

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

KB

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 WITH THE KBH GROUP

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

KBH is the controlling shareholder 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 the New Materials Purchase Framework Agreement for each of the three years ending 31 December 2024, 2025 and 2026 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New Materials Purchase Framework Agreement are subject to compliance with the annual review, reporting and announcement requirements by the Company under Chapter 14A of the Listing Rules but exempted from the circular and independent shareholders' approval requirements.

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

A circular containing, among other things, (i) further details of the New Supply Framework Agreement and the Proposed KBH Supply Annual Caps contemplated thereunder; (ii) the opinion from the independent financial adviser; (iii) the recommendation from the independent board committee (comprising the INEDs); and (iv) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched by the Company to the Shareholders within 15 business days after the publication of this announcement.

BACKGROUND

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

NEW MATERIALS PURCHASE FRAMEWORK AGREEMENT

On the date of this announcement, 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:

Date: 31 October 2023

Parties: (1) KBH
(2) The Company

Nature of transaction: The Group will purchase Chemicals from the KBH Group.

The amount of materials 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 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 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 1 January 2024 to 31 December 2026, 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.

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, where appropriate, the relevant purchasing department of the Group will obtain quotations from different suppliers (both the KBH Group and the independent third party suppliers) and 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 set the purchase price from the Group under the New Materials Purchase Framework Agreement, which will be at or no more than the prevailing/benchmark prices. The purchase 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 (*Note 1*). In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable (*Note 2*).

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

Notes:

1. As part of the internal requirement, the head of the purchase 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 Materials Purchase Framework Agreement and compare it against one comparable transaction with independent third party supplier of the Group as presented and reported by the purchase department personnel. The historical price of such comparable transaction will be taken into account. As such, the terms offered to the Group in respect of the purchase of Chemicals under the New Materials Purchase 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 purchase department's coming into contact with and initiating business enquiries with potential seller in relation to the Chemicals contemplated under the New Materials Purchase Framework Agreement. Such potential suppliers 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 suppliers are recorded and at least 2 summary reports of such open market research are submitted to the head of the purchase 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 Materials Purchase Framework Agreement.

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 KBH Purchase Annual Caps under the New Materials Purchase Framework Agreement.

| Year ended 31 December 2021 | | Year ended 31 December 2022 | | Year ending 31 December 2023 | | 31 December 2024 | Year ending 31 December 2025 | 31 December 2026 | |
|--------------------------------|------------------|--------------------------------|------------------|---------------------------------|---|--|------------------------------------|---------------------------|---------------------------|
| Annual cap | Actual amount | Annual cap | Actual amount | Annual cap | Actual amount (up to 30 September 2023) | Estimated amount (up to 31 December 2023) <i>(Note 1)</i> | Proposed annual cap | Proposed annual cap | Proposed annual cap |
| <i>(HKD'000)</i> | | <i>(HKD'000)</i> | | <i>(HKD'000)</i> | | <i>(HKD'000)</i> | <i>(HKD'000)</i> | <i>(HKD'000)</i> | |
| 1,200,000 | 1,072,241 | 1,284,000 | 657,554 | 1,374,000 | 414,951 | 553,268 | 799,000 | 823,000 | 848,000 |

Note:

- This is an estimated figure by straight-line multiplication from the actual transactions during the nine months ended 30 September 2023.

The Proposed KBH Purchase Annual Caps under the New Materials Purchase Framework Agreement were determined with reference to the internal projection of the purchases having regard to (i) the historical amount of purchase of chemicals for the production of laminates by the Group from the KBH Group; (ii) the anticipated growth in demand of such chemical; (iii) the anticipated increase in market price of such chemicals; and (iv) inflation. The Proposed KBH Purchase Annual Caps for the New Materials Purchase Framework Agreement for the years ending 31 December 2024, 2025, 2026 are calculated based on: (i) for the year ending 31 December 2024, the average amount of the actual transactions under Existing Materials Purchase Framework Agreement for the year ended 31 December 2021 and 2022 and the estimated transaction amount for the year ending 31 December 2023 plus a buffer of 5% and (ii) for the years ending 31 December 2025 and 2026, an annual growth rate of 3%. The KBH Directors (including the INEDs of KBH) are of the view that the Proposed KBH Purchase Annual Caps under the New Materials Purchase Framework Agreement are fair and reasonable.

