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

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



A letter from the Board is set out on pages 4 to 14 of this circular.

A notice dated 15 June 2017 convening the EGM to be held at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Monday, 3 July 2017 at 11:00 a.m. is set out on pages 33 to 34 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

15 June 2017

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

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

“2018 Annual Cap”	the annual cap for the purchase of building material products by the Group from BuildMax (SZ) under the Master Supply Agreement, being HK\$15.0 million for the year ending 31 March 2018;
“Announcement”	the announcement of the Company dated 28 April 2017 in relation to, among others, the Supplemental Agreement and the transactions contemplated thereunder;
“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 Shenzhen Hengyauyuan, 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;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Master Supply Agreement (as supplemented by the Supplemental Agreement);
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“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 at 1907 to 1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong at 11:00 a.m. on Monday, 3 July 2017 to consider and, if thought fit, approve, among 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;

DEFINITIONS

“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, 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% 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 Supplemental Agreement and the Proposed 2018 Annual Cap thereunder;
“Independent Shareholders”	Shareholder 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 GEM Listing Rules;
“Latest Practicable Date”	13 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Master Supply Agreement”	the master supply agreement dated 15 September 2015 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;
“Mr. Lui”	Mr. Lui Bun Yuen, Danny, an executive Director and one of the controlling Shareholders of the Company;

DEFINITIONS

“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 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;
“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;
“Shareholders”	holder of the Share(s);
“Shenzhen Hengyayuan”	深圳市恒有源科技發展有限公司 (Shenzhen Hengyayuan 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 Proposed 2018 Annual Cap;
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong; and
“%”	per cent.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

Executive Directors:

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

Registered office:

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

Independent non-executive Directors:

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

*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

15 June 2017

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the prospectus of the Company dated 30 September 2015 and the Announcement 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

* *For identification purpose only*

LETTER FROM THE BOARD

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

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 under the Master Supply Agreement to the Proposed 2018 Annual Cap, subject to Independent Shareholders' approval.

As at the Latest Practicable Date, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyaoyuan. Shenzhen Hengyaoyuan 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. Hillford 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 a 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 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 5.0% 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.

The purpose of this circular is to provide you with the information, among other things, (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.

LETTER FROM THE BOARD

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:** 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).

Further, the Supplemental Agreement is conditional upon approval by the Independent Shareholders at the EGM in accordance with the requirements of the GEM Listing Rules.

LETTER FROM THE BOARD

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

The price of building material products to be supplied by BuildMax (SZ) to the Group is determined with reference to the then 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 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 two years ended 31 March 2017.

THE ANNUAL CAPS

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:

	For the year ended 31 March	
	2016	2017
	<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 (approximately)	13.5	10.3

For each of the two years ended 31 March 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.

Since 31 March 2017 and up to 30 April 2017, the transaction amounts for the purchase of building materials products by the Group under the Master Supply Agreement was approximately HK\$1.0 million. The Directors estimate that the transaction amounts to be conducted with BuildMax (SZ) under the Master Supply Agreement before the date of EGM will fall within the 2018 Annual Cap, i.e. not exceeding HK\$15.0 million.

LETTER FROM THE BOARD

The Proposed 2018 Annual Cap

**For the year
ending
31 March 2018**
HK\$ million

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) for the two years ended 31 March 2017; (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 independent third party suppliers are expected to be maintain at a balanced proportion.

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 the two years ended 31 March 2017 and the expected proportion for the year ending 31 March 2018 are set out as below:

	For the year ended 31 March		Average annual purchase proportion	For the year ending 31 March
	2016	2017		2018
	<i>(Approximate %)</i>		<i>(Approximate %)</i>	<i>(Approximate %)</i>
BuildMax (SZ)	57.0	33.2	45.1	50.0
Independent third party suppliers	43.0	66.8	54.9	50.0
Total	100.0	100.0		100.0

LETTER FROM THE BOARD

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

As at 28 February 2017, the Group had a total of 38 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\$690.4 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 2017 is in or around the first quarter of 2020.

