounts of sale to the KBH Group;
- ii. the anticipated demand for the laminates and related upstream component materials and drilling services by the KBH group for the three financial years ending 31 December 2022;
- iii. the anticipated increase in market price of the goods and services; and
- iv. inflation.

In formulating our advice regarding fairness of the size of the proposed annual caps on the New Supply and Service Framework Agreement, we have conducted analysis on (i) historical transaction amount of sales to the KBH Group; (ii) price volatility of the goods and services and (iii) anticipated demand on goods and services from the KBH Group. Detailed discussion is set out in the sections hereunder.

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(i) Historical transaction amount of sales to the KBH Group

The table below lays out the historical transaction amount of sales of laminates and related upstream component materials and provision of drilling services to the KBH Group since 2016:

	For the year ended 31 December			For the nine months ended 30 September 2019	For the year ending 31 December 2019
	2016	2017	2018		
Sale of laminates and related upstream materials and provision of drilling service (HK\$'000)	1,744,263	1,835,757	2,065,525	1,617,849	2,202,465 (Note)
Growth Rate (%)	-	5.25	12.52	-	6.63

Note: This is an estimated figure by proportionate adjusted multiplication from the actual sale amount during nine months ended 30 September 2019.

As indicated in the table above, we note that the sales amount of related upstream component materials and provision of drilling services to the KBH Group was ever increasing over the past four years. The sales to KBH Group for 2019 is estimated as to approximately HK\$2,202,465,000 by annualizing the sales amount for the nine months ended 30 September 2019.

The estimated sales for 2019 of approximately HK\$2,202,465,000, represents a growth rate of approximately 6.63% as compared to the previous year. Based on the historical sales amount for three year ended 31 December 2018 and the annualized sales amount for the year ending 31 December 2019, the compound annual growth rate is approximately 8.09%.

(ii) Price volatility of the goods and services

Among the goods to be supplied to KBH Group, laminates and related upstream component materials are mainly produced from copper. The price fluctuations in copper would have 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 historical copper price.

Based on the historical copper price quoted on the London Metal Exchange in USD per ton from January 2018 to September 2019, the movement of copper price is showing a downward trend over the period. The average copper price in first half of 2018 had been fluctuating between USD6,500 per ton to USD7,200 per ton. In the second half of 2018, the copper price started to slumped and has dropped to USD5,800 per ton in August 2018. The copper price was then solidified and was

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ranging between USD6,000 per ton and USD6,500 per ton. In May 2019, the downward trend continued and the price subsequently dropped to USD5,600 per ton in September 2019. It is believed that the subsequent decrease in the copper price was mainly due to the decrease in demand in copper arising from the slowing down of economic growth in China as well as the recent trade dispute between China and the United States. It was found that the country's PMI data is closely correlated to the commodity prices. In this regard, the economic growth in China will have great impact on the copper price. Moreover, the recent devaluation in the Renminbi also compounded the pressure on the copper price. It is expected that the copper price will continue to be volatile.

Looking forward, it is expected that the demand for copper will keep growing as a result of the "Made in China 2025" plan first announced in 2015. Four years after its official launch, the strategy has moved from blueprint to implementation with a goal of catching up with other industrialized countries and gaining a competitive edge in high-tech and emerging technologies. Under the plan, China aims to upgrade its industrial production to achieve higher efficiency and better environmental performance, through the use of smart production. More efficient technologies require a larger amount of copper, which results in potential demand growth over the next 10 years. Consequently, it is believed that the anticipated consumption will support the copper price.

