

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 18 of this circular.

A letter of recommendation from the Independent Board Committee is set out on pages 19 to 20 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 21 to 40 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 Tuesday, 7 September 2021 at 10:30 a.m. is set out on pages 46 to 47 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.

PRECAUTIONARY MEASURES

Please refer to the section "PRECAUTIONARY MEASURES" in this circular for measures being taken to try to prevent and control the spread of the COVID-19 pandemic at the meeting, including:

- compulsory body temperature checks and health declarations
- requirement of wearing a surgical face mask for each attendee
- no distribution of corporate gift or refreshment
- proper seating arrangement

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairperson of the meeting as their proxy to vote as an alternative to attending the meeting in person.

17 August 2021

PRECAUTIONARY MEASURES

Reference is made to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

Voting by proxy in advance of the EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairperson of the EGM as their proxy instead of attending the EGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

Precautionary measures at the EGM

The Company will implement precautionary measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders, including without limitation:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius or exhibiting flu-like symptoms will be denied entry into or be required to leave the EGM venue.
- (ii) All attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government) at any time in the preceding 14 days. Any attendee who does not comply with this requirement will be denied entry into or be required to leave the EGM venue.
- (iii) Every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iv) Seating at the EGM will be arranged so as to reduce interaction between participants.
- (v) No refreshments will be served and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

PRECAUTIONARY MEASURES

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

If the Shareholders have any questions relating to the EGM, please contact the Branch Registrar at the Registrar's Address.

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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
“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
“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 Agreements and the Proposed Annual Caps contemplated thereunder
“Existing Agreements”	the Existing Materials Purchase Framework Agreement and Existing Supply Framework Agreement
“Existing Annual Caps”	the annual caps for the Existing Agreements for the three years ending 31 December 2022
“Existing Materials Purchase Framework Agreement”	the agreement dated 25 October 2019 entered into between KBH and the Company for the purchase of Chemicals by the Group from the KBH Group
“Existing Supply Framework Agreement”	the agreement dated 25 October 2019 entered into between KBH and the Company for the supply of laminates and related upstream component materials by the Group to the KBH Group
“Group”	the Company and its subsidiaries

DEFINITIONS

“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
“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 Agreements 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”	10 August 2021, 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 Agreements”	the New Materials Purchase Framework Agreement and the New Supply Framework Agreement
“New Materials Purchase Framework Agreement”	the agreement entered into between the Company and KBH for the purchase of Chemicals by the Group from the KBH Group up to 31 December 2023

DEFINITIONS

“New Supply Framework Agreement”	the agreement entered into between the Company and KBH for the supply of laminates and related upstream component materials by the Group to the KBH Group up to 31 December 2023
“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 each of the New Agreements
“Registrar’s Address”	Level 54, Hopewell Centre, 183 Queen’s Road East, 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

Registered Office:

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

Non-executive Director:

Mr. Lo Ka Leong

Head Office and Principal Place of Business:

23/F, Delta House
3 On Yiu Street
Shek Mun

Independent non-executive Directors:

Mr. Ip Shu Kwan, Stephen
Mr. Zhang Lu Fu
Mr. Lau Ping Cheung, Kaizer
Mr. Kung, Peter

Shatin, New Territories
Hong Kong

17 August 2021

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 25 October 2019 and 21 November 2019 respectively in relation to the Existing Agreements. Due to factors including an increase in unit selling price and transaction volume, it is expected that the annual caps under the Existing Agreements will be exceeded for the year ending 31 December 2021. Taking into account the increasing trend in the transaction volume under the Existing Agreements, the Company and KBH entered into the New Agreements, and set out the Proposed Annual Caps thereof for the three years ending 31 December 2023. Save for (i) the Proposed Annual Caps; and that (ii) the New Agreements shall be of a term from the date of the agreements to 31 December 2023, the New Agreements are the same as the Existing Agreements. The New Agreements shall supersede the Existing Agreements.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the New Agreements and the Proposed Annual Caps contemplated thereunder; (ii) the recommendation of the Independent Board Committee in respect of the transactions under the New Agreements 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 Agreements and the Proposed Annual Caps; and (iv) a notice convening the EGM.

B. NEW SUPPLY FRAMEWORK AGREEMENT

On 19 July 2021, KBH entered into the New Supply Framework Agreement with the Company in relation to the supply of laminates and related upstream component 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: The Group will supply laminates and related upstream component materials to the KBH Group.

The amount of laminates and related upstream component 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 component materials to the KBH Group and the KBH Group will not be obligated to purchase any set quantity of laminates and related upstream component from the Group during the term of the New Supply 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 under the New Supply Framework Agreement will be subject to the individual orders placed by the KBH Group with the Group.

Term: From the date of the agreement to 31 December 2023, both days inclusive.

LETTER FROM THE BOARD

Consideration: The materials will be supplied 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.

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, 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 component materials under the New Supply Framework Agreement will be comparable to market terms, 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 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 2019		Year ended 31 December 2020		Year ending 31 December 2021		Year ending 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023
						December 2021	(Note 2)	December 2022	December 2023	
Annual cap (HKD'000)	Actual amount	Annual cap (HKD'000)	Actual amount	Annual cap	Actual amount (up to 30 June 2021) (HKD'000)	Estimated amount (up to 31 December 2021) (Note 1)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)	Proposed annual cap (HKD'000)	
2,299,000	2,223,204	2,753,000	2,703,185	2,945,000	2,193,944	4,387,888	4,900,000	5,243,000	5,610,000	

Notes:

1. This is an estimated figure by straight-line multiplication from the actual transactions during 2021 up to 30 June 2021.
2. The Existing Annual Cap for year 2022 is HKD3,151,000,000.
3. The actual transaction amount during 2021 up to the Latest Practicable Date has not exceeded the annual cap of the Existing Supply Framework Agreement for 2021.