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\$230.1 million, representing approximately 33.3% of the aggregate outstanding awarded contract sum of these 38 projects on hand as at 28 February 2017. Out of the estimated materials costs of approximately HK\$230.1 million, the Directors expect that approximately HK\$151.3 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 estimated demand in building material products from BuildMax (SZ) and other independent third party suppliers are expected to maintain at a balanced proportion

The Group's average annual purchase proportion of building material products from BuildMax (SZ) amounted to approximately 45.1% for the two years ended 31 March 2017. The Directors expect that the Group will not only rely on BuildMax (SZ) for the supply of building material products since there are many alternative suppliers available in the market. Therefore, 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 at a balance proportion. Accordingly, the Directors estimate that the total purchase amounts of building material products to be placed by the Group from BuildMax (SZ) will amount to approximately HK\$75.6 million for its 38 projects on hand as at 28 February 2017.

Taking into account the above, in particular, (i) approximately HK\$151.3 million of the building material products is expected to be purchased for the Group's 38 projects on hand as at 28 February 2017; (ii) according to the respective latest project schedule, these 38 projects will be completed within 3 years; (iii) assuming the Group's demand in building material products for such 38 projects on hand will be spread evenly over the 3-year period based on the respective latest project schedule; and (iv) the estimation of 50.0% of building material products to be purchased from BuildMax (SZ), the forecast purchase amounts of building material products required by the Group from BuildMax (SZ) is estimated to be approximately HK\$25.0 million for the year ending 31 March 2018.

LETTER FROM THE BOARD

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\$121.0 million and HK\$131.0 million, respectively. The private sector project is a design and build project related to structural steel and metal facade works for a public utility facility located on the Lamma Island, Hong Kong. Based on the project schedule provided by the customer, it is expected that substantial portion of the Group's works will be completed by the second quarter of 2018. With respect to the public sector project, it is a design and build project related to noise barriers for a highway located in Tuen Mun, New Territories. Based on the project schedule provided by the customer, it is expected that substantial portion of the Group's works will be completed by the end of March 2019. 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 the Group's 38 projects on hand have an aggregate outstanding awarded contract sum of approximately HK\$690.4 million as at 28 February 2017 and such projects on hand are expected to be completed within 3 years, it is estimated that there will be a significant increase in the amount of building material products to be purchased by the Group for its projects, resulting an increment in the Proposed 2018 Annual Cap when compared with the historical annual caps for the two years ended 31 March 2017.

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 Master Supply Agreement (as supplemented by the Supplemental 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 2017 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 2018 Annual Cap under the Supplemental Agreement are determined after into account (i) the historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ) for the two years ended 31 March 2017; (ii) the aggregate outstanding awarded contract sum of approximately HK\$690.4 million of the Group's 38 projects on hand as at 28 February 2017; (iii) the forecast purchase amounts of building material products of approximately HK\$151.3 million to be required for the Group's 38 projects on hand as at 28 February 2017; (iv) the Group's projects on hand are expected to be completed within 3 years; (v) the estimation of 50.0% of building material products to be purchased from BuildMax (SZ); and (vi) the Group's projects on hand needed to be backed by the stable supply of building material products from BuildMax (SZ). The Directors are of the view that the Master Supply Agreement (as supplemented by the Supplemental Agreement) forms an integral part of the ordinary and usual course of business of the Group and are conducted on normal commercial terms determined on an arm's length basis.

LETTER FROM THE BOARD

In light of the above, the Directors (including the independent non-executive Directors after considering the advice of the 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.

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 Shenzhen Hengyayuan, 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 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 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;

LETTER FROM THE BOARD

- (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.

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 Master Supply Agreement (as supplemented by the Supplemental 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 GEM LISTING RULES

As at the Latest Practicable Date, 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 30.0% 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 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

LETTER FROM THE BOARD

Rules) for the Proposed 2018 Annual Cap will exceed 5.0% 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 transactions contemplated thereunder.

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, 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.