Apart from the copper price, we have also taken into account the recent price fluctuations in crude oil. Chemicals such as methanol, formalin, phenol, acetone, phenol resin and caustic soda refined from the crude oil are raw material for production of laminates and related upstream components. As such, the price of crude oil will also affect the selling price of the laminates. Based on the historical prices quoted on New York Mercantile Exchange for the period from 1 January 2017 to 31 October 2019, the crude oil price was originally ranging from around US\$50/barrel to around US\$60/barrel in the first half year of 2017. In the second half of 2017, the crude oil price has sharply increased by 55% from US\$45/barrel to around US\$70/barrel, as the Organization of the Petroleum Exporting Countries (OPEC) member countries decided to reduce its production by around 1.8 million daily barrels, with the purpose of supporting the crude oil price. The upward trend continued and the price further climbed to highest level of US\$75/barrel in June 2018. After reaching the peak, oil price then sharply slumped to US\$46/barrel in December 2018. Such decline in crude oil price reflected the fears of a global recession outweigh concerns of production cut. The crude oil price restored to around US\$55/barrel after successive price movements.

We noted that such fluctuations in crude oil price was mainly affected by the production cut implemented by the OPEC and other non-OPEC countries since 2016. It is expected that the crude oil price will remain volatile as a result of the global recession, the trade dispute engaged by United States and China and uncertainty in crude oil production due to the recent restrictions imposed by the United States and other countries to their crude oil supply.

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(iii) Anticipated demand on goods and services from the KBH Group

We have also considered the anticipated demand on the goods and services from the KBH Group for the coming three years. Upon discussion with the management of the Company, we are advised that in order to cope with the anticipated demand on PCB from the growth sectors such as telecommunications and automobiles, the KBH Group will expand its production capacity of PCBs through investing new plants with high-precision and automated equipment. The PCBs produced by the new plants will be designated for such growth sectors. With the new capacity, it is expected that the production capacity of KBH Group will be increased by around 8% accordingly.

The 5G technology is expected to provide a huge market and new opportunity to the PCB industry. The Chinese government is promoting 5G as part of “Made in China 2025” to strive for 5G commercialization in 2020. In June 2019, Ministry of Industry and Information Technology (中華人民共和國工業和資訊化部) (MIIT) of PRC granted 5G licenses for commercial use, which officially began a new era in the telecommunication industry. According to the data published by the MIIT, the consumption of information products and services in China was approximately RMB9.56 trillion, representing an annual growth rate of 20.3%. In view of the release of 5G licenses and accelerate policy on the development of information products and services under the “Made in China 2025” plan, automotive and telecommunication equipment will pick up consumer electronics and become the new engine for industry growth in the next five years. Led by such market trend and aiming to fulfil ardent demand, KBH Group is expected to progressively expand its production capacities for PCBs and thus the demand on goods and services from the Group.

The proposed annual caps for the next three years are HK\$2,753,000,000, HK\$2,945,000,000 and HK\$3,151,000,000 respectively. The proposed annual cap for 2020 of HK\$2,753,000,000 represents an increment of approximately 25% over the estimated purchase amount for the financial year ending 31 December 2019. For the calculation of the annual caps for 2021 and 2022, a growth rate of 7% has been adopted. Comparing with the proposed annual caps for 2021 and 2022, a higher growth rate of 25% is adopted for the proposed annual cap for 2020. Upon discussed with the management of the Company, we note that the utilization rates for the existing annual caps in the last three year are more than 95%. Under such circumstance, a larger annual cap for 2020 shall be proposed. As discussed above, KBH Group has been expanding its production capacity in order to cope with increasing demand of PCB from telecommunications and automobiles sector. Furthermore, it is expected that the copper price and the crude oil price will remain volatile as a result of the trade dispute between China and the United States. We considered that higher buffer on the proposed annual cap for 2020 allows more flexibility for the Group to accommodate the price fluctuations in the raw materials and the sale fluctuations in the coming three years, as such we considered the Directors’ approach to embed higher buffer in determining the annual cap for 2020 is prudent and justified. On the other hand, since certain buffer has been made on the proposed annual cap for 2020, we are of the opinion that it is rational for the Company to adopt a lower growth rate of 7% on the annual caps for 2021 and 2022. Given the above, we are of the view that the growth

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rates and the Proposed Annual Caps under New Supply and Service Framework Agreement have been determined on a fair and reasonable basis.