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

NEW SUPPLY FRAMEWORK AGREEMENT

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

Date: 31 October 2023

Parties: (1) KBH
(2) The Company

Nature of transaction: The Company will supply laminates and related upstream materials to the KBH Group.

The amount of laminates and related upstream materials to be supplied is not fixed but is 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 material to the KBH Group and the KBH Group will not be obligated to purchase any set quantity of laminates and related upstream material from the Group during the term of the New Supply Framework Agreement.

The actual quantity, specification and price (with reference to the prevailing market price) of laminates and related upstream material under the New Supply Framework Agreement will be subject to the individual orders placed by the KBH Group with the Group.

Term: From 1 January 2024 to 31 December 2026, both days inclusive.

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

To facilitate the Group in determining the prevailing market price, the Group will consider the prices offered to independent third party customers of similar products (based on similar amount and similar specifications). In particular, where appropriate, the relevant sales department of the Group will compare the selling price offered to different customers (both the KBH Group and the independent third party customers) (based on similar amount and similar specifications) and will also monitor the movement of market price from time to time.

The prevailing market prices and benchmark price information will be obtained through the market or third party customers so as to set the selling price to KBH Group under the New Supply Framework Agreement, which will be at or no less than the prevailing/benchmark prices. The sales department would consider at least one comparable transaction with an independent third party customer during the same period where applicable, and report to the senior management accordingly (*Note 1*). In the absence of any comparable transaction, the Group will conduct market research on the open market where applicable (*Note 2*).

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

Notes:

1. As part of the internal requirement, the head of the sales department and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the order with the KBH Group under the New Supply Framework Agreement and compare it against one comparable transaction with independent third party customer of the Group as presented and reported by the sales department personnel. The historical price of such comparable transaction will be taken into account. As such, the terms offered to KBH Group in respect of the supply of laminates and related upstream materials under the New Supply Framework Agreement will be comparable to market terms, or not more favourable to, the KBH Group.
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.

Historical figures, Existing Annual Caps and Proposed Annual Caps

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

| Year ended 31 December 2021 | | Year ended 31 December 2022 | | Year ending 31 December 2023 | | 31 December 2024 | Year ending 31 December 2025 | 31 December 2026 | |
|--------------------------------|------------------|--------------------------------|------------------|---------------------------------|---|--|------------------------------------|---------------------------|---------------------------|
| Annual cap | Actual amount | Annual cap | Actual amount | Annual cap | Actual amount (up to 30 September 2023) | Estimated amount (up to 31 December 2023) <i>(Note 1)</i> | Proposed annual cap | Proposed annual cap | Proposed annual cap |
| <i>(HKD'000)</i> | | <i>(HKD'000)</i> | | <i>(HKD'000)</i> | | <i>(HKD'000)</i> | <i>(HKD'000)</i> | <i>(HKD'000)</i> | |
| 4,900,000 | 4,856,648 | 5,243,000 | 4,096,187 | 5,610,000 | 2,640,823 | 3,521,097 | 4,491,000 | 4,626,000 | 4,765,000 |

Note:

- This is an estimated figure by straight-line multiplication from the actual transactions during the nine months ended 30 September 2023.

The Proposed KBH Supply Annual Caps under the New Supply Framework Agreement were determined with reference to the internal projection of the purchases to be made having regard to (i) the historical amount of the sales of laminates and related upstream materials by the Group to the KBH Group; (ii) the anticipated demand of such materials for the three financial years ending 31 December 2026; (iii) the anticipated increase in market price of such materials; (iv) the expected increase in the production capacity of PCBs of KBH Group; and (v) inflation. The Proposed KBH Supply Annual Caps for the New Supply Framework Agreement for the years ending 31 December 2024, 2025, 2026 are calculated based on: (i) for the year ending 31 December 2024, the average amount of the actual transactions under the Existing Supply Framework Agreement for the year ended 31 December 2021 and 2022 and the estimated transaction amount for the year ending 31 December 2023 plus 8% (taking into account the increase in the production capacity of PCBs of KBH Group and the general buffer of 5%) which is provided to cater for potential increase in the selling price of the laminates and related upstream materials and inflation in 2024; and (ii) for the years ending 31 December 2025 and 2026, an annual growth rate of 3%. The KBH Directors (including the INEDs of KBH) are of the view that the Proposed KBH Supply Annual Caps under the New Supply Framework Agreement are fair and reasonable.