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 to the KBH Group; (ii) the anticipated demand for the laminates and related upstream component materials by the KBH Group for the three financial years ending 31 December 2023, (iii) the anticipated increase in market price of the goods; and (iv) inflation. The sales amount under the Existing Supply Framework Agreement has been increasing over the past three years. The sales to KBH Group for 2021 are estimated to be approximately HK\$4,387,888,000 by annualizing the sales amount for the six months ended 30 June 2021. Comparing with the existing annual cap of HK\$2,945,000,000, the estimated annualized sales for 2021 significantly exceeded the existing annual cap for the year ending 31 December 2021. The estimated annualized sales for 2021 also represents a growth rate of approximately 62.32% as compared to the actual amount for 2020. The utilization rates for the existing annual caps of 2019 and 2020 were over 95%. The significant increase in sales to KBH Group during 2021 was mainly due to the unexpected increase in selling price of the laminates and some upstream materials in view of the increase in the copper price and the shortage of supply of some upstream materials including copper foil, glass fabric, glass yarn and

LETTER FROM THE BOARD

epoxy resin and increase in demand on goods from the KBH Group during 2021. Among the goods to be supplied to KBH Group, laminates and related upstream component 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. Based on the historical copper metal price quoted on the London Metal Exchange (<https://www.lme.com/>) in USD per ton from January 2020 to June 2021, the copper price has been almost doubled over the period. China, being the top consumer of copper, consuming half of all global output. It is believed that the sharp increase in the copper price was mainly due to the increase in demand of copper arising from the speedy economic recovery from the COVID situation. The country's imports of unwrought copper and products rose 9.8% during the first half of 2021 compared to the previous year. Looking forward, it is expected that the demand for copper will keep growing as a result of the growing market for electric vehicles (EVs). Each type of EVs require considerably more copper than traditional vehicles with internal combustion engines. In view of the global trend for decarbonization, 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. The Proposed Annual Cap for the year ending 31 December 2021 of HK\$4,900,000,000 was determined by the management of the Company with reference to the estimated annualised sales for 2021 of approximately HK\$4,387,888,000. The remaining portion represents approximately a buffer of 12% which is provided to cater for any unexpected increase in the selling price of the laminates and related upstream component materials and inflation in 2021. Having considered that estimated annualised transaction amount of sales to the KBH Group (calculated based on the actual amount for the six months ended 30 June 2021) significantly exceeded the existing annual cap for the year ending 31 December 2021, utilization rate for the existing annual caps of 2019 and 2020 were over 95%, and the fluctuation of copper price movement and the difficulty in prediction, a moderate buffer is necessary to cater for inflation and any unforeseeable circumstances, in particular, for any unexpected increase in sales amounts and unexpected fluctuation in selling price of the laminates and related upstream component materials for the year ending 31 December 2021.

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.

LETTER FROM THE BOARD

C. NEW MATERIALS PURCHASE FRAMEWORK AGREEMENT

On 19 July 2021, KBH entered into the New Materials Purchase Framework Agreement with the Company in relation to the purchase of Chemicals by the Group from the KBH Group. Details of the New Materials Purchase Framework Agreement are set out below:

Parties:	(1) KBH (2) the Company
Nature of transaction:	The Group will purchase Chemicals from the KBH Group. The amount of Chemicals to be purchased is not fixed but is to be determined and agreed between the parties from time to time. The Group will not be obligated to purchase a minimum amount of materials from the KBH Group and the KBH Group will not be obligated to sell any set quantity of Chemicals to the Group during the term of the New Materials Purchase Framework Agreement. The actual quantity, specification and price (with reference to and at or no more than the prevailing market price) of Chemicals under the New Materials Purchase Framework Agreement will be subject to the individual orders placed by the Group with the KBH Group.
Term:	From the date of the agreement to 31 December 2023, both days inclusive.
Consideration:	The price at which the Chemicals are to be purchased 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 from independent third parties having regard to the quantity and other conditions of the purchase.

LETTER FROM THE BOARD

To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered by independent third party suppliers of similar Chemicals (based on similar amount and similar specifications). In particular, the relevant purchasing department of the Group will obtain quotations from different suppliers (both the KBH Group and the independent third party suppliers) 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 suppliers so as to ascertain the purchase price from the KBH Group under the New KBH Purchase Framework Agreement, which will be at or no more than the prevailing/benchmark prices. The purchasing department would consider at least one comparable transaction with an independent third party supplier during the same period where applicable, and report to the senior management accordingly. As part of the internal requirement, the head of the purchasing 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 KBH Purchase Framework Agreement and compare it against one comparable transaction with independent third party supplier of the Group as presented and reported by the purchasing department personnel. The historical price of such comparable transaction will be taken into account. As such, the terms in respect of the purchase under the New KBH Purchase Agreement will be comparable to the market terms. In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable. As part of the internal requirement, such market research comprises the purchasing department's coming into contact with and initiating business enquiries with potential sellers in relation to the goods contemplated under the New KBH Purchase Framework Agreement. Such potential sellers are independent third party to the Group and are market players which have been the Group's suppliers. The prices and terms acceptable to potential sellers are recorded and at least 2 summary reports of such open market research are submitted to the head of the purchasing 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 KBH Purchase Framework Agreement.

The KBH Group will grant a credit period of 30 days to the Group. The consideration will be settled in cash.

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 in relation to the amounts payable by the Group to the KBH Group under the Existing Materials Purchase Framework Agreement and the Proposed Annual Caps under the New Materials Purchase Framework Agreement.

Year ended 31 December 2019		Year ended 31 December 2020		Year ending 31 December 2021		31 December 2021	Year ending 31 December 2022 <i>(Note 2)</i>	31 December 2023	
Annual cap <i>(HKD'000)</i>	Actual amount	Annual cap <i>(HKD'000)</i>	Actual amount	Annual cap	Actual amount (up to 30 June 2021) <i>(HKD'000)</i>	Estimated amount (up to 31 December 2021) <i>(Note 1)</i>	Proposed annual cap <i>(HKD'000)</i>	Proposed annual cap <i>(HKD'000)</i>	Proposed annual cap <i>(HKD'000)</i>
968,000	601,178	800,000	647,199	880,000	536,134	1,072,268	1,200,000	1,284,000	1,374,000

Notes:

1. This is an estimated figure by straight-line multiplication from the actual transactions during 2021 up to 30 June 2021.
2. The Existing Annual Cap for year 2022 is HKD968,000,000.
3. The actual transaction amount during 2021 up to the Latest Practicable Date has not exceeded the annual cap of the Existing Materials Purchase Framework Agreement for 2021.