IV. OUR RECOMMENDATION

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

1. that the purpose of entering into the New Supply and Service Framework Agreement is for the purpose of the renewal of the Existing Supply and Service Framework Agreement such that other terms and conditions of the Existing Supply and Service Framework Agreement remain unchanged;
2. that the terms and conditions of the New Supply and Service Framework Agreement is on normal commercial terms and no more favorable to KBH Group than those offered to or to Independent Third Parties; and
3. that the size of the proposed annual caps under New Supply and Service Framework Agreement are determined by the Directors under a prudent approach and are fair and reasonable;

we conclude that the terms of the New Supply and Service 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 and Service Framework Agreement and the corresponding proposed annual caps.

Yours faithfully,
For and on behalf of
Karl Thomson Financial Advisory Limited
Alex Chow
Director

Mr. Alex Chow 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 20 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 2018, 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 HKD0.01 each 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	6,904,000	0.224
Mr. Cheung Kwok Keung	Beneficial owner	97,000	0.003
Mr. Cheung Kwok Ping	Beneficial owner	1,000,000	0.032
Mr. Lam Ka Po	Beneficial owner	1,303,000	0.042
Mr. Cheung Ka Ho	Beneficial owner	2,000	0.00006

Note:

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

(b) *Share options of the Company*

Name of Director	Capacity	Interest in underlying Shares pursuant to share options
Mr. Cheung Kwok Wa	Beneficial owner	6,000,000
Mr. Cheung Kwok Keung	Beneficial owner	6,000,000
Mr. Cheung Kwok Ping	Beneficial owner	5,000,000
Mr. Lam Ka Po	Beneficial owner	5,000,000
Mr. Cheung Ka Ho	Beneficial owner	2,000,000
Mr. Leung Tai Chiu	Beneficial owner	550,000
Mr. Ip Shu Kwan, Stephen	Beneficial owner	550,000
Mr. Zhang Lu Fu	Beneficial owner	550,000
Mr. Lau Ping Cheung, Kaizer	Beneficial owner	550,000

(c) *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.

(d) *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 (note 1)	Beneficial owner/ Interest of spouse	16,318,320	1.507
Mr Cheung Kwok Keung	Beneficial owner	2,223,422	0.205
Mr Cheung Kwok Ping (note 2)	Beneficial owner/ Interest of spouse	4,736,383	0.437
Mr Lam Ka Po	Beneficial owner	1,991,360	0.184
Mr Cheung Ka Ho	Beneficial owner	384,000	0.036
Mr Liu Min (note 3)	Beneficial owner/ Interest of spouse	650,300	0.060

Notes:

- (1) 74,400 KBH Shares were held by his spouse.
- (2) 36,000 KBH Shares were held by his spouse.
- (3) 207,800 KBH Shares were held by his spouse.

- (e) *Ordinary shares (“E&E Shares”) in the share capital of Elec & Eltek International Company Limited (“E&E”), a non-wholly-owned subsidiary of the Company*

Name of Director	Capacity	Number of issued E&E Shares held	Approximate percentage of the issued share capital of E&E (%)
Mr Cheung Kwok Wa	Beneficial owner	706,200	0.378
Mr Cheung Kwok Ping	Beneficial owner	520,000	0.278
Mr Lam Ka Po	Beneficial owner	486,600	0.260

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

As at the Latest Practicable Date, none of the Directors had entered into or is proposing to enter into a service contract with any member of the Group (including the Group) which may not be terminated by the relevant member of the Group (including the Group) 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 disclosed below, 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;

Name of Director	The relevant company that had an interest or short position in the Shares and underlying shares of the Company	Position assumed in the company that had an interest or short position in the Shares and underlying shares of the Company	KBH's extent of interest in 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
Leung Tai Chiu (independent non-executive Director of the Company)	KBH	independent non-executive director of KBH	2,137,196,500 Shares, representing 69.37% of the total issued Shares of the Company, all being long position (ownership interest) in the Shares.

