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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2018 MASTER SUPPLY AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



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



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A letter from the Board is set out on pages 4 to 15 of this circular.

A notice dated 25 May 2018 convening the EGM to be held at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 14 June 2018 at 10:00 a.m. is set out on pages 34 to 35 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

\* For identification purpose only

25 May 2018

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:*

“2015 Master Supply Agreement”	the master supply agreement dated 15 September 2015 entered into between the Company and BuildMax (SZ) in relation to the purchase of building material products processed, fabricated or manufactured by BuildMax (SZ) on a non-exclusive basis for the three years ended 31 March 2018;
“2018 Master Supply Agreement”	the new master supply agreement dated 20 April 2018 entered between the Company and BuildMax (SZ) in relation to the purchase of building material products processed, fabricated or manufactured by BuildMax (SZ) on a non-exclusive basis for the three years ending 31 March 2021;
“Announcement”	the announcement of the Company dated 20 April 2018 in relation to, among others, the 2018 Master Supply Agreement and the transactions contemplated thereunder;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BuildMax (SZ)”	BuildMax Technology (Shenzhen) Limited, a sino-foreign equity joint venture enterprise incorporated in the PRC, which is owned as to 75% by Hillford and 25.0% by Shenzhen Hengyayuan, an independent third party;
“Company”	KPa-BM Holdings Limited, a company incorporated in the Cayman Island and the Shares of which are traded on the Main Board of the Stock Exchange;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the 2018 Master Supply Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be convened at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong at 10:00 a.m. on Thursday, 14 June 2018 to consider and, if thought fit, approve, among other things, the 2018 Master Supply Agreement and the transactions contemplated thereunder;
“Group”	the Company together with its subsidiaries;
“Hillford”	Hillford Trading Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai and approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.5% by Mr. Chan Chi Ming;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors;
“Independent Financial Adviser”	VMS Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Supply Agreement;
“Independent Shareholders”	Shareholders of the Company, other than Mr. Liu, Mr. Wai and Mr. Yip and their respective associates;
“independent third party(ies)”	person(s) or company(ies) and whose ultimate beneficial owner who/which is/are independent of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and any of their respective associates as defined in the Listing Rules;
“Latest Practicable Date”	21 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Mr. Lui”	Mr. Lui Bun Yuen, Danny, an executive Director and one of the controlling Shareholders of the Company;

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## DEFINITIONS

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“Mr. Wai”	Mr. Wai Yat Kin, an executive Director, the chief executive officer and one of the controlling Shareholders of the Company;
“Mr. Yip”	Mr. Yip Pak Hung, an executive Director, the chairman of the Board and one of the controlling Shareholders of the Company;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Annual Caps”	the proposed annual caps for the purchase of building material products by the Group from BuildMax (SZ) for the three years ending 31 March 2021 under the 2018 Master Supply Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time;
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Shenzhen Hengyauyuan”	深圳市恒有源科技發展有限公司 (Shenzhen Hengyauyuan Technology Development Limited*), a company established under the laws of the PRC with limited liability and is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 28 April 2017 entered into between the Company and BuildMax (SZ) in relation to the revision of annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement;
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong; and
“%”	per cent.

\* For identification purpose only

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## LETTER FROM THE BOARD

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**KPa-BM Holdings Limited**  
**應力控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2663)**

*Executive Directors:*

Mr. Yip Pak Hung (*chairman of the Board*)  
Mr. Wai Yat Kin (*Chief Executive Officer*)  
Mr. Lui Bun Yuen, Danny

*Independent non-executive Directors:*

Ms. Lai Pik Chi, Peggy  
Mr. Lam Chi Wai, Peter  
Dr. Yeung Kit Ming

*Registered office:*

P.O. Box 1350  
Clifton House  
75 Fort Street Grand  
Cayman KY1-1108  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

1907 to 1915  
The Octagon  
6 Sha Tsui Road, Tsuen Wan  
New Territories  
Hong Kong

25 May 2018

*To the Shareholders*

Dear Sir/Madam,

### **RENEWAL FOR CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2018 MASTER SUPPLY AGREEMENT**

#### **INTRODUCTION**

References are made to (i) the prospectus of the Company dated 30 September 2015 in relation to, among other things, the continuing connected transactions under the 2015 Master Supply Agreement; (ii) the announcement of the Company dated 28 April 2017 and the circular dated 15 June 2017 in relation to the revision of annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement (as supplemented by the Supplemental Agreement); and (iii) the Announcement.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The 2015 Master Supply Agreement was expired on 31 March 2018. As the Group intends to continue carrying out the transactions under the 2015 Master Supply Agreement in the ordinary and usual course of business of the Group, the Company (for itself and other group companies) entered into the 2018 Master Supply Agreement on 20 April 2018 with BuildMax (SZ) for a term of three years ending 31 March 2021, subject to Independent Shareholders' approval.

The Proposed Annual Caps for the transactions contemplated under the 2018 Master Supply Agreement for each of the three years ending 31 March 2021 will not exceed HK\$24.0 million, HK\$27.0 million and HK\$30.0 million, respectively.

As at the Latest Practicable Date, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan. Hillford is a limited liability company incorporated in Hong Kong, which is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is the project manager of the Group. Shenzhen Hengyauyuan is a limited liability company established in the PRC, which is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties.

As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and controlling Shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30.0% equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the 2018 Master Supply Agreement for each of the three years ending 31 March 2021 will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the 2018 Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with the information, among other things, (i) details of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder; (ii) the advice and recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder; and (iv) the notice of the EGM.

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## LETTER FROM THE BOARD

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### 2018 MASTER SUPPLY AGREEMENT

The major terms of the 2018 Master Supply Agreement are as follows:

**Date:** 20 April 2018

**Parties:** (i) The Company; and  
(ii) BuildMax (SZ)

**Subject:** Pursuant to the 2018 Master Supply Agreement, BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on a non-exclusive basis building material products, which have been processed, fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order as may from time to time be offered by the Group and accepted by BuildMax (SZ).