The Proposed Annual Caps under the New Materials Purchase Framework Agreement were determined with reference to the internal projection of the purchases to be incurred having regard to (i) the historical amount of purchase of the Chemicals by the Group from the KBH Group; (ii) the anticipated demand on the Chemicals by the Group for the three years ending 31 December 2023 (taking into account the expected demand and sales of the Group's products and the corresponding production capacity and production volume of the Group); (iii) the anticipated trend of the market price of the Chemicals; and (iv) inflation. The estimated annualised purchase amount of the Chemicals from the KBH Group (calculated based on the actual amount for the six months ended 30 June 2021) of approximately HK\$1,072,268,000 represented approximately 121.85% of the existing annual cap for the year ending 31 December 2021; and such estimated annualised amount represents an increase of 65.68% in comparison with the actual amount for 2020. The significant increase in purchase of the Chemicals from the KBH Group during 2021 was mainly due to the unexpected increase in market prices of the Chemicals in view of the increase in the crude oil price; and increase in demand on Chemicals from the Group during 2021. Due to the significant increase in crude oil price, the market prices of the Chemicals have been also increased by more than 50% in 2021. In

LETTER FROM THE BOARD

particular, the price of one of the major chemical utilized by the Group, Bisphenol A, has increased by over 130% during the first half of 2021 also due to the shortage of supply in the market. The recent crude oil price has been volatile. In relation to the increase in demand for Chemicals by the Group during 2021, a new laminates production factory located in Shaoguan has started its operation in 2020. In the mid of 2021, the production capacity of the Group has been expanded with addition of 1,200,000 sheets of laminates per month and thus the current production capacity of laminates has been increased from 10,400,000 sheets to 11,600,000 sheets per month. Due to the expansion in production capacity of laminates, the demand for Chemicals by the Group also increased during the year. Apart from the price of the crude oil, inflation in the PRC has been affecting price of Chemicals as well. According to the data released by National Bureau of Statistics of China, the inflation rate for June 2021 was 1.1% (http://www.stats.gov.cn/tjsj/zxfb/202107/t20210709_1819217.html). The market expects that the inflation will continue to rise given rising a tighter labour market and easing COVID-19 situation. In view of soaring in global commodity prices and costs of raw materials among the industries, it is reasonable for the management to take the future inflation into consideration. The Proposed Annual Cap for the year ending 31 December 2021 of HK\$1,200,000,000 was determined with reference to the estimated annualised purchase amount of the Chemicals by the Group from the KBH Group of approximately HK\$1,072,268,000 calculated based on the actual amount for the six months ended 30 June 2021. Comparing with the estimated annualised purchase amount, the Proposed Annual Cap for 2021 is slightly higher. The remaining portion represents a buffer of approximately 12% which is provided to cater for price fluctuation in Chemicals as well as the inflation. Given that the crude oil price has been already surging by 30% in the first half of 2021 and it is expected that the price movement in the second half of 2021 may possibly be at a slower pace, a buffer of approximately 12% for the price fluctuation in Chemicals and the inflation will be a prudent estimation.

Having considered the above, the Directors (other than the INEDs who will give their views after considering the opinion from the independent financial adviser) are of the view that the Proposed Annual Caps under the New Materials Purchase Framework Agreement are fair and reasonable.

LETTER FROM THE BOARD

D. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW AGREEMENTS

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 component materials to the KBH Group. While the Group does not rely on the KBH Group for the sale of laminates and related upstream component 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 Group purchases materials such as the Chemicals for the production of laminates from time to time. The purchase of the Chemicals by the Group from the KBH Group under the New Materials Purchase Framework Agreement secures a steady supply of the materials from the KBH Group, which facilitates the Group's production of laminates. Although the Group does not rely on the KBH Group for the purchase of Chemicals since such Chemicals are readily available from independent third parties at comparable prices and terms, the purchase of Chemicals from the KBH Group allows the Group to benefit from the economies of scale of the KBH Group. 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 Group has been operating its laminates business as principal business. The Group anticipates that materials such as the Chemicals for the manufacture of laminates will be required for it to further expand its business. Taking into account a range of factors including the reduction in transportation costs, the quality and the price of the Chemicals supplied by the KBH Group for the production of laminates, the Group considers that the purchase of materials under the New Materials Purchase Framework Agreement will facilitate its business plan and will improve the competitiveness and the quality of the laminates manufactured by the Group.

The transactions contemplated under the New Agreements 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 Agreements provide a framework for purchases and supplies (as the case may be) 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 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;
- 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 purchasing department and the sales department, based on their experience in the industry, are familiar with the market information of the goods contemplated under the New Agreements. Additionally, based on the price comparisons to be done by the purchasing department and the sales department as disclosed above, they would be able to assess if the relevant purchase prices from and selling prices to the KBH Group under the New Agreements are in accordance with the pricing policy and is comparable to prices with independent third parties. The heads of the purchasing department and 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 Agreements 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 Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, and the

LETTER FROM THE BOARD

terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the New Agreements were arrived at after arm's length negotiation between the relevant parties.

E. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, KBH is the controlling shareholder of the Company and owns (directly and indirectly) 2,296,959,500 Shares, representing approximately 73.62% of the issued Shares of the Company. Accordingly, KBH is a connected person of the Company and the transactions contemplated under the New Agreements 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 each of the New Agreements for each of the three years ending 31 December 2021, 2022 and 2023 exceeds 5%, the transactions contemplated under the New Agreements 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.

The following Directors have abstained from voting at the Board meeting approving the New Agreements 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 (note 1)	Beneficial owner/Interest of spouse	14,457,820	1.30
Mr. Cheung Kwok Keung	Beneficial owner	2,510,222	0.23
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	384,000	0.035
Mr. Lo Ka Leong (note 3)	Interest of spouse	50,000	0.005

LETTER FROM THE BOARD

Notes:

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

Any connected person with a material interest in the New Agreements, and any Shareholder who has a material interest in the New Agreements 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	114,690,000	3.68
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>	397,269,500	12.73
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	0.09
Mr. Lam Ka Po <i>(an executive Director)</i>	3,303,000	0.10
Total	<u>2,315,281,500</u>	<u>74.20</u>

LETTER FROM THE BOARD

F. 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. 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.

G. EGM

A notice convening the EGM is set out on pages 46 to 47 of this circular. Ordinary resolutions will be proposed at the EGM to approve the New Agreements 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.

H. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains its recommendations to the Independent Shareholders on the New Agreements and Proposed Annual Caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 21 to 40 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Agreements and the Proposed Annual Caps.

The Directors (including the INEDs) are of the view that the New Agreements 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 Agreements and the Proposed Annual Caps at the EGM.