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. 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 Supplemental Agreement and the Proposed 2018 Annual Cap 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 Supplemental Agreement and the Proposed 2018 Annual Cap 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 Monday, 3 July 2017 at 11:00 a.m. is set out on pages 33 to 34 of this circular. An ordinary resolution will be proposed at the EGM to approve the Supplemental Agreement and the Proposed 2018 Annual Cap 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

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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 The Proposed 2018 Annual Cap” above, the Directors (including the independent non-executive Directors) consider 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. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution be proposed at the EGM to approve the Supplemental Agreement and the Proposed 2018 Annual Cap thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 15 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Agreement and the Proposed 2018 Annual Cap thereunder; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 26 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

15 June 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular (the “**Circular**”) dated 15 June 2017 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 Supplemental Agreement and the Proposed 2018 Annual Cap 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 16 to 26 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 its views and consider 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. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve the Supplemental Agreement and the Proposed 2018 Annual Cap 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*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

15 June 2017

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

Dear Sir,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement and the Proposed 2018 Annual Cap, in respect of which the Independent Shareholders' approval will be sought at the EGM. Details of the Supplemental Agreement, the Continuing Connected Transactions and the Proposed 2018 Annual Cap are set in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 15 June 2017 (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.

BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan, an independent third party. Hillford 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. 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 an associate of Mr. Lui, Mr. Wai and Mr. Yip, and a connected person of the Company under the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

At the time of the listing in 2015, the Stock Exchange granted waivers to the Company from strict compliance with the relevant requirements under the GEM Listing Rules in respect of the continuing connected transactions contemplated under the Master Supply Agreement for each of the two financial years ended 31 March 2016 and 2017, and the financial year ending 31 March 2018 subject to certain annual caps. However, due to the continued growth of the Group's businesses, the Company anticipates that the annual cap amount for financial year ending 31 March 2018 for the Continuing Connected Transactions will not be sufficient for the Group's requirements, and therefore proposes to revise the annual cap amount. 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 Proposed 2018 Annual Cap are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under the GEM 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 Supplemental 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 Supplemental Agreement are on normal commercial terms; (iii) the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed 2018 Annual Cap is fair and reasonable so far as the Independent Shareholders are concerned. We, VMS Securities Limited ("**VMS Securities**"), have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, VMS Securities had no past engagement with the Company. As at the Latest Practicable Date, we were independent from and not connected with the Group under Rule 17.96 of the GEM Listing Rules, and accordingly, qualified to give independent advice to the Independent Shareholders regarding the Supplemental Agreement and the Proposed 2018 Annual Cap.

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 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (i) the Supplemental 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 Supplemental Agreement are on normal commercial terms; (iii) the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed 2018 Annual Cap is 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 and the Proposed 2018 Annual Cap

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.

As set out in the “Letter from the Board” contained in the Circular 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 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 (SZ). The building material products purchased by the Group from BuildMax (SZ) under the Master Supply Agreement mainly comprised aluminium extrusions, aluminium sheet, steel, stainless steel, roof cladding materials and noise barrier materials.

As disclosed in the Prospectus, BuildMax (SZ) had been supplying building material products to the Group since 2011 for the Group’s (i) design and build business and (ii) building material product trading business. As advised by the executive Directors, the building material products supplied by BuildMax (SZ) in the past were good quality in general, and BuildMax (SZ) and the Group has a stable business relationship. Accordingly, the executive Directors consider that it is in the interests of the Company and the Shareholders as a whole to continue the Continuing Connected Transactions for sourcing building material products from BuildMax (SZ).

As set out in the “Letter from the Board” contained in the Circular, 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 located in Tuen Mun and one new project in Lamma Island with a contract sum of approximately HK\$121 million and HK\$131 million, respectively. As disclosed in the announcements of the Company dated 18 November 2016 and 21 December 2016, it was expected that substantial portion of works of the Group under the Tuen Mun

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

project and the Lamma Island project would be completed by the end of March 2019 and second quarter of 2018 respectively. Coupled with the growth of the Group's business, the executive Directors are of the view that the demand by the Group for building material products will increase in the coming financial year. For details of these two new projects, please refer to the announcements of the Company dated 18 November 2016 and 21 December 2016, respectively. As set out in the 2016 annual report of the Company (the "**2016 Annual Report**"), the revenue of the Group increased from approximately HK\$197.4 million for the year ended 31 March 2015 to approximately HK\$343.8 million for the year ended 31 March 2016, representing an increase of approximately 74.2%. Also, as set out in the 2016 third quarterly report of the Company, the revenue of the Group increased from approximately HK\$230.4 million for the nine months ended 31 December 2015 to approximately HK\$288.2 million for the nine months ended 31 December 2016, representing an increase of approximately 25.1%. The executive Directors advise us that the Group will continue to leverage its experience in the industry in order to explore the business opportunities so as to undertake more projects and expand its business. Therefore, we are of the view that the Group is expected to purchase more building material products during the year ending 31 March 2018.