**Pricing basis:** The purchase price in each purchase order placed by the Group to BuildMax (SZ) include (i) the cost of the raw materials procured by BuildMax (SZ); and (ii) the fees charged by BuildMax (SZ) for the processing, fabricating or manufacturing of the building material products in accordance with the specifications provided by the Group. The purchase price shall be determined after arm's length negotiations between BuildMax (SZ) and the Group from time to time with reference to the then prevailing market price of similar products in the market and that in any event shall be no less favourable to the Group than that offered to independent third parties by BuildMax (SZ).

**Condition precedent:** The 2018 Master Supply Agreement is conditional upon approval by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules.

### PRICING BASIS REGARDING SUPPLY OF BUILDING MATERIAL PRODUCTS BY BUILDMAX (SZ)

The building material products (including the related processing, fabrication or manufacturing charges) purchased by the Group from BuildMax (SZ) mainly comprised aluminium extrusions, aluminium sheet, steel, stainless steel, roof cladding materials and noise barrier materials.

The price of building material products to be supplied by BuildMax (SZ) to the Group is determined with reference to the prevailing market price of similar products (including the related processing, fabrication or manufacturing charges in accordance with the products' specification) in the market as basis and that in any event shall be no less favourable to the Group than that offered



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## LETTER FROM THE BOARD

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to independent third parties by BuildMax (SZ). The purchase price of building material products offered by BuildMax (SZ) was lower and relatively favourable than that offered by other independent third party suppliers to the Group during the three years ended 31 March 2018.

### THE PROPOSED ANNUAL CAPS

#### Historical figures

The Board has been carefully monitoring the historical transaction amounts under the 2015 Master Supply Agreement. The table below sets out the annual caps and the historical transaction amounts for each of the three years ended 31 March 2018 under the 2015 Master Supply Agreement:

	For the year ended 31 March		
	2016	2017	2018
	HK\$ million	HK\$ million	HK\$ million
Annual caps under the 2015 Master Supply Agreement	15.0	15.0	25.0 <sup>(Note)</sup>
Historical transaction amounts under the 2015 Master Supply Agreement (approximately)	13.5	10.3	20.4

*Note:* Pursuant to the Supplemental Agreement, the annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement had been revised to HK\$25.0 million.

For each of the three years ended 31 March 2018, the historical transaction amounts under the 2015 Master Supply Agreement were approximately HK\$13.5 million, HK\$10.3 million and HK\$20.4 million, respectively.

The decrease in transaction amounts under the 2015 Master Supply Agreement for the year ended 31 March 2017 as compared to that for the year ended 31 March 2016 was mainly due to the increase in purchase of building material products by the Group from other independent third party suppliers as a result of the production capacity of BuildMax (SZ) failing to meet the demand of the Group during the year, whereas the increase in transaction amounts from approximately HK\$10.3 million for the year ended 31 March 2017 to approximately HK\$20.4 million for the year ended 31 March 2018 under the 2015 Master Supply Agreement was mainly due to the larger quantities of materials procured by the Group from BuildMax (SZ) for the two projects in relation to structural steelwork and noise barriers undertaken by the Group during the year.

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## LETTER FROM THE BOARD

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### The Proposed Annual Caps

	For the year ending 31 March		
	2019	2020	2021
	HK\$ million	HK\$ million	HK\$ million
Proposed Annual Caps under the 2018 Master Supply Agreement	24.0	27.0	30.0

The Directors estimate that the aggregated purchase amount of building material products by the Group from BuildMax (SZ) under the 2018 Master Supply Agreement for each of the three years ending 31 March 2021 will not exceed HK\$24.0 million, HK\$27.0 million and HK\$30.0 million, respectively.

The Proposed Annual Caps under the 2018 Master Supply Agreement are determined with reference to (i) the historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ) for the three years ended 31 March 2018; (ii) the forecasted purchase amounts for the building material products estimated based on the Group's projects on hand as at 28 February 2018; (iii) the projected proportion of purchase from BuildMax (SZ) estimates based on the historical proportion of purchase from BuildMax (SZ) by the Group under the 2015 Master Supply Agreement; and (iv) a flexibility buffer on the Proposed Annual Caps for the three years ending 31 March 2021 to accommodate any unpredictable increase in material costs or unexpected increase in number of projects undertaken by the Group in the coming years.

### The historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ)

The Group will place purchase orders with both independent third party suppliers and BuildMax (SZ) from time to time, taking into account various factors including but not limited to the availability of supply of building material products, delivery time schedule and the prevailing market prices of building material products. The proportion of the Group's purchase of building material products from BuildMax (SZ) and from other independent third party suppliers for each of three years ended 31 March 2018 are set out as below:

	For the year ended 31 March		
	2016	2017	2018
	(Approximately %)		
BuildMax (SZ)	57.0	33.2	71.4
Independent third party suppliers	<u>43.0</u>	<u>66.8</u>	<u>28.6</u>
<b>Total</b>	<u><u>100.0</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

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## LETTER FROM THE BOARD

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### **The forecasted purchase amounts for building material products estimated based on the Group's projects on hand**

As at 28 February 2018, the Group had a total of 42 design and build projects on hand which were related to (i) facade, roof and related works; and (ii) structural steelwork and noise barriers, with an aggregate outstanding awarded contract sum of approximately HK\$464.1 million. According to their respective latest project schedule, the last expected completion date of the Group's design and build projects on hand as at 28 February 2018 is in or around the second quarter of 2021.

Based on the Directors' industry experience and the nature and specification of the Group's projects on hand, it is estimated that the cost of materials (including the related processing, fabrication or manufacturing charges) will amount to approximately HK\$154.7 million, representing approximately 33.3% of the aggregate outstanding awarded contract sum of these 42 projects on hand as at 28 February 2018. Out of the estimated materials costs of approximately HK\$154.7 million, the Directors expect that approximately HK\$102.2 million of the building material products will be purchased from BuildMax (SZ) and its similar types of independent third party suppliers (excluding other types of materials to be supplied by different types of independent third party suppliers).