LETTER FROM THE BOARD

I. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix on pages 41 to 45 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)

17 August 2021

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 17 August 2021 (“**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 Agreements 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 18 of the Circular, which sets out information in connection with the New Agreements 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 Agreements and the Proposed Annual Caps as set out on pages 21 to 40 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 Agreements 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 Agreements 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*

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

Kung, Peter, *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 Agreements for inclusion in this circular.



高信融資服務有限公司

Karl Thomson Financial Advisory Limited

Rm606-610, 6/F Tai Yau Building, 181 Johnston Road,

Wan Chai, Hong Kong

香港灣仔莊士敦道181號大有大廈6字樓606-610室

17 August 2021

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 Materials Purchase Framework Agreement and New Supply Framework Agreement between the Company and Kingboard Holdings Limited (the “**Continuing Connected Transactions**”) and the proposed annual caps for each of the Continuing Connected Transactions for the financial years ending 31 December 2021, 2022 and 2023 (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 17 August 2021 (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 Existing Materials Purchase Framework Agreement and the Existing Supply Framework Agreement with KBH respectively for the three years ending 31 December 2022. Pursuant to the Existing Materials Purchase Framework Agreement, the Group would purchase Chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda from the KBH Group whereas for the Existing Supply Framework Agreement, the Group would supply laminates and related upstream component materials and provide drilling services to the KBH Group.

LETTER OF ADVICE FROM KARL THOMSON

As stated in the Letter from the Board, due to factors including an increase in unit selling price and transaction volume, it is expected that the annual caps under the Existing Agreements will be exceeded for the year ending 31 December 2021. Taking into account the increasing trend in the transaction volume under the Existing Agreements, the Company and KBH entered into the New Agreements, and set out the Proposed Annual Caps thereof for the three years commencing on 1 January 2021 and ending on 31 December 2023.

KBH, being the ultimate holding company of the Company, owns, directly or indirectly, 73.62% 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.

As the highest applicable percentage ratios (under Chapter 14A of the Listing Rules) of the Proposed Annual Caps under each of the New Agreements for each of the three years ending 31 December 2021, 2022 and 2023 exceeds 5% and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the New Agreements 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. As at the Latest Practicable Date, Mr. Cheung Kwok Wa, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Ping, Mr. Lam Ka Po, being Executive Directors who hold 9,442,000 Shares, 2,502,000 Shares, 3,000,000 Shares and 3,303,000 Shares, representing approximately 0.3%, 0.08%, 0.09% and 0.1% of the total issued Shares respectively; will abstain from voting at the EGM approving the New Agreements 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 Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the New Agreements are in the interests of the Company and the Shareholders as a whole; (iii) whether the New Agreements 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 Agreements 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 FY2019, we have also acted as the independent financial adviser (i) to the Company advising on the continuing connected transactions contemplated under the Existing Agreements for the three financial years ending 31 December 2022 and (ii) to Elec & Eltek International Company Limited, a subsidiary of KBH, advising on the continuing connected transactions with the KBH Group for the three financial years ending 31 December 2022. Save as the above, we did not act as an independent financial adviser to the other transactions of the Group. Since such engagements were separated, we consider

LETTER OF ADVICE FROM KARL THOMSON

it would not affect our independence to form our opinion in this letter. 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.

BACKGROUND INFORMATION

(i) Information on the Company

The Group is principally engaged in the production and sale of laminates and related upstream component 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 ultimate holding company of the Company. KBH Group is principally engaged in the business of production and sale of PCBs and chemicals and property development and investment. Set out below is certain summary financial information as extracted from the annual report of the Company for the year ended 31 December 2020 (the “FY2020 Annual Report”):

	For the financial year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	17,301,186	18,383,952
Profit for the period	2,807,980	2,408,730

LETTER OF ADVICE FROM KARL THOMSON

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Total assets	26,375,915	25,803,171
Total liabilities	11,987,904	7,054,092

During the year ended 31 December 2020, the Group recorded revenue of approximately HK\$17,301,186,000, representing a decrease of approximate 5.89% when compared with the revenue of approximately HK\$18,383,952,000 recorded in FY2019. As disclosed in the FY2020 Annual Report, the decrease in revenue was mainly due to the decrease in sale of property business during the period.

The profit for the year was increased from HK\$2,408,730,000 to HK\$2,807,980,000. Owing to a surge in demand for upstream materials like copper foil, epoxy resin, glass yarn and glass fabric in the second half of FY2020, product prices started rising. Price increases, along with cost control, helped bring a surge in the Group's profit margins. Growth in profit of the laminates division offset the drop in the property business which leads to an overall growth in Group's profits.

The FY2020 Annual Report also revealed that due to expanding market share for advanced and high-value-adding products such as thin laminates and their high-frequency, high-speed and halogen-free counterparts, the overall demand for laminates was boosted. The Group accomplished a desirable increase in output volume of an average of 11.5 million square meters per month over the entire year.

(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 and the manufacture and sale of laminates and related upstream component materials. 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 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 Agreements

Based on the unaudited financial figures provided by the Company, purchase of the Chemicals by the Group from the KBH Group amounted to approximately HK\$536,134,000 during the six months ended 30 June 2021 of which approximately 60.92% of the existing annual cap of HK\$880,000,000 for FY2021 has been utilized whereas sales to the KBH Group amounted to approximately HK\$2,193,944,000 during the six months ended 30 June 2021 of which approximately 74.50% of the existing annual cap of HK\$2,945,000,000 for FY2021 has been utilized. The management expects that the annual purchase from KBH and annual sales to KBH will exceed the Existing Annual Caps for the year ending 31 December 2021. Taking into account the increasing trend in the amount of transactions under the Existing Agreements, the Company and KBH entered into the New Agreements, and set out the Proposed Annual Caps thereof for the three years commencing on 1 January 2021 and ending on 31 December 2023. According to the management of the Company, the increase in purchase and sale amounts were mainly due to factors including an increase in unit selling price and transaction volume.

The Group is principally engaged in the production and sale of laminates and related upstream component materials. Chemicals including methanol, formalin, phenol, acetone, phenol resin and caustic soda are essential for the production of laminates and related upstream components, therefore the Group has to regularly purchase Chemicals for the production of laminates. KBH, being the ultimate holding company of the Company, is principally engaged in the business of production and sale of PCBs and chemicals and property development and investment. Against this background, the KBH Group has been supplying Chemicals to the Group since FY2006. Given the established working relationship with the KBH Group, the Group considers the KBH Group as a reliable supplier and business cooperation partner and such co-operation is beneficial to the business of the Group.