The executive Directors have been closely monitoring the Continuing Connected Transactions since the listing in 2015 to ensure the relevant annual caps as set out in the Prospectus not to be exceeded. In view of the aforesaid two new projects and increase in the level of business of the Group, the executive Directors consider that the existing 2018 Annual Cap will no longer be sufficient to satisfy the Group's business need. Therefore, the Board proposed to revise the existing 2018 Annual Cap.

On 28 April 2017, the Company entered into the Supplemental Agreement with BuildMax (SZ) in relation to the Proposed 2018 Annual Cap which is subject to Independent Shareholders' approval.

As set out in the sub-section headed "Principal terms of the Master Supply Agreement (as supplemented by the Supplemental 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 year ended 31 March 2017. For all these five transactions, the prices for the building material products offered by BuildMax (SZ) are either the lowest against or no less favourable than independent third party suppliers' quotations obtained by the Group.

On this basis, in particular, (a) results of our review of five purchase transactions, (b) the unqualified letter issued by auditors containing its findings and conclusions in respect of the Continuing Connected Transactions for the year ended 31 March 2016 and (c) the Company's satisfaction of quality of products supplied by BuildMax (SZ), we consider that the entering into of the Supplemental Agreement for the Group to continue the Continuing Connected

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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 Master Supply Agreement (as supplemented by the Supplemental Agreement)

Set out below is a summary of the principal terms of the Master Supply Agreement (as supplemented by the Supplemental Agreement). Further details of the terms of the Master Supply Agreement and the Supplemental Agreement are set out in the “Letter from the Board” contained in the Circular.

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, 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). Pursuant to the Supplemental Agreement, the parties have agreed to revise the existing 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.

As set out in the “Letter from the Board” contained in the Circular, 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). Given that (1) the price payable by the Group to BuildMax (SZ) shall be determined by reference to then prevailing market price of similar products; and (2) results of our review of five purchase transactions as detailed below that the prices for the building material products offered by BuildMax (SZ) are either the lowest against or no less favourable than independent third party suppliers’ quotations obtained by the Group, we are of the view that the pricing basis relating to the Master Supply Agreement is on normal commercial terms.

It is stated in the “Letter from the Board” contained in the Circular that the Company has adopted certain internal control measures, including, but not limited to, (1) 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 procedures in relation to continuing connected transactions. The financial controller of the Group would review the price and approve the purchase orders for the relevant products; (2) the Group will, as a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

general practice, 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 the independent third party suppliers; (3) 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; and (4) 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. Further details of the internal control measures adopted by the Group are set out in the section headed “Internal Control Measures” contained in the “Letter from the Board”.

We have, on a sampling basis, obtained and reviewed five purchase transactions by the Group from BuildMax (SZ) of building material products for the year ended 31 March 2017. We noted from the five samples (the “**Samples**”) that (i) quotations from BuildMax (SZ) and two independent third party suppliers were obtained for each sample we selected; and (ii) the prices for the products offered by BuildMax (SZ) are either (a) the lowest among those quotation obtained; or (b) no less favourable than those offered by the independent third party suppliers. Based on the above, we consider that interests of the Group can be safeguarded. Although the credit terms of the building material products offered by BuildMax (SZ) as set out in quotations from BuildMax (SZ) are shorter than that offered by other independent third party suppliers, the Group concludes these purchases with BuildMax (SZ) mainly because of (i) the favourable prices offered by BuildMax (SZ) to the Group; and (ii) working capital of the Group not expected to be materially affected by early settlement of purchase prices because the Group closely monitors its working capital and would try to match credit terms offered by BuildMax (SZ) with those offered by the Group to the Group’s customers. For an arm’s length transaction, we consider that it is reasonable for the independent third party suppliers with lower/lowest price quotations to offer a shorter credit term.