### **The projected proportion of purchase from BuildMax (SZ) estimates based on the historical proportion of purchase from BuildMax (SZ) by the Group**

The Group's annual purchase proportion of building material products from BuildMax (SZ) amounted to approximately 57.0%, 33.2% and 71.4% for each of the three years ended 31 March 2018, respectively. The relatively low annual purchase proportion from BuildMax (SZ) for the year ended 31 March 2017 was an exceptional circumstance that the production capacity of BuildMax (SZ) failed to meet the demand of the Group during the year. Having considered that (i) save for BuildMax (SZ), the Group has no less than seven suppliers on its internal list of approved suppliers, which supply similar building material products; (ii) the Group engaged no less than other five suppliers providing the required building material products during the three years ended 31 March 2018; (iii) the aforesaid approved suppliers are located in Hong Kong or Guangdong Province, the PRC; (iv) with the Group's extensive experience in the industry and an established relationship with its suppliers, the Directors believe that the Group is able to identify the alternative or new suppliers through referrals by other parties in the industry and/or through online marketplace, the Directors therefore expect that the Group will not only rely on BuildMax (SZ) solely for the supply of building material products and believe that there are many alternative suppliers available in the market which can supply similar products at comparable market prices and qualities and the Group should not have any difficulty in purchasing from the alternative suppliers.

Having considered the respective historical annual purchase proportion from BuildMax (SZ) for the year ended 31 March 2016 and 2018, the Directors expect that the Group's forecasted demand in building material products from BuildMax (SZ) and other similar types of independent third party suppliers will be maintained on 60:40 basis. Accordingly, the Directors estimate that the

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## LETTER FROM THE BOARD

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total purchase amounts of building material products to be placed by the Group from BuildMax (SZ) will amount to approximately HK\$61.3 million for its 42 projects on hand as at 28 February 2018.

### **A flexibility buffer on the Proposed Annual Caps for the three years ending 31 March 2021**

During the year ended 31 March 2017, the Group had been awarded with three design and build projects each with an awarded contract sum of over HK\$100 million. The aggregate awarded contract sum of the aforesaid three design and build projects amounted to approximately HK\$395.0 million and based on the respective project schedule provided by the customers, it is expected that the substantial portion of the Group's works in these three projects will be completed during the year ending 31 March 2019. For further details, please refer to the announcement of the Company dated 16 October 2017.

It is the Group's business strategies to continue to develop its design and build business by undertaking more sizeable projects so as to expand its market share. As the Group intends to tender a number of large scale projects which are expected to be launched in the second half of 2018, the Directors expect that the demand for the building material products will inevitably increase when a sizeable contract is awarded to the Group and thus include a flexibility buffer on the Proposed Annual Caps for each of the three years ending 31 March 2021 to accommodate any unpredictable increase in material costs or unexpected increase in number of projects undertaken by the Group in the coming years.

Taking into account, in particular (i) approximately HK\$102.2 million of the building material products is expected to be purchased for the Group's 42 projects on hand as at 28 February 2018; (ii) according to the respective latest project schedule, these 42 projects will be completed within three years; (iii) assuming the Group's demand in building material products for such 42 projects on hand will be spreads evenly over the 3-year period based on the respective latest project schedule; (iv) the estimation of 60.0% building material products to be purchased from BuildMax (SZ) for each of the three years ending 31 March 2021; and (v) the expected increase in the award contract sum in the coming years, the forecast purchase amounts of building material products required by the Group from BuildMax (SZ) for each of the three years ending 31 March 2021 is HK\$24.0 million, HK\$27 million and HK\$30 million, respectively.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2018 MASTER SUPPLY AGREEMENT**

During the past year, the Group has been focusing on cultivating potential new business opportunities and tendering projects in both private and public sectors.

As at the 28 February 2018, the Group had a total of 42 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced, with an aggregate awarded contract sum of approximately HK\$1,108.6 million, of which the aggregate outstanding awarded contract sum as at 28 February 2018 amounted to approximately HK\$464.1 million. Based on the project schedule

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## LETTER FROM THE BOARD

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provide by the customer, such projects on hand are expected to be completed within three years. It is estimated that the expected purchase amount of building material products for the above projects by the Group from BuildMax (SZ) for each of the three years ending 31 March 2021 will be similar to that for the year ended 31 March 2018.

The Directors consider that other than purchasing building material products from independent third party suppliers, the arrangement to purchase building material products from BuildMax (SZ) pursuant to the 2018 Master Supply Agreement will provide the flexibility for the Group so as to secure the stable supply of building material products for the Group's projects on hand as at 28 February 2018 and its business operation. Such arrangement could significantly reduce the Group's operational risks, including the risk of building material products shortage, which may potentially affect its business operation. The Proposed Annual Caps are determined after taking into account (i) the historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ) for the three years ended 31 March 2018; (ii) the aggregate outstanding awarded contract sum of approximately HK\$464.1 million of the Group's 42 projects on hand as at 28 February 2018; (iii) the forecast purchase amounts of building material products of approximately HK\$102.2 million to be required for the Group's 42 projects on hand as at 28 February 2018; (iv) the Group's projects on hand are expected to be completed within three years; (v) the estimation of 60.0% of building material products to be purchased from BuildMax (SZ); (vi) the Group's projects on hand needed to be backed by the stable supply of building material products from BuildMax (SZ); and (vii) the expected increase in demand for building material products arising from any new sizeable contract may be awarded to the Group in the coming years. The Directors are of the view that the 2018 Master Supply Agreement forms an integral part of the ordinary and usual course of business of the Group and is conducted on normal commercial terms determined on an arm's length basis.

In light of the above, the Directors (including independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of opinion that the entering into the 2018 Master Supply Agreement and the transactions contemplated thereunder are in the ordinary and usual course of the Group's business, on normal commercial terms and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned.

### INFORMATION ON THE GROUP AND BUILDMAX (SZ)

The Group is principally engaged in the building construction businesses. It mainly operates through two business segments: (i) the structural engineering works segment is mainly engaged in the provision of structural engineering works for the public and private sectors in Hong Kong as a subcontractor; and (ii) the trading of building material products segment is mainly engaged in the sales of building material products in Hong Kong, the PRC and overseas countries.

BuildMax (SZ) is a sino-foreign equity joint venture enterprise established in the PRC which is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to

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## LETTER FROM THE BOARD

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the Group in Hong Kong and to customers in the PRC. As at the Latest Practicable Date, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan, an independent third party.