On the other hand, the Group has been providing the laminates products and related upstream component materials to the KBH Group since FY2006. 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\$2.7 billion for the year ended 31 December 2020, attributing around 15% 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 Framework Agreement, the Company will be able to secure the demand from the KBH Group on for its products which help broaden its revenue.

The purpose of entering into the New Agreements is solely for the renewal of terms and the annual caps of the transactions contemplated under the Existing Agreements for the three years commencing on 1 January 2021 and ending on 31 December 2023, in order

LETTER OF ADVICE FROM KARL THOMSON

to facilitate the purchase and sale transactions under the respective agreements 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 Agreements are in the interests of the Group and the Shareholders as a whole.

II. Terms of the New Agreements

(i) *New Materials Purchase Framework Agreement*

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

Date:	19 July 2021
Parties:	(1) the Company (2) KBH
Product and services to be purchased:	purchase of Chemicals from the KBH Group, without any limitation on the maximum or minimum quantity of Chemicals to be purchased by the Group
Pricing:	The price at which the Chemicals are to be purchased 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 from independent third parties having regard to the quantity and other conditions of the purchase.

To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered by independent third party suppliers of similar Chemicals (based on similar amount and similar specifications). In particular, the relevant purchasing department of the Group will obtain quotations from different suppliers (both the KBH Group and the independent third party suppliers) and will also monitor the movement of market price from time to time.

The KBH Group will grant a credit period of 30 days to the Group. The consideration will be settled in cash.

LETTER OF ADVICE FROM KARL THOMSON

Term: From 1 January 2021 to 31 December 2023, both days inclusive.

As confirmed by the management of the Company, the transactions contemplated under the New Materials Purchase Framework Agreement are to be of a recurrent revenue nature and it will be conducted on a regular and continuing basis in the ordinary and usual course of business of the Group. The New Materials Purchase Framework Agreement only provides a framework for the purchases from time to time on a non-exclusive basis. Therefore, the Group does not rely solely on the KBH Group for the purchase of Chemicals and is free to select other Chemicals suppliers to allow a greater room for price negotiation.

Regarding the pricing mechanism, the price at which the Chemicals are to be purchased 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 from independent third parties having regard to the quantity and other conditions of the purchase. In determining the prevailing market price, the Group will consider the prices offered by independent third party suppliers of similar Chemicals (based on similar amount and similar specifications). In particular, the relevant purchasing department of the Group will obtain quotations from different suppliers (both the KBH Group and the independent third party suppliers) and will also conduct market research on the open market where applicable in order to monitor the movement of market price and from time to time.

(ii) New Supply Framework Agreement

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

Date: 19 July 2021

Parties: (1) the Company

(2) KBH

Product and services to be supplied: supply of laminates products and related upstream component materials by the Group to the KBH Group, without any limitation on the maximum and minimum quantity of products and related upstream component materials to be purchased by the KBH Group.

LETTER OF ADVICE FROM KARL THOMSON

Pricing: The materials will be supplied 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.

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

Term: From 1 January 2021 to 31 December 2023, both days inclusive.

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

LETTER OF ADVICE FROM KARL THOMSON

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 a set of internal control procedures to ensure the pricing mechanism is fully applied.

Whenever the Group intends to purchase the Chemicals from the KBH Group, the purchasing department will firstly inform the potential suppliers (including KBH Group) of the amount and specifications of intended purchase and will then assess and compare the quotations from such potential suppliers. The purchasing department would consider at least one comparable transaction with an independent third party supplier during the same period where applicable, and report to the senior management accordingly. As part of the internal requirement, the head of the purchasing 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 and compare it against one comparable transaction with independent third party supplier of the Group as presented and reported by the purchasing department personnel. As such, the terms in respect of the purchase under the New Materials Purchase Framework Agreement will be comparable to the market terms. In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable. Under such basis, we are of the view the market price information obtained from the independent third parties suppliers could assist the Group in determining the pricing of the relevant purchase transactions and therefore the Company is able to make purchase orders of Chemicals under the prevailing market condition.

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 sales department of the Company will consider the price offered to the KBH Group or independent third party customers to ensure the selling price to KBH Group under the New Supply 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.

For the purpose of this letter of advice, we have reviewed records of historical transactions contemplated under (i) Existing Materials Purchase Framework Agreement and (ii) Existing Supply Framework Agreement between January 2020 and June 2021 (the "Period under Review").

LETTER OF ADVICE FROM KARL THOMSON

(i) *Historical transactions contemplated under Existing Materials Purchase Framework Agreement*

For the transactions in respect of the purchase of Chemicals from the KBH Group by the Group under the Existing Materials Purchase Framework Agreement, we have selected on a random basis and reviewed sample purchase orders and quotations. 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. Under such basis, we have reviewed a total of 9 sets of purchase orders of the Group regarding purchase of Chemicals against those of similar transactions between the Group and other independent customers. Based on the purchase orders and quotations provided to us, we noted that at least one quotations were obtained from independent third party suppliers for price comparison of each transaction. In particular, we noted that the price and payment terms offered by the KBH Group were no less favourable than those offered by independent third parties suppliers.

(ii) *Historical transactions contemplated under Existing Supply Framework Agreement*

For the transactions in respect of the sale of laminates and related upstream component materials from the Group to the KBH Group under the Existing Materials Purchase Framework Agreement, similar investigations have been conducted as section (i) above. We have randomly selected one sample for every two months of each financial year and therefore have reviewed 9 sets of 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 customers. Again, based on the invoices provided to us, we noted that the sale department of the Company has considered the 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. Besides, we also noted that the price and payment terms offered to the KBH were no more favourable than those offered to the independent third parties customers.

Apart from the above, 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 and in the interest of the Company 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.

LETTER OF ADVICE FROM KARL THOMSON

2. 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.
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.