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 KBH Supply Annual Caps under the New Supply Framework Agreement are fair and reasonable.

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

The 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.

In light of the above, the Directors (including the INEDs) are of the view that the New Materials Purchase Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Additionally, 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 New Supply Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms of the New Agreements were arrived at after arm's length negotiation between the relevant parties.

LISTING RULES IMPLICATIONS

KBH is the controlling shareholder of the Company and owns (directly and indirectly) approximately 73.76% of the issued share capital 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 the New Materials Purchase Framework Agreement for each of the three years ending 31 December 2024, 2025 and 2026 exceeds 0.1% but is lower than 5%, the transactions contemplated under the New Materials Purchase Framework Agreement are subject to compliance with the annual review, reporting and announcement requirements by the Company under Chapter 14A of the Listing Rules but exempted from the circular and independent shareholders' approval requirements.

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

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.

APPROVAL BY INDEPENDENT SHAREHOLDERS

The Company will seek independent Shareholders' approval at the EGM for the New Supply Framework Agreement and the Proposed KBH Supply Annual Caps contemplated thereunder. Karl Thomson has been appointed as the independent financial adviser to advise the independent board committee (comprising the INEDs) and the independent Shareholders in relation to the relevant transactions. A circular containing, among other things, (i) further details of the New Supply Framework Agreement and the Proposed KBH Supply Annual Caps contemplated thereunder; (ii) the opinion from the independent financial adviser; (iii) the recommendation from the independent board committee (comprising the INEDs); and (iv) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched by the Company to the Shareholders within 15 business days after the publication of this announcement.

GENERAL

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, is the controlling company of the Company.

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

DEFINITIONS

In this announcement, unless otherwise indicated or the context otherwise requires, the following expressions shall have the following meanings:

| | |
|---|---|
| “Chemicals” | chemicals including methanol, formalin, phenol, acetone, bisphenol A and caustic soda |
| “Company” | Kingboard Laminates Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “EGM” | an extraordinary general meeting to be held by the Company to approve, among other things, 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 2023 |
| “Existing Materials Purchase Framework Agreement” | the agreement dated 19 July 2021 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 19 July 2021 entered into between KBH and the Company for the supply of laminates and related upstream materials by the Group to the KBH Group |
| “Group” | the Company and its subsidiaries |

| | |
|--|--|
| “HKD” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “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 |
| “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 for a term up to 31 December 2026 |
| “New Supply Framework Agreement” | the agreement entered into between the Company and KBH for the supply of laminates and related upstream materials by the Group to the KBH Group for a term up to 31 December 2026 |
| “PCB(s)” | acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system |
| “Proposed Annual Caps” | the proposed annual caps for the transactions contemplated under each of the New Agreements |
| “Proposed KBH Purchase Annual Caps” | the proposed annual caps for the transactions contemplated under the New Materials Purchase Framework Agreement |
| “Proposed KBH Supply Annual Caps” | the proposed annual caps for the transactions contemplated under the New Supply Framework Agreement |

| | |
|------------------|---|
| “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 |

By Order of the board of directors
Ng Mei Kam Kennis
Company Secretary

Hong Kong, 31 October 2023

As at the date of this announcement, the board of directors of Kingboard Laminates Holdings Limited consists of Messrs. Cheung Kwok Wa, Cheung Kwok Keung, Cheung Kwok Ping, Lam Ka Po, Cheung Ka Ho and Zhou Pei Feng, being the executive directors, Mr. Lo Ka Leong, being the non-executive director, and Messrs. Ip Shu Kwan, Stephen, Zhang Lu Fu, Kung, Peter and Ho Kwok Ming being the independent non-executive directors.