### INTERNAL CONTROL MEASURES

To ensure the purchase price and payment terms of building material products offered by BuildMax (SZ) under the 2018 Master Supply Agreement are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than available from the independent third parties, and the Proposed Annual Caps will not be exceeded, the Group will adopt the following internal control measures:

- (i) the management of the Group is required to obtain, review and compare the quotations (e.g. purchase price and payment terms) from independent third party suppliers in respect of the supply of same products as required by the Group's internal control procedures in relation to continuing connected transactions. As a general practice, the Group will obtain quotations from at least two suppliers for comparison. Following the receipt of quotations, the Group will compare the terms of quotations and determine the selection of suppliers by taking into account factors such as price quotations, quality of building material products and ability of the supplier in meeting delivery time schedules. The Group usually purchases building material products from the supplier with the lowest fee quotation if the quality of building material products supplied, delivery time schedule and payment terms offered by different suppliers are similar. However, the Group may also consider other non-monetary factors, including quality of building material products supplied, delivery time schedule and payment terms of different suppliers in determining its purchase decisions. The financial controller of the Group would review the price and approve the purchase orders for the relevant products;
- (ii) the Company will closely monitor the transaction amounts in relation to the transactions under the 2018 Master Supply Agreement to ensure that the Proposed Annual Caps will not be exceeded;
- (iii) the independent non-executive Directors will review and confirm whether the transactions contemplated under the 2018 Master Supply Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (v) the Company will continue to engage the independent auditors to review the transactions contemplated under the 2018 Master Supply Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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Based on the internal procurement policies and the price comparison between the building material products offered by each of BuildMax (SZ) and other similar types of independent third party suppliers, the Group has procured and will procure building material products from BuildMax (SZ) which offered better pricing and other terms among other quotations obtained from other similar types of independent third party suppliers. As such, the Directors consider that above internal control measures would ensure that the pricing and other terms for building material products under the 2018 Master Supply Agreement will be fair and reasonable and no less favourable than that offered by other similar types of independent third party suppliers. The Directors also consider such measures could ensure that the transactions would be conducted on normal commercial terms and not prejudicial to the interests of the Company and minority shareholders.

### IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan. Hillford is a limited liability company incorporated in Hong Kong, which is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is the project manager of the Group. Shenzhen Hengyauyuan is a limited liability company established in the PRC, which is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties.

As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and controlling Shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30.0% equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the 2018 Master Supply Agreement for each of the three years ending 31 March 2021 will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the 2018 Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Mr. Lui, Mr. Wai and Mr. Yip, who are all executive Directors and controlling Shareholders of the Company, are considered to have a material interests in the transactions contemplated under the 2018 Master Supply Agreement and therefore had abstained from voting on the board resolutions for approving the 2018 Master Supply Agreement and the transactions contemplated thereunder.



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## LETTER FROM THE BOARD

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### **Independent Board Committee**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder and on how to vote. VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **EGM**

The EGM will be convened by the Company to seek the approval from the Independent Shareholders in respect of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder by way of poll. As at the Latest Practicable Date, Mr. Lui, Mr. Wai and Mr. Yip together held 432,000,000 Shares, representing approximately 72.0% of the issued share capital of the Company, and will abstain from voting on the ordinary resolution approving the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder at the EGM accordingly. To the best knowledge, information and belief of the Directors, no Shareholder (other than Mr. Lui, Mr. Wai and Mr. Yip and their respective associates) will be required to abstain from voting at the EGM in respect of the resolution(s) to approve the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder.

The notice convening the EGM to be held at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 14 June 2018 at 10:00 a.m. is set out on pages 34 to 35 of this circular. An ordinary resolution will be proposed at the EGM to approve the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder. The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the result of the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy enclosed and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment meeting thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

### **RECOMMENDATIONS**

Taking into consideration of the reasons set out in the paragraph headed "Reasons for and benefits of entering into the 2018 Master Supply Agreement" above, the Directors (including the independent non-executive Directors) consider that the entering into the 2018 Master Supply Agreement and the transactions contemplated thereunder are in the ordinary and usual course of the Group's business, on normal commercial terms and the Proposed Annual Caps are fair and



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## LETTER FROM THE BOARD

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reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder, (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 27 of this circular; and (iii) the information set out in the appendix of this circular.

Yours faithfully,  
By Order of the Board  
**KPa-BM Holdings Limited**  
**Yip Pak Hung**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2663)**

25 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2018 MASTER SUPPLY AGREEMENT**

We refer to the circular (the “**Circular**”) dated 25 May 2018 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder. VMS Securities Limited has been appointed by the Company as the Independent Financial Adviser to advise us in these regards. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 17 to 27 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with their views and consider that the entering into the 2018 Master Supply Agreement and the transactions contemplated thereunder are in the ordinary and usual course of the Group’s business, on normal commercial terms and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favor of the ordinary resolution to be proposed at the EGM to approve the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder.

Yours faithfully,

For and on behalf of the  
**Independent Board Committee**

**Ms. Lai Pik Chi, Peggy**

**Mr. Lam Chi Wai, Peter**  
*Independent non-executive Directors*

**Dr. Yeung Kit Ming**

*\* For identification purpose only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from the independent financial adviser, VMS Securities Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



### VMS SECURITIES LIMITED

49/F, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

25 May 2018

*To: The Independent Board Committee and  
the Independent Shareholders of KPα-BM Holdings Limited*

Dear Sir,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2018 MASTER SUPPLY AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the 2018 Master Supply Agreement and the Proposed Annual Caps, in respect of which the Independent Shareholders' approval will be sought at the EGM. Details of the 2018 Master Supply Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are set out in the "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 25 May 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

The 2015 Master Supply Agreement was expired on 31 March 2018. As the Group intends to continue carrying out the transactions under the 2015 Master Supply Agreement, the Company (for itself and other group companies) entered into the 2018 Master Supply Agreement on 20 April 2018 with BuildMax (SZ) for a term of three years ending 31 March 2021.