To review the internal control procedure for carrying out of the transactions contemplated under the Existing Agreement, we have obtained and reviewed the documents including, but no limited to, two exhaustive pricing research reports in respect of purchase of Chemicals and sales of laminates and related upstream component materials, a summary of transactions monitoring records for the Period under Review and transaction records regarding the transactions between the Group and the KBH Group provided by the management of the Company. Based on the documents provided, we noted that (i) the finance department of the Company has regularly monitored the cumulative transaction amounts against the approved annual caps for each month and the transaction monitoring records was prepared and signed by the manager of finance department and were then reviewed by the chief financial officer; (ii) the supervisor of the purchasing department has reviewed and approved the prices in each order to ensure that the transactions thereunder are conducted in accordance with the pricing policies; (iii) 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 goods and services are at the prevailing market prices. We have also obtained and reviewed the meeting minutes on the Audit Committee and we noted that the Audit Committee has conducted review on the internal control procedures to ensure relevant the pricing policies has been adopted from time to time.

Besides, it was stated in the annual reports of the Company for the years ended 31 December 2019 and 2020 that the auditors of the Company confirmed that (i) the continuing connected transaction had been entered into in accordance with the terms of the relevant agreements governing the transactions; in particular, the pricing policies were duly applied; and (ii) the actual transaction amounts did not exceed the respective annual caps for the two years ended 31 December 2020.

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Having considered that (i) the Company has adequate internal control procedures as aforementioned; and (ii) the documents including, but no limited to, sample quotations, invoices, pricing research reports and transaction monitoring records 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 Agreements will be conducted on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. Historical amounts and the Annual Caps

(a) *New Materials Purchase Framework Agreement*

The table below set out the historical transaction amounts and the historical annual caps in relation to the Existing Materials Purchase Framework Agreement:

Historical transaction amounts

	For the year ended 31 December		For the six months ending 30 June	For the year ending 31 December
	2019	2020	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Historical purchases	601,178	647,199	536,134 <i>(note 1)</i>	1,072,268 <i>(note 2)</i>
Historical annual caps	968,000	800,000	880,000	880,000
% of utilization	62.11	80.88	60.92	121.85

Notes:

1. This is the actual amount for the six months ended 30 June 2021.
2. This is an estimated figure by proportionate adjusted multiplication from the actual sale amount during six months ended 30 June 2021.

The table below sets out the Existing Annual Caps under the Existing Materials Purchase Framework Agreement and the Proposed Annual Caps of the New Materials Purchase Framework Agreement:

	For the year ending 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing annual caps	880,000	968,000	
Proposed annual caps	1,200,000	1,284,000	1,374,000
Annual growth rate (%)	–	7.00%	7.00%

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As stated in the Letter from the Board, in determining the proposed annual caps for the New Materials Purchase Framework Agreement for each of the three years ending 31 December 2023, the Directors have taken the following factors into consideration:

- i. the historical amount of purchase of the Chemicals by the Group from the KBH Group;
- ii. the anticipated demand on the Chemicals by the Group for the three financial years ending 31 December 2023 (taking into account the expected demand and sales of the Group's products and the corresponding production capacity and production volume of the Group);
- iii. the anticipated trend of the market price of the Chemicals; and
- iv. inflation

In assessing the fairness and reasonableness of the Proposed Annual Caps under the New Materials Purchase Framework Agreement, we have reviewed and discussed with management of the Company on the underlying calculation, including the basis and assumptions, in formulating the same.

(a) The proposed annual cap for the year ending 31 December 2021

In order to formulating our advice, we have obtained and reviewed the historical amount of purchase of the Chemicals by the Group from the KBH Group. From our review, we noted that the annualised purchase amount of the Chemicals from the KBH Group for the six months ended 30 June 2021 of approximately HK\$1,072,268,000 represented (i) approximately 121.85% of the existing annual cap for the year ending 31 December 2021; and (ii) an increase of approximately 65.68% in comparison with the purchase amount of the previous year.

We understand from the management that the significant increase in purchase amount of the Chemicals from the KBH Group during FY2021 was mainly due to (i) the unexpected increase in market prices of the Chemicals in view of the increase in the in crude oil price; and (ii) increase in demand on Chemicals from the Group during FY2021.

We have discussed with the management of the Company and understand that due to the significant increase in crude oil price, the market prices of the Chemicals have been also increased by more than 50% in FY2021. In particular, the price of one of the major chemicals utilized by the Group, Bisphenol A, has increased by over 130% during the first half of FY2021. In order to formulating our opinion, we have reviewed the recent price movement of the crude oil. Based on the historical prices quoted on New York Mercantile Exchange (source: <https://www.cmegroup.com/company/nymex.html>) for the period from 1 January 2020 to 30 June 2021, the crude oil price was originally at around US\$55/barrel at the

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beginning of FY2020. In February 2020, the crude oil price sharply dropped by 55% from US\$46/barrel to around US\$20/barrel. After reaching the bottom price of US\$20/barrel in April 2020, the crude oil price rebounded to around US\$37/barrel in May 2020. The upward trend continued and the price further climbed to highest level of US\$75/barrel in June 2021. From our review, the recent crude oil price was volatile.

In relation to the increase in demand on Chemicals from the Group during FY2021, we are advised by the management of the Company that a new laminates production factory located in Shaoguan has started its operation in FY2020. In the mid of FY2021, the production capacity of the Group has been expanded with addition of 1,200,000 sheets of laminates per month and thus the current production capacity of laminates has been increased from 10,400,000 sheets to 11,600,000 sheets per month. Due to the expansion in production capacity of laminates, the demand on Chemicals from the Group also increased during the year.

Apart from the crude oil price, inflation in China has been affecting price of Chemicals as well. According to the data released by National Bureau of Statistics of China, the inflation rate for June 2021 was 1.1% (source: http://www.stats.gov.cn/tjsj/zxfb/202107/t20210709_1819217.html). The market expects that the inflation will continue to rise given rising a tighter labour market and easing COVID-19 disruptions. In view of soaring in global commodity prices and costs of raw materials among the industries, it is reasonable for the management to take the future inflation into consideration.

We understand from the management of the Company that the proposed annual cap for the year ending 31 December 2021 of HK\$1,200,000,000 was determined with reference to the annualised purchase amount of the Chemicals by the Group from the KBH Group of approximately HK\$1,072,268,000 for the six months ended 30 June 2021. Comparing with the annualised purchase amount, the proposed annual cap for FY2021 is slightly higher. The remaining portion represents a buffer of approximately 12% which is provided to cater for price fluctuation in Chemicals as well as the inflation.