Based on the review of the Samples, we note that (i) quotations from BuildMax (SZ) were compared against quotations from two independent third party suppliers; and (ii) the Group purchased products from BuildMax (SZ) because the prices for the building material products offered by BuildMax (SZ) are either the lowest against or no less favourable than independent third party suppliers’ quotations obtained by the Group. We also note from the 2016 Annual Report that the Company engaged its auditors to report on the Continuing Connected Transactions for the year ended 31 March 2016 and the auditors issued an unqualified letter containing its findings and conclusions in accordance with Rule 20.54 of the GEM Listing Rules. Moreover, it was stated in the 2016 Annual Report that the independent non-executive Directors had reviewed the Continuing Connected Transactions for the year ended 31 March 2016. In view of results of our review of the Samples 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

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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.

3. Review of the Continuing Connected Transactions by the auditors

The auditors of the Company have performed a review of Continuing Connected Transactions for the financial year ended 31 March 2016 (the “**Past Transactions**”). We noted from the 2016 Annual Report that the auditors issued an unqualified letter containing its findings and conclusions in respect of the Past Transactions in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor’s letter was provided by the Company to the Stock Exchange.

Based on the analysis in the sub-section headed under “Principal terms of the Master Supply Agreement (as supplemented by the Supplemental Agreement)” above, the auditors’ review of the Past Transactions and the obligations of the Directors to comply with the GEM 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 2018 Annual Cap with respect to the Continuing Connected Transactions

The Continuing Connected Transactions will be subject to the Proposed 2018 Annual Cap whereby the amount of the Continuing Connected Transactions for the financial year ending 31 March 2018 will not exceed the applicable annual amount stated in the “Letter from the Board” contained in the Circular. In assessing the reasonableness of the Proposed 2018 Annual Cap, we have discussed with executive Directors and management of the Group the basis and underlying assumptions for the purpose of setting the Proposed 2018 Annual Cap.

Set out below is the historical transaction amounts under the Master Supply Agreement for the two years ended 31 March 2016 and 2017:

	For the year ended 31 March	
	2016	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Historical transaction amounts under the Master Supply Agreement	13.5	10.3

For the two years ended 31 March 2016 and 2017, the historical transaction amounts under the Master Supply Agreement were approximately HK\$13.5 million and HK\$10.3 million respectively. As advised by the executive Directors, the lower historical transaction amount for the year ended 31 March 2017 was primarily due to the production capacity of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BuildMax (SZ) failing to meet the demand of the Company. The executive Directors advised us that the production capacity of BuildMax (SZ) had been nearly fully utilised for the year ended 31 March 2017 due to independent third party customers' orders. Thus, the Group purchased fewer building material products from BuildMax (SZ) for the year ended 31 March 2017. Since 31 March 2017 and up to 30 April 2017, the transaction amount for the purchase of building material products by the Group under the Master Supply Agreement amounted to approximately HK\$1.0 million. As advised by the executive Directors, the Group has placed a number of purchase orders to purchase building material products from BuildMax (SZ) at a total amount of approximately HK\$6.4 million during the month of May 2017. We are provided with copies of these purchase orders and note that the aggregate purchase amount is approximately HK\$6.4 million. We understand from the executive Directors that the management of the Company had communicated with the management of BuildMax (SZ) and realised that BuildMax (SZ) had completed such independent third party customers' orders. Moreover, BuildMax (SZ) is now evaluating the expansion plan. We note from a letter issued by BuildMax (SZ) to the Company stating that BuildMax (SZ) can meet the demand of purchase from the Group in an amount of HK\$25 million for the financial year ending 31 March 2018 because the independent third party customers' orders have been completed and BuildMax (SZ) is now evaluating the expansion plan. On this basis, we are of the view that BuildMax (SZ) can meet the expected demand of building material products of the Group for the financial year ending 31 March 2018.