As at the Latest Practicable Date, BuildMax (SZ) was owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan. Shenzhen Hengyauyuan is a limited liability company established in the PRC, which was owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties. Hillford was owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming as at the Latest Practicable Date. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is the project manager of the Group. As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and controlling Shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30.0% equity interest of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the 2018 Master Supply Agreement for each of the three years ending 31 March 2021 will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the 2018 Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, has been established to make a recommendation to the Independent Shareholders on whether (i) the 2018 Master Supply Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group; (ii) the terms of the 2018 Master Supply Agreement are on normal commercial terms; (iii) the entering into of the 2018 Master Supply Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

During the past two years, VMS Securities Limited acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the revision of annual cap of continuing connected transactions contemplated under the 2015 Master Supply Agreement as detailed in the Company's circular dated 15 June 2017. The past engagement was limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagement, VMS Securities Limited received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, there were no relationships or interests between (i) VMS Securities Limited; and (ii) the Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Supply Agreement and the Proposed Annual Caps as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were provided or expressed to us and will remain so up to the time of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach the opinion and recommendation set out in this letter and to justify our reliance on such information. We have no reason to believe that any material

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or BuildMax (SZ), nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (i) the 2018 Master Supply Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group; (ii) the terms of the 2018 Master Supply Agreement are on normal commercial terms; (iii) the entering into of the 2018 Master Supply Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

#### 1. Background to and reasons for the Continuing Connected Transactions

##### *Background information of the Group*

The Group is principally engaged in the building construction businesses. It mainly operates through two business segments: (i) the structural engineering works segment being mainly engaged in the provision of structural engineering works for the public and private sectors in Hong Kong as a subcontractor; and (ii) the trading of building material products segment being mainly engaged in the sales of building material products in Hong Kong, the PRC and overseas countries.

##### *Background information of BuildMax (SZ)*

BuildMax (SZ) is a sino-foreign equity joint venture enterprise established in the PRC which is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to the Group in Hong Kong and to customers in the PRC.

##### *Background and reasons for the Continuing Connected Transactions*

As set out in the Letter and the prospectus of the Company dated 30 September 2015 (the “**Prospectus**”), on 15 September 2015, the Company (for itself and other group companies) entered into the 2015 Master Supply Agreement with BuildMax (SZ), pursuant to which BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase building material products on a non-exclusive basis, which have been processed, fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order as may from time to time be offered by the Group and accepted by BuildMax

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(SZ). The building material products purchased by the Group from BuildMax (SZ) under the 2015 Master Supply Agreement mainly comprised aluminium extrusions, aluminium sheet, steel, stainless steel, roof cladding materials and noise barrier materials.

It was disclosed in the Prospectus that BuildMax (SZ) had been supplying building material products to the Group since 2011. As advised by the executive Directors, the Group is satisfied with the building material products provided by BuildMax (SZ) and the building material products supplied by BuildMax (SZ) have met the specifications and requirements of the Group. In view of the above, the executive Directors are of the view that it is in the interests of the Company to continue the transactions of purchases of building material products from BuildMax (SZ). Due to the expiry of the 2015 Master Supply Agreement, the Company and BuildMax (SZ) have entered into the 2018 Master Supply Agreement to govern the transactions contemplated thereunder for the three years ending 31 March 2021.

As set out in the sub-section headed “2. Principal terms of the 2018 Master Supply Agreement” below, we have, on a sampling basis, obtained and reviewed five purchase transactions by the Group from BuildMax (SZ) of building material products for the eleven months ended 28 February 2018. For all of these five transactions, the prices for the building material products offered by BuildMax (SZ) are the lowest against independent third party suppliers’ quotations obtained by the Group.

On this basis, in particular, (i) results of our review of five purchase transactions, (ii) the unqualified letter issued by auditors containing its findings and conclusions in respect of the Continuing Connected Transactions for the year ended 31 March 2017 and (iii) the Company’s satisfaction of quality of products supplied by BuildMax (SZ), we consider that the entering into of the 2018 Master Supply Agreement for the Group to continue the Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole. In light of the principal activities of the Group, we also consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group.

### **2. Principal terms of the 2018 Master Supply Agreement**

Set out below is a summary of the principal terms of the 2018 Master Supply Agreement. Further details of the terms of the 2018 Master Supply Agreement are set out in the Letter.

#### ***Items to be purchased***

Pursuant to the 2018 Master Supply Agreement, BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on, an non-exclusive basis, building material products, which have been processed, fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order as may from time to time be offered by the Group and accepted by BuildMax (SZ).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Pricing basis*

The purchase price in each purchase order placed by the Group to BuildMax (SZ) include (i) the cost of the raw materials procured by BuildMax (SZ); and (ii) the fees charged by BuildMax (SZ) for the processing, fabricating or manufacturing of the building material products in accordance with the specifications provided by the Group. The purchase price shall be determined after arm's length negotiations between BuildMax (SZ) and the Group from time to time with reference to the then prevailing market price of similar products in the market and that in any event shall be no less favourable to the Group than that offered to independent third parties by BuildMax (SZ).

We have, on a sampling basis, obtained and reviewed the five largest purchase transactions (the “**Sample Transactions**”) by the Group from BuildMax (SZ) of building material products from 1 April 2017 to 28 February 2018. We noted (i) in each of the Sample Transactions, the Company obtained quotations from BuildMax (SZ) and two independent third party suppliers; and (ii) the prices for the building material products offered by BuildMax (SZ) were the lowest among the quotations obtained in the Sample Transactions. We also noted that the credit terms of the products offered by BuildMax (SZ) in the Sample Transactions are shorter than the offers from other independent third party suppliers. The executive Directors advised us that the Group agrees the short credit terms with BuildMax (SZ) mainly due to (i) the favourable prices offered by BuildMax (SZ) to the Group; and (ii) working capital of the Group not being expected to be materially affected by early settlement of the transactions as the Group closely monitors its working capital and will try to align the credit terms offered by BuildMax (SZ) with the credit terms offered by the Group to its customers. Given that (i) the Sample Transactions are conducted in the ordinary course of business of the Group pursuant to the 2015 Master Supply Agreement; and (ii) our findings are consistent with the auditors' review results of the Continuing Connected Transactions for the year ended 31 March 2017, we consider that the Sample Transactions are fair and representable.