Given that (i) the crude oil price has been already surging by 30% in the first half of FY2021 and it is expected that the price movement in the second half of FY2021 will be at a slower pace; (ii) the demand on Chemicals from the Group in the second half of FY2021 is expected to be similar to that of the first half of FY2021; and (iii) the inflation in China for second half of FY2021 is expected to be below the government's official target of around 3% (source: 《REPORT ON THE WORK OF THE GOVERNMENT 2021》<http://www.gov.cn/guowuyuan/zfgzbg.htm>), a moderate buffer of approximately 12% for the price fluctuation in Chemicals and the inflation will be a prudent estimation. Based on the above discussion, we considered the estimation on the proposed annual cap for the year ending 31 December 2021 is justified.

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(b) *The proposed annual caps for the two years ending 31 December 2022 and 2023*

We understand from the management that the proposed annual caps for the two years ending 31 December 2022 and 2023 is estimated by the management of the Company with an expected annual growth of approximately 7% based on the proposed annual cap for the year ending 31 December 2021.

In determining the proposed annual caps for the two years ending 31 December 2022 and 2023, the management of the Company tried to consider the anticipated trend of the market price of the Chemicals. However, we noted that the historical crude oil price have been very volatile. It becomes difficult for the management of the Company to carry out a precise estimation on trend of the market price of the Chemicals in the coming years. In view of the numerous uncertainties in the global economic outlook and surrounding the ongoing COVID-19, the fluctuation in crude oil price is expected to be more unpredictable.

For the anticipated demand on the Chemicals by the Group, the management of the Company advised us that the anticipated demand on the Chemicals by the Group is expected to have steady growth for the two years ending 31 December 2022 and 2023. Under such circumstance, the management of the Company has projected the proposed annual caps for the two years ending 31 December 2022 and 2023 based on the historical growth rate of the purchase amount. We understand from the management of the Company that reference has been made to the relevant year-on-year growth rate of 7.66% for FY2020 (the “**FY2020 Purchase Growth Rate**”). The FY2020 Purchase Growth Rate is adopted as it is more representable when comparing with the historical growth rates for the years prior to FY2020. Upon enquiry, we are advised that such previous growth rates were mainly attributed by the unusual price movement of Chemicals instead of the historical demand on the Chemicals by the Group and it is therefore considered not appropriate to use to project the annual caps for FY2022 and FY2023.

For our due diligence purpose, we have also reviewed the historical purchase amounts of the Chemicals and the respective growth rates from FY2013 to FY2020, we noted that the historical purchase amounts of the Chemicals for FY2013 to FY2020 were quite fluctuated and was not in an upward trend while the relevant historical growth rates ranged from -23% to 20% which was also volatile. It appears to be difficult for the Company to make an estimation on future purchases based on historical growth rates over the previous years. We understand from the management of the Company that reference has been made to the FY2020 Purchase Growth Rate when the Group was under normal operation. Given that the Company has no immediate concrete plan to expand or reduce its laminate production capacity in FY2022 and FY2023, the management of the Company believes that the anticipated demand on the Chemicals by the Group is expected to have steady growth. Under such circumstances, we believed that FY2020 Purchase Growth Rate represents a meaningful data and considered more appropriate to use to project the annual caps for the two years ending 31 December 2022 and 2023 on the assumption

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that the purchase amounts of the Chemicals from the KBH Group during FY2022 and FY2023 would grow at the FY2020 Purchase Growth Rate under normal operation. Based on the above discussion, we are in the opinion that the growth rate on the Proposed Annual Caps for the two years ending 31 December 2022 and 2023 is reasonable.

Having considered the bases for determining the Proposed Annual Caps and our assessment set out above, we are of the view that the Proposed Annual Caps under New Materials Purchase Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

(b) *New Supply Framework Agreement*

The table below set out the historical transaction amounts and the historical annual caps in relation to the Existing Supply Framework Agreement:

Historical transaction amounts

	For the year ended		For the six	For the year
	31 December		months	ending
	2019	2020	ending	ending
	2021	2020	30 June	31 December
	2021	2020	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Historical sales	2,223,204	2,703,185	2,193,944 <i>(note 1)</i>	4,387,888 <i>(note 2)</i>
Historical annual caps	2,299,000	2,753,000	2,945,000	2,945,000
% of utilization	96.70	98.19	74.50	148.99

Notes:

1. This is the actual amount for the six months ended 30 June 2021.
2. This is an estimated figure by proportionate adjusted multiplication from the actual sale amount during six months ended 30 June 2021.

The table below sets out the Existing Annual Caps under the Existing Supply Framework Agreement, the Proposed Annual Caps of the New Supply Framework Agreement:

	For the year ending 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing annual caps	2,945,000	3,151,000	
Proposed Annual Caps	4,900,000	5,243,000	5,610,000
Annual growth rate (%)	-	7.00%	7.00%

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In determining the proposed annual caps for the New Supply Framework Agreement for each of the three years ending 31 December 2023, 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 by the KBH group for the three financial years ending 31 December 2023;
- iii. the anticipated increase in market price of the goods; and
- iv. inflation

In assessing the fairness and reasonableness of the Proposed Annual Caps under the New Supply Framework Agreement, we have reviewed and discussed with management of the Company on the underlying calculation, including the basis and assumptions, in formulating the same.

(a) The proposed annual cap for the year ending 31 December 2021

As indicated in the table above, we note that the sales amount of laminates products and related upstream component materials and provision of drilling services to the KBH Group was ever increasing over the past three years. The sales to KBH Group for FY2021 are estimated as to approximately HK\$4,387,888,000 by annualizing the sales amount for the six months ended 30 June 2021. Comparing with the existing annual cap of HK\$2,945,000,000, the annualized sales for FY2021 significantly exceeded the existing annual cap for the year ending 31 December 2021.

The estimated sales for FY2021 of approximately HK\$4,387,888,000, also represents a growth rate of approximately 62.32% as compared to that of the FY2020. We also note that the utilization rates for the existing annual caps of 2019 and 2020 were over 95%. Upon discussion with the management of the Company, we understand that the significant increase in sales to KBH Group during FY2021 was mainly due to (i) the unexpected increase in selling price of the laminates and some upstream materials in view of the increase in the copper price and the shortage of supply of some upstream materials including copper foil, glass fabric, glass yarn and epoxy resin; and (ii) increase in demand on goods from the KBH Group during 2021.