(b) save for the following:

to the extent that Mr. Leung Tai Chiu was also an independent non-executive director of KBH and Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr Cheung Kwok Ping, Mr Lam Ka Po, Mr Cheung Ka Ho and Mr. Liu Min were also shareholders of KBH:

- (i) the Existing Supply and Service Framework Agreement;
- (ii) the agreement dated 26 October 2016 entered into between KBH and the Company for the purchase of Chemicals by the Group from the KBH Group, details of which were disclosed in the announcement and the circular of the Company dated 26 October 2016 and 21 November 2016, respectively (the **“Existing Materials Purchase Framework Agreement”**); and
- (iii) the agreement dated 25 October 2019 entered into between the Company and KBH for the purchase of Chemicals by the Group from the KBH Group for a term of three years from 1 January 2020 to 31 December 2022, details of which were disclosed in the announcement of the Company dated 25 October 2019 (the **“New Materials Purchase Framework Agreement”**),

to the extent Mr. Cheung Kwok Wa, Mr Cheung Kwok Ping and Mr Lam Ka Po were also directors and shareholders of Hallgain Management Limited (**“Hallgain”**) and Mr. Cheung Kwok Keung and Mr Cheung Ka Ho were also shareholders of Hallgain:

- (iv) the agreement dated 26 October 2016 entered into between the Company and Hallgain for the supply of copper and laminates, details of which were disclosed in the joint announcement of KBH and the Company dated 26 October 2016 (the **“Existing Hallgain Supply Framework Agreement”**);
- (v) the agreement dated 26 October 2016 entered into between the Company and Hallgain for the purchase of certain materials for the production of laminates, details of which were disclosed in the joint announcement of KBH and the Company dated 26 October 2016 (the **“Existing Hallgain Purchase Framework Agreement”**);
- (vi) the agreement dated 25 October 2019 entered into between the Company and Hallgain in relation to the supply of copper and laminates by the Group to Hallgain and its subsidiaries for a term of three years from 1 January 2020 to 31 December 2022, details of which were disclosed in the joint announcement of KBH and the Company dated 25 October 2019 (the **“New Hallgain Supply Framework Agreement”**); and

(vii) the agreement dated 25 October 2019 entered into between the Company and Hallgain in relation to the purchase of certain materials for the production of laminates such as drill bits and machineries from Hallgain and its subsidiaries by the Group for a term of three years from 1 January 2020 to 31 December 2022, details of which were disclosed in the joint announcement of KBH and the Company dated 25 October 2019 (the “**New Hallgain Purchase Framework Agreement**”),

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, apart from their service contracts;

- (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 2018, 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 2018, 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 Mr. Lam Ting Hin. Mr. Lam 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, Uglan 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong during normal business hours on any weekday (except for public holidays) up to and including the date of the EGM:

- (a) the Existing Supply and Service Framework Agreement;
- (b) the Existing Materials Purchase Framework Agreement;
- (c) the Existing Hallgain Supply Framework Agreement;
- (d) the Existing Hallgain Purchase Framework Agreement;
- (e) the New Supply and Service Framework Agreement;
- (f) the New Materials Purchase Framework Agreement
- (g) the New Hallgain Supply Framework Agreement; and
- (h) the New Hallgain Purchase 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 Thursday, 12 December 2019 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 and Service Framework Agreement (as defined in 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
Lam Ting Hin
Company Secretary

Hong Kong, 21 November 2019

Hong Kong head office and principal place of business:

23/F, Delta House

3 On Yiu Street, Shek Mun,

Shatin, New Territories

Hong Kong

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.

NOTICE OF EGM

- (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 Level 54, Hopewell Centre, 183 Queen’s Road East, 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) 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. Leung Tai Chiu, Ip Shu Kwan, Stephen, Zhang Lu Fu and Lau Ping Cheung, Kaizer, being the independent non-executive directors.