### **3. Internal control measures**

As stated in the Letter that the Company has adopted certain internal control measures in respect of the Continuing Connected Transactions, including, but not limited to:

- (i) the management of the Group is required to obtain, review and compare the quotations (e.g. purchase price and payment terms) from independent third party suppliers for comparison purpose in respect of the supply of same products as required by the Group's internal control procedures in relation to continuing connected transactions. As a general practice, the Group will obtain quotations from at least two independent third party suppliers. Following the receipt of quotations, the Group will compare the terms of quotations and determine the selection of suppliers by taking into account factors such as price quotations, quality of building material products and ability of the supplier in meeting delivery time schedules. The Group usually purchases building material products from the supplier with the lowest fee quotation if the quality of building material



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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products supplied, delivery time schedule and payment terms offered by different suppliers are similar. However, the Group may also consider other non-monetary factors, including quality of building material products supplied, delivery time schedule and payment terms of different suppliers in determining its purchase decisions. The financial controller of the Group would review the price and approve the purchase orders for the relevant products;

- (ii) the Company will closely monitor the transaction amounts in relation to the transactions under the 2018 Master Supply Agreement to ensure that the Proposed Annual Caps will not be exceeded;
- (iii) the independent non-executive Directors will review and confirm whether the transactions contemplated under the 2018 Master Supply Agreement are entered into in ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (v) the Company will continue to engage the independent auditors to review the transactions under the 2018 Master Supply Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

Based on the review of the Sample Transactions, we noted (i) in each of the Sample Transactions, the Company obtained quotations from BuildMax (SZ) and two independent third party suppliers; (ii) the prices for the products offered by BuildMax (SZ) were the lowest among the quotations obtained in the Sample Transactions and (iii) the financial controller of the Group reviewed and approved each of the purchase transactions in the Sample Transactions.

Furthermore, we noted from the 2017 annual report of the Company that the Company engaged its auditors to report on the Continuing Connected Transactions for the year ended 31 March 2017 and the auditors issued an unqualified letter containing its findings and conclusions in accordance with Rule 20.54 of GEM Listing Rules (The Company transferred its listing from GEM to the Main Board on 24 October 2017). Moreover, it was stated in the 2017 annual report of the Company that the independent non-executive Directors had reviewed the Continuing Connected Transactions for the year ended 31 March 2017.

In view of results of our review of the Sample Transactions and the on-going review by the independent non-executive Directors and auditors of the Company in relation to the terms and annual caps of the Continuing Connected Transactions, we consider that appropriate internal control measures are in place by the Company to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Moreover, based on (i) our review results of the Sample Transactions; (ii) the auditors' review results of the Continuing Connected Transactions for the year ended 31 March 2017; and (iii) the obligations of the Directors to comply with the Listing Rules to conduct the Continuing Connected Transactions on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties, we consider that the Continuing Connected Transactions are being conducted on normal commercial terms.

### 4. The Proposed Annual Caps

The Continuing Connected Transactions will be subject to the Proposed Annual Caps whereby the amount of the Continuing Connected Transactions for each of the three years ending 31 March 2021 will not exceed the applicable annual amount stated in the Letter. In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the executive Directors and the management of the Group the basis and the underlying assumptions for determining the Proposed Annual Caps.

Set out below is (i) the historical transaction amounts of the purchase of building material products by the Group from BuildMax (SZ) for the three years ended 31 March 2018; and (ii) the Proposed Annual Caps for the three years ending 31 March 2021:

	Historical transaction amount under the 2015 Master Supply Agreement For the year ended 31 March			The Proposed Annual caps under the 2018 Master Supply Agreement For the year ending 31 March		
	2016	2017	2018	2019	2020	2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	Amount					
(approximately)	13.5	10.3	20.4	24.0	27.0	30.0

As stated in the Letter, the transaction amounts for the three years ended 31 March 2018 under the 2015 Master Supply Agreement were approximately HK\$13.5 million, HK\$10.3 million and HK\$20.4 million respectively. The decrease in the transaction amounts under the 2015 Master Supply Agreement for the year ended 31 March 2017 as compared to that of for the year ended 31 March 2016 was mainly due to the increase in purchase of building material products by the Group from other independent third party suppliers as a result of the production capacity of BuildMax (SZ) failing to meet the demand of the Company during the year, whereas the increase in transaction amounts from approximately HK\$10.3 million for the year ended 31 March 2017 to approximately HK\$20.4 million for the year ended 31 March 2018 under the 2015 Master Supply Agreement was mainly due to the larger quantities of materials procured from BuildMax (SZ) for the two projects in relation to structural steelwork and noise barriers undertaken by the Group during the year ended 31 March 2018.

As stated in the Letter, the Proposed Annual Caps under the 2018 Master Supply Agreement are determined with reference to: (i) the historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ) for the three years ended 31 March 2018; (ii) the forecasted purchase amounts for the building material products estimated based on the Group's

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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projects on hand as at 28 February 2018; (iii) the projected proportion of purchase from BuildMax (SZ) estimates based on the historical proportion of purchase from BuildMax (SZ) by the Group under the 2015 Master Supply Agreement; and (iv) a flexibility buffer on the Proposed Annual Caps for the three years ending 31 March 2021 to accommodate any unpredictable increase in material costs or unexpected increase in number of projects undertaken by the Group.

As advised by the executive Directors, the amount of the outstanding contract sum as at 28 February 2018 (the “**Outstanding Contract Sum**”) was approximately HK\$464.1 million involving a total of 42 projects on hand on 28 February 2018. We understand from the executive Directors that the amount of the Outstanding Contract Sum is calculated by the estimated contract amount as at 28 February 2018 of these 42 projects minus the corresponding revenue recognised up to 28 February 2018 of these 42 projects.

We have obtained a breakdown list (the “**Breakdown List**”) of the Outstanding Contract Sum and noted that one of these 42 projects is a verbal contract (the “**Verbal Contract**”) with outstanding contract sum of approximately HK\$32.0 million (i.e. the Group has not yet signed a contract with the counterparty). The executive Directors provide us with a quotation made by the Group in March 2018 to the counterparty in respect of the Verbal Contract. The amount of quotation is as same as the outstanding contract sum of the Verbal Contract included in the Breakdown List. Although the quotation has not yet been signed by the counterparty for acceptance, the counterparty issued a conditional letter of intent to the Group in April 2018 to confirm its intent to award the works to Group. On this basis, we consider that it is appropriate for the executive Directors to include the Verbal Contract in the Breakdown List to determine the Proposed Annual Caps. We, on a sample basis, selected six projects (the “**Sample Projects**”) (being the top 5 largest outstanding contract sum projects (excluding the Verbal Contract) and another project being randomly selected from the Breakdown List) from the Breakdown List for checking. The outstanding contract sum of the Sample Projects as at 28 February 2018 was approximately HK\$300.7 million, representing approximately 64.8% of the Outstanding Contract Sum or agreements. In view of the Sample Projects are executed in ordinary course of business of the Group and the outstanding contract sum of the Sample Projects as at 28 February 2018 representing approximately 64.8% of the Outstanding Contract Sum or agreements, we are of the view that the Sample Projects are fair and representable. We noted that the estimated contract amount of the Sample Projects set out in the Breakdown List agreed to their respective budget detailing their respective estimated contract sum. Besides, we obtained a copy of job system report of each Sample Projects and noted that the revenue recognised up to 28 February 2018 of the Sample Projects shown in the Breakdown List agreed to the job system reports. In light of the above, we are of the view that the calculation basis of the Outstanding Contract Sum is reasonable.

