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*(incorporated in Cayman Islands with limited liability)*

(Stock code: 8141)

**REVISION OF ANNUAL CAP  
FOR CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE MASTER SUPPLY AGREEMENT**

**REVISION OF ANNUAL CAP**

Reference is made to the prospectus of the Company dated 30 September 2015 in relation to, amongst other things, the continuing connected transactions under the Master Supply Agreement.

Having considered that (i) the Group's backlog of design and build projects as at 28 February 2017; and (ii) the anticipated increase in demand by the Group for building material products, the Directors believe that the 2018 Annual Cap will no longer be sufficient to satisfy the Group's business need. Therefore, the Board proposes to revise the 2018 Annual Cap to the Proposed 2018 Annual Cap.

On 28 April 2017, the Company (for itself and other group companies) entered into the Supplemental Agreement with BuildMax (SZ), pursuant to which the parties agreed to revise the 2018 Annual Cap to the Proposed 2018 Annual Cap, subject to the Independent Shareholders' approval. Save for the Proposed 2018 Annual Cap, all the other terms of the Master Supply Agreement shall remain unchanged.

**GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, BuildMax (SZ) is owned as to 75.0% by Hillford and Hillford is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai and approximately 26.7% by Mr. Yip. 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 % 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 20 of the GEM Listing Rules.

Pursuant to Rule 20.52 of the GEM Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As all the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) for the Proposed 2018 Annual Cap will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

## **GENERAL**

The EGM will be convened by the Company to seek the approval from the Independent Shareholders in respect of the Supplemental Agreement and the Proposed 2018 Annual Cap thereunder by way of poll.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, amongst other things, the Supplemental Agreement and the Proposed 2018 Annual Cap 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.

A circular containing, amongst others, (i) details of the Supplemental Agreement and the Proposed 2018 Annual Cap 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 Supplemental Agreement and the Proposed 2018 Annual Cap thereunder; and (iv) the notice of EGM will be despatched to the Shareholders no later than 31 May 2017.

## **BACKGROUND**

Reference is made to the prospectus of the Company dated 30 September 2015 in relation to, amongst other things, the continuing connected transactions under the Master Supply Agreement.

On 15 September 2015, the Company (for itself and other group companies) entered into the 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 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).

On 28 April 2017, the Company (for itself and other group companies) entered into the Supplemental Agreement with BuildMax (SZ), pursuant to which the parties agreed to revise the 2018 Annual Cap to the Proposed 2018 Annual Cap, subject to Independent Shareholders' approval.

## **MASTER SUPPLY AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

The major terms of the Master Supply Agreement (as supplemented by the Supplemental Agreement) are as follows:

### **Date**

15 September 2015 (Master Supply Agreement)

28 April 2017 (Supplemental Agreement)

### **Parties**

(i) The Company; and

(ii) BuildMax (SZ)

### **Subject matter**

Pursuant to the 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).

Pursuant to the Supplemental Agreement, the parties have agreed to revise the 2018 Annual Cap under the Master Supply Agreement to the Proposed 2018 Annual Cap, subject to the Independent Shareholders' approval. Save for the Proposed 2018 Annual Cap, all other terms of the Master Supply Agreement shall remain unchanged.

### **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).

### Historical figures

The Board has been carefully monitoring the historical transaction amounts under the Master Supply Agreement. The table below sets out the annual caps under the Master Supply Agreement and the historical transaction amounts for the two years ended 31 March 2017:

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

*Note:* For the eleven months ended 28 February 2017.

For the year ended 31 March 2016 and the eleven months ended 28 February 2017, the historical transaction amounts under the Master Supply Agreement were approximately HK\$13.5 million and HK\$10.3 million, respectively. The decrease in transaction amounts under the Master Supply Agreement was mainly due to the increase in purchase of building material products by the Group from other independent third party suppliers.

### The Proposed 2018 Annual Cap

	<b>For the year ending</b>	
	<b>31 March 2018</b>	
	<i>HK\$ million</i>	
2018 Annual Cap	15.0	
Proposed 2018 Annual Cap	25.0	

The Directors estimate that the aggregated purchase amount of building material products by the Group from BuildMax (SZ) under the Continuing Connected Transactions for the year ending 31 March 2018 will not exceed HK\$25.0 million.

The Proposed 2018 Annual Cap is determined with reference to (i) the historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ); (ii) the forecasted purchase amounts for the building material products estimated based on the Group's projects on hand as at 28 February 2017; and (iii) the estimated demand in building material products from BuildMax (SZ) and other independent third party suppliers are expected to be maintained at a balanced proportion.

#### **REASONS FOR AND BENEFITS OF THE PROPOSED 2018 ANNUAL CAP**

During the past year, the Group has been focusing on cultivating potential new business opportunities and tendering for projects in both private and public sectors. In November and December 2016, the Group was awarded one new project in the public sector and one new project in the private sector with a contract sum of approximately HK\$121 million and HK\$131 million, respectively. For details of these two new projects, please refer to the announcements of the Company dated 18 November 2016 and 21 December 2016, respectively.