In determining the Proposed 2018 Annual Cap, the executive Directors have taken into account, among other things, (i) the historical transaction amounts of the purchase of building material products by the Group from BuildMax (SZ); and (ii) the future purchase amounts for the building material products estimated based on the Group's 38 projects on hand as at 28 February 2017. In November and December 2016, the Group was awarded one new project located in Tuen Mun and one new project in Lamma Island 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. As advised by the executive Directors, the amount of the outstanding contract sum as at 28 February 2017 (the "**Outstanding Contract Sum**") was approximately HK\$690.4 million. 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 2017 of these 38 projects minus the corresponding revenue recognised up to 28 February 2017 of these 38 projects. We have obtained a breakdown list (the "**Breakdown List**") of the Outstanding Contract Sum and, on a sample basis, selected three projects (the "**Sample Projects**") for checking. The outstanding contract sum as at 28 February 2017 contributed by the Sample Projects was approximately HK\$371.0 million, representing approximately 53.7% of the Outstanding Contract Sum. We note that the estimated contract amount of the Sample Projects set out in the Breakdown List agrees to their respective budget detailing their respective estimated contract amount and costs. For the corresponding revenue recognised up to 28 February 2017 of the Sample Projects, we get a copy of job system report of each Sample Project and note that revenue recognised up to 28 February 2017 of the

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Sample Projects shown in the Breakdown List agree to the job system report. On this basis, we are of the view that the calculation basis of the Outstanding Contract Sum to be reasonable.

For the Outstanding Contract Sum of approximately HK\$690.4 million, the executive Directors estimate that the outstanding material cost to be involved (the “**Estimated Material Cost**”) is approximately HK\$230.1 million (being approximately one-third of the Outstanding Contract Sum i.e. HK\$690.4 million divided by 3). As set out in the Prospectus, the total material and processing charges included in cost of revenue were approximately HK\$72.8 million and HK\$72.5 million for the two years ended 31 March 2014 and 2015 respectively, while the revenue were approximately HK\$205.3 million and HK\$197.4 million for the two years ended 31 March 2014 and 2015 respectively. Thus, the total material and processing charges amounted to approximately 35.4% and 36.7% of the total revenue for the two years ended 31 March 2014 and 2015 respectively. Material and processing charges were not disclosed in 2016 annual report of the Company. On this basis, we are of the view that the Estimated Material Cost adopted in setting the Proposed 2018 Annual Cap to be appropriate.

Based on the Estimated Material Cost of approximately HK\$230.1 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\$151.3 million. In order to avoid over reliance on BuildMax (SZ), the executive Directors anticipate that the amount of building material products to be purchased from BuildMax (SZ) would be approximately HK\$75.6 million (being 50% of HK\$151.3 million). We obtained from the executive Directors that total purchases from comparable independent third party suppliers of BuildMax (SZ) amounted to approximately HK\$10.2 million for the year ended 31 March 2016 and HK\$20.8 million for the year ended 31 March 2017 respectively. Accordingly, purchases from BuildMax (SZ) represented approximately 57.0% and 33.2% of total purchases from both of BuildMax (SZ) and comparable independent third party suppliers of BuildMax (SZ) for the two years ended 31 March 2016 and 2017 respectively. Therefore, the average of these two figures is approximately 45.1%. On this basis, we are of the view that the estimation of 50% of the building material products to be purchased from BuildMax (SZ) in setting the Proposed 2018 Annual Cap to be appropriate.

As advised by the executive Directors, the outstanding contracts as at 28 February 2018 are estimated 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 2018 is approximately HK\$25.2 million (being HK\$75.6 million divided by three). We obtain a copy of contract of the Sample Projects and note that their duration is varied from approximately 12 months to 4.5 years with an average duration of approximately 2.7 years. On this basis, we are of the view that the Estimated Duration adopted in setting the Proposed 2018 Annual Cap to be appropriate.

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Taking the above factors into account and rounding it down to the nearest million, the Proposed 2018 Annual Cap is set as follows:

For the year ending

31 March 2018

HK\$ million

Proposed 2018 Annual Cap 25.0

5. Conditions of the Continuing Connected Transactions

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

- (i) the Proposed 2018 Annual Cap for the Continuing Connected Transactions for the financial year ending 31 December 2018 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the GEM 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 GEM 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 2018 Annual Cap with respect to the Continuing Connected Transactions;

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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 20.54 of the GEM Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the GEM Listing Rules governing continuing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the Proposed 2018 Annual Cap, or that there is any material amendment to the terms of the Master Supply Agreement (as supplemented by the Supplemental Agreement).

In light of the conditions imposed on the Continuing Connected Transactions, in particular, (1) the limit of the value of the Continuing Connected Transactions by way of the Proposed 2018 Annual Cap; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Continuing Connected Transactions