It is estimated by the executive Directors that the outstanding cost of materials (including the related processing, fabrication or manufacturing charges) (the “**Estimated Materials Cost**”) will amount to approximately HK\$154.7 million, representing approximately 33.33% of the Outstanding Contract Sum. As set out in the Prospectus and as advised by the executive Directors, the total material and processing charges included in cost of revenue were approximately HK\$72.5 million, HK\$107.2 million and HK\$122.6 million for the three years ended 31 March 2015, 2016 and 2017

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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respectively, while the revenue were approximately HK\$197.4 million, HK\$343.8 million and HK\$381.4 million for the three years ended 31 March 2015, 2016 and 2017, respectively. Thus, the total material and processing charges amounted to approximately 36.7%, 31.2% and 32.1% of the total revenue for the three years ended 2015, 2016 and 2017, respectively with a simple average of approximately 33.33%. In light of the above, we are of the view that the calculation basis of the Estimated Material Cost is reasonable.

Based on the Estimated Material Cost of approximately HK\$154.7 million (including products unable to be provided by BuildMax (SZ) and comparable independent third party suppliers of BuildMax (SZ) (i.e. independent third party suppliers providing similar products of BuildMax (SZ))), the executive Directors estimate the amount of the building material products to be purchased from BuildMax (SZ) and comparable independent third party suppliers of BuildMax (SZ) is approximately HK\$102.2 million. The executive Directors anticipate that the amount of building material products to be purchased from BuildMax (SZ) would be approximately HK\$61.3 million (being 60% of HK\$102.2 million). It is stated in the Letter that purchases from BuildMax (SZ) represented approximately 57.0%, 33.2% and 71.4% of total purchases from both of BuildMax (SZ) and comparable independent third party suppliers of BuildMax (SZ) for the three years ended 31 March 2018, respectively. The simple average of these three figures is approximately 53.9%. In light of this, we are of the view that the estimation of 60.0% in determining the Proposed Annual Caps is reasonable.

As advised by the executive Directors, the outstanding contracts as at 28 February 2018 were expected to be completed in three years (the “**Estimated Duration**”). As such, the estimated purchase amount of the building material products from BuildMax (SZ) for the year ending 31 March 2019 is approximately HK\$20.4 million (being the estimated amount of building material products to be purchased from BuildMax (SZ) of approximately HK\$61.3 million divided by the Estimated Duration of three years). We reviewed the contracts of the Sample Projects and noted that their duration varied from approximately 1.0 year to 4.8 years with an average duration of approximately 3.0 years. In light of this, we are of the view that the Estimated Duration adopted for determining the Proposed Annual Caps is reasonable.

As stated in the Letter, flexibility buffers were applied when determining the Proposed Annual Caps. A flexibility buffer of 15.0% is applied by the executive Directors to determine the proposed annual cap for the year ending 31 March 2019. By applying the 15.0% buffer, the amount shall become approximately HK\$23.5 million (being the estimated amount of building material products to be purchased from BuildMax (SZ) for the year ending 31 March 2019 of approximately HK\$20.4 million  $\times$  (1+15.0%) = HK\$23.46 million) which is rounded up by the executive Directors to the nearest million to HK\$24.0 million for the proposed annual cap for the year ending 31 March 2019. When formulating the proposed annual cap for the year ending 31 March 2020, the executive Directors apply a buffer of 11.0% and round up the figure to the nearest million to HK\$27.0 million (being the proposed annual cap for the year ending 31 March 2019 of approximately HK\$24.0 million  $\times$  (1+11.0%) = HK\$26.64 million). The executive Directors adopt the same methodology to determine the proposed annual cap for the year ending 31 March 2021 which is HK\$30.0 million (being the proposed annual cap for the year ending 31 March 2010 of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately HK\$27.0 million  $\times (1+11.0\%) =$  HK\$29.97 million). We understand from the executive Directors that the Group will continue to submit tenders to secure new projects. We concur with the view of the executive Directors that the buffers can allow the Group to cater for possible adjustments in prices and further growth in businesses of the Group. We noted from the 2017 annual report of the Company that the total revenue of the Group grew from approximately HK\$343.8 million for the year ended 31 March 2016 to approximately HK\$381.4 million for the year ended 31 March 2017 by approximately 10.9%. Accordingly, we consider that the adoption of 11.0% buffer for determining the Proposed Annual Caps for the two years ending 31 March 2021 to be reasonable. As advised by the executive Directors, the Group is now considering a number of tenders which are not included in the Breakdown List. On this basis, we consider the adoption of a larger buffer of 15.0% to determine the proposed annual cap for the year ending 31 March 2019 to be reasonable.

### 5. Conditions of the Continuing Connected Transactions

In compliance with the Listing Rules, the Continuing Connected Transactions are subject to a number of conditions which include, among other things:

- (i) the Proposed Annual Caps for the Continuing Connected Transactions for each of the three years ending 31 March 2021 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and confirm in the Company's annual report whether the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, report on the Continuing Connected Transactions annually and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the Continuing Connected Transactions; and
  - (d) have exceeded the Proposed Annual Caps with respect to the Continuing Connected Transactions;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters set out in the points (ii) and/or (iii) above respectively;
- (v) the Company must allow, and ensure that BuildMax (SZ) allows, the auditors of the Company sufficient access to their records for the purpose of the auditors' reporting on the Continuing Connected Transactions. The Company must state in the annual report whether the auditors of the Company have confirmed the matters stated in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the Proposed Annual Caps, or that there is any material amendment to the terms of the 2018 Master Supply Agreement.