Having considered (i) the Group's backlog of design and build projects as at 28 February 2017; and (ii) the anticipated increase in demand by the Group for building material products, the Directors believe that the entering into the Supplemental Agreement is in the interest of the Company and its Shareholders as a whole, as the Group can continue to secure stable supply of building material products from BuildMax (SZ) for the Group's businesses at the rates no less favourable than that offered to independent third parties by BuildMax (SZ) and therefore can maintain the market competitiveness of the Group.

The Directors (excluding independent non-executive Directors whose views will be given after taking into account the advice of Independent Financial Adviser) are of opinion that the entering into the Supplemental 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 2018 Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned.

## **INTERNAL CONTROL MEASURES**

To ensure the purchase price and payment terms of building material products offered by BuildMax (SZ) under the Master Supply Agreement (as supplemented by the Supplemental Agreement) are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than available from independent third parties, and the annual caps for the Continuing Connected Transactions will not be exceeded, the Group has adopted the following internal control measures:

- (i) the Group will obtain quotations from at least two independent third party suppliers to ensure the pricings offered by BuildMax (SZ) are in line with the prevailing market price and no less favourable than those from independent third party suppliers;
- (ii) the Company will closely monitor the transaction amounts in relation to the transactions under the Master Supply Agreement to ensure that the Proposed 2018 Annual Cap will not be exceeded;
- (iii) the independent non-executive Directors will review and confirm whether the transactions contemplated under the 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 Master Supply Agreement (as supplemented by the Supplemental Agreement) in compliance with the annual reporting and review requirements under the GEM Listing Rules.

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

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

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. As at the date of this announcement, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by an independent third party.

## **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, BuildMax (SZ) is owned as to 75.0% by Hillford and Hillford is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai and approximately 26.7% by Mr. Yip. 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 % 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 20 of the GEM Listing Rules.

Pursuant to Rule 20.52 of the GEM Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As all the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) for the Proposed 2018 Annual Cap will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

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

## **EGM**

The EGM will be convened by the Company to seek the approval from the Independent Shareholders in respect of the Supplemental Agreement and the Proposed 2018 Annual Cap thereunder by way of poll. Save for Mr. Lui, Mr. Wai and Mr. Yip and their respective associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the resolution(s) to approve the Supplemental Agreement and the Proposed 2018 Annual Cap thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, amongst other things, the Supplemental Agreement and the Proposed 2018 Annual Cap 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.



## GENERAL

A circular containing, amongst others, (i) details of the Supplemental Agreement and the Proposed 2018 Annual Cap 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 Supplemental Agreement and the Proposed 2018 Annual Cap thereunder; and (iv) the notice of EGM will be despatched to the Shareholders no later than 31 May 2017.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“2018 Annual Cap”	the annual cap for the purchase of building material products by the Group from BuildMax (SZ) for the year ending 31 March 2018 under the Master Supply Agreement, being HK\$15.0 million for the year ending 31 March 2018;
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors of the Company;
“BuildMax (SZ)”	BuildMax Technology (Shenzhen) Limited, a sino-foreign equity joint venture enterprise incorporated in the PRC, which is owned as to 75.0% by Hillford and 25.0% by an independent third party;
“Company”	KPa-BM Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the issued shares of which are listed and traded on GEM;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Master Supply Agreement (as supplemented by the Supplemental Agreement);
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules;



“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and approve by poll, amongst other things, the Supplemental Agreement and the transactions contemplated thereunder;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rule Governing the Listing of Securities on GEM;
“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, 26.7% by Mr. Wai and 26.7% by Mr. Yip;
“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 Supplemental Agreement and the Proposed 2018 Annual Cap thereunder;
“Independent Shareholders”	Shareholders of the Company, other than Mr. Liu, Mr. Wai, 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 GEM Listing Rules;
“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;
“Mr. Lui”	Mr. Lui Bun Yuen, Danny, an executive Director and one of the controlling shareholders of the Company;
“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;
“Proposed 2018 Annual Cap”	the annual cap proposed by the Company for the Continuing Connected Transactions for the year ending 31 March 2018 under the Master Supply Agreement (as supplemented by the Supplemental Agreement), being HK\$25.0 million for the year ending 31 March 2018;
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company;
“Shareholders”	holder of the Share(s);
“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 Proposed 2018 Annual Cap;

“HK\$” Hong Kong Dollar, the lawful currency of Hong Kong;  
and

“%” per cent.

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

Hong Kong, 28 April 2017

*As at the date of this announcement, the executive Directors are Mr. Yip Pak Hung (chairman of the Board), 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.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at <http://www.kpa-bm.com.hk>.*

*\* For identification purposes only*