Among the goods to be supplied to KBH Group, laminates and related upstream component 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 historical copper price. Based on the historical copper metal price quoted on the London Metal Exchange (source: <https://www.lme.com/>) in USD per ton from January 2020 to June 2021, the movement of copper price is showing an upward trend over the period. In

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the first quarter of FY2020, the copper price dropped from around USD6,000 to USD4,600 per ton. After reaching its bottom price in March 2020, the copper price started to rebound and has surged to USD7,800 per ton during the end of 2020. The upward trend continued and the copper price subsequently increased to around USD10,700 per ton in May 2021. After reaching the peak in May 2021, the copper price slightly decreased to USD9,300 per ton in June 2021. We noted that the copper price has been almost doubled over the period.

China, being the top consumer of copper, consuming half of all global output. It is believed that the sharp increase in the copper price was mainly due to the increase in demand of copper arising from the speedy economic recovery from coronavirus crisis. The country's imports of unwrought copper and products rose 9.8% during the first half of FY2021 compared to the previous year. Looking forward, it is expected that the demand for copper will keep growing as a result of the growing market for electric vehicles (EVs). Each type of EVs require considerably more copper than traditional vehicles with internal combustion engines. In view of the global trend for decarbonization, 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.

We noted that the proposed annual cap for the year ending 31 December 2021 of HK\$4,900,000,000 was determined by the management of the Company with reference to the annualised sales for FY2021 of approximately HK\$4,387,888,000. The remaining portion represents approximately a buffer of 12% which is provided to cater for any unexpected increase in the selling price of the laminates and related upstream component materials and inflation in FY2021.

Having considered the above, in particular that (i) annualised transaction amount of sales to the KBH Group for the six months ended 30 June 2021 significantly exceeded the existing annual cap for the year ending 31 December 2021; (ii) utilization rate for the existing annual caps of 2019 and 2020 were over 95%; and (iii) the copper price movement has been fluctuated and is unpredictable, we considered a moderate buffer is necessary to cater for inflation and any unforeseeable circumstances, in particular, for any unexpected increase in sales amounts and unexpected fluctuation in selling price of the laminates and related upstream component materials for the year ending 31 December 2021.

Based on the above discussion, we are of the opinion that the proposed annual cap for the year ending 31 December 2021 have been determined on a fair and reasonable basis.

(b) The proposed annual caps for the two years ending 31 December 2022 and 2023

We understand that the proposed annual caps for the two years ending 31 December 2022 and 2023 is estimated by the management of the Company with an expected annual growth of 7% based on the proposed annual caps for the year

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ending 31 December 2021. The expected annual growth of 7% is determined with reference to average annual growth rates of sale amounts to KBH Group from FY2013 to FY2020.

According to the statistics released by Ministry of Industry and Information Technology of China (source: <http://www.gov.cn/fuwu/bm/gyhxxhb/index.htm>), the output value of the consumer electronics industry for FY2020 was amounted to RMB1,210 billion, representing an increase of 8.3% as compared to that of FY2019. In particular, the production volume of the PCBs in China had been increased from 18,526 million sheets in FY2018 to 26,147 million sheets in FY2020, representing a compound annual growth rate of 18.8%. When comparing with the market growth rates, the expected annual growth of approximately 7% on sale estimation is relative prudent.

Since the production capacity of PCBs of KBH Group will keep expanding in order to cope with increasing demand of PCBs from telecommunications and automobiles sector, we considered that it is rational for the Company to take into account the possible increase in demand on goods from the KBH in the coming years when determining of the proposed annual caps for the two years ending 31 December 2022 and 2023. Given the proposed growth rate on the proposed annual caps for FY2022 and FY2023 of 7% is arrived based on the average annual growth rate of the sale amounts to KBH Group from FY2013 to FY2020 and the proposed growth rate is considered as a prudent estimation when comparing with the market growth rates, we are of the view that the growth rate and the Proposed Annual Caps for the two years ending 31 December 2022 and 2023 under New Supply Framework Agreement have been determined on a fair and reasonable basis.

IV. OUR RECOMMENDATION

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

1. taking into account the increasing trend in the amount of transactions under the Existing Agreements, the annual purchase from KBH and the annual sales to KBH is expected to exceed Existing Annual Caps for the year ending 31 December 2021;
2. the purpose of entering into the New Agreements is for renewal of the Existing Annual Caps such that other terms and conditions of the Existing Agreements remain unchanged;
3. the size of the Proposed Annual Caps under New Agreements are determined by the Directors under a prudent approach and are fair and reasonable; and
4. the Group has been continuously doing business with KBH since 2006 and considers the KBH Group as a reliable supplier and customer, in which a prudent internal control and monitoring of all the transactions have been evidenced.

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We conclude that (i) the entering into of the New Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the New Agreements and the transactions contemplated thereunder (together with the Proposed Annual Caps) are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. 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 Agreements 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 2020, 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 (note 1)	Beneficial owner/ Interest of spouse	9,517,000	0.30
Mr. Cheung Kwok Keung	Beneficial owner	2,502,000	0.08
Mr. Cheung Kwok Ping	Beneficial owner	3,000,000	0.09

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Lam Ka Po	Beneficial owner	3,303,000	0.10
Mr. Ip Shu Kwan, Stephen	Beneficial owner	350,000	0.01
Mr. Lau Ping Cheung, Kaizer	Beneficial owner	550,000	0.01

Notes:

(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	14,457,820	1.30
Mr. Cheung Kwok Keung	Beneficial owner	2,510,222	0.23
Mr. Cheung Kwok Ping (note 2)	Beneficial owner/ Interest of spouse	7,236,383	0.65

Name of Director	Capacity	Number of issued KBH Shares held	Approximate percentage of the issued share capital of KBH (%)
Mr. Lam Ka Po	Beneficial owner	2,500,000	0.23
Mr. Cheung Ka Ho	Beneficial owner	384,000	0.035
Mr. Lo Ka Leong (<i>note 3</i>)	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) KBH Shares which 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 HK 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 2020, 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 2020, 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, 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 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 Agreements; and
- (b) the New Agreements.



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 Tuesday, 7 September 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the entering into of the New Supply Framework Agreement (as defined in the circular of the Company dated 17 August 2021 (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.”
2. “**THAT** the entering into of the New Materials Purchase 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, 17 August 2021

*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 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) The register of members of the Company will be closed from Friday, 3 September 2021 to Tuesday, 7 September 2021, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 2 September 2021.
- (5) 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, Lau Ping Cheung, Kaizer, and Kung, Peter being the independent non-executive directors.