In light of the conditions imposed on the Continuing Connected Transactions, in particular, (a) the limit of the value of the Continuing Connected Transactions by way of the Proposed Annual Caps; (b) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Continuing Connected Transactions; and (c) the aforesaid on-going review by the auditors of the Company regarding the Proposed Annual Caps, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### OPINION

Having taken into account the above principal factors, we consider (i) the 2018 Master Supply Agreement is entered into in the ordinary and usual course of business of the Group; (ii) the terms of the 2018 Master Supply Agreement are on normal commercial terms, and are fair and reasonable; (iii) the entering into of the 2018 Master Supply Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2018 Master Supply Agreement and the Proposed Annual Caps in relation to the Continuing Connected Transactions.

Yours faithfully,  
for and on behalf of  
**VMS SECURITIES LIMITED**  
**Richard Leung**  
*Managing Director*  
*Corporate Finance*

*Mr. Richard Leung is a licensed person and responsible officer of VMS Securities Limited registered with the Securities and Future Commission to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has over ten years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

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. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company, or their associates, had any interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which were (i) required 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 SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange:

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate % of the issued share capital of the Company
Mr. Lui ( <i>Notes 1 &amp; 2</i> )	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.0%
Mr. Wai ( <i>Notes 1 &amp; 3</i> )	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.0%

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate % of the issued share capital of the Company
Mr. Yip ( <i>Notes 1 &amp; 4</i> )	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.0%

*Notes:*

- On 14 July 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into the concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert in relation to the Group.
- Shares in which Mr. Lui is interested consist of (i) 9,000,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing Investments Limited (“**Success Wing**”), a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Lui is deemed to be interested under the SFO; and (iii) 54,000,000 Shares in which Mr. Lui is deemed to be interested as a result of being a party acting-in-concert with Mr. Wai and Mr. Yip.
- Shares in which Mr. Wai is interested consist of (i) 27,000,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Wai is deemed to be interested under the SFO; and (iii) 36,000,000 Shares in which Mr. Wai is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Yip.
- Shares in which Mr. Yip is interested consist of (i) 27,000,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Yip is deemed to be interested under the SFO; and (iii) 36,000,000 Shares in which Mr. Yip is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Wai.



**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name	Capacity/ Nature of Interest	Number of Shares held	Approximate % of the issued share capital of the Company
Success Wing (Note 1)	Beneficial owner	369,000,000	61.5%
Ms. Wu, Janet (Note 2)	Interest of spouse	432,000,000	72.0%
Ms. Lam Suk Lan, Bonnie (Note 3)	Interest of spouse	432,000,000	72.0%

*Notes:*

1. Success Wing is a registered owner holding 61.50% shareholding interest in the Company. The issued share capital of Success Wing is owned as to approximately 29.3% by Mr. Lui, approximately 29.3% by Mr. Wai and approximately 29.3% by Mr. Yip.
2. Ms. Wu, Janet is the spouse of Mr. Wai and is deemed, or taken to be, interested in all Shares in which Mr. Wai has interest in under the SFO.
3. Ms. Lam Suk Lan, Bonnie is the spouse of Mr. Yip and is deemed, or taken to be, interested in all Shares in which Mr. Yip has interest in under the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 10% or more of the issued share capital of the Company as at the Latest Practicable Date.

**3. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.



**4. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any members of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up.

Save as disclosed in this circular, there is no contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

**5. SERVICE CONTRACTS**

All executive Directors have entered into service contracts with the Company for a period of three years and will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one month's notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract/letter of appointment with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

**6. LITIGATION**

As far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor its subsidiaries was involved in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest audited financial statements of the Company were made up.

## 8. EXPERT'S QUALIFICATION AND CONSENT

The following is the expert, and its qualification, who has given opinion contained in this circular:

Name	Qualification
VMS Securities Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder

VMS Securities Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice, opinion and/or reports and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, VMS Securities Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 March 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. MISCELLANEOUS

- (i) The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street Grand, Cayman KY1-1108, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.
- (iii) The company secretary of the Company is Mr. Chan Sun Kwong, who is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

- (iv) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's head office in Hong Kong at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the 2018 Master Supply Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 27 of this circular;
- (d) the memorandum of association and the bye-laws of the Company;
- (e) the annual reports of the Company for the years ended 31 March 2016 and 2017;
- (f) the interim report of the Company for the six months ended 30 September 2017;
- (g) the written consents referred to in the paragraph headed "Expert's qualification and consent" in this appendix;
- (h) the service contracts referred to in the paragraph headed "Service contracts" in this appendix; and
- (i) this circular.

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## NOTICE OF THE EGM

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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2663)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of KPa-BM Holdings Limited (the “Company”) will be held at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 14 June 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company. Capitalised terms used herein without definition have the same meanings as in the circular issued by the Company on 25 May 2018, unless the context otherwise requires:

### **ORDINARY RESOLUTION**

**1. “THAT:**

- (a) the 2018 Master Supply Agreement dated 20 April 2018 entered into between the Company and BuildMax (SZ) (a copy of which is produced to the EGM marked “A” and signed by the Chairman of the EGM for the purpose of identification) be and is hereby approved, confirmed and ratified;
- (b) the Proposed Annual Caps for the three years ending 31 March 2021 in relation to the transactions contemplated under the 2018 Master Supply Agreement be and are hereby approved, confirmed and ratified; and
- (c) any one Director be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2018 Master Supply Agreement and the transactions contemplated thereunder.”

By Order of the Board

**KPa-BM Holdings Limited**

**Yip Pak Hung**

*Chairman and Executive Director*

Hong Kong, 25 May 2018

*Notes:*

- 1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

*\* For identification purpose only*

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## NOTICE OF THE EGM

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2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.
4. For the purpose of determining members who are qualified for attending the EGM, the register of members of the Company will be closed from 11 June 2018 to 14 June 2018 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar at Level 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 11 June 2018.
5. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM.
6. A form of proxy for use at the meeting is enclosed herewith.
7. The votes at the abovementioned meeting will be taken by a poll.

*As at the date of this notice, the executive Directors are Mr. Yip Pak Hung, Mr. Wai Yat Kin and Mr. Lui Bun Yuen, Danny; and the independent non-executive Directors are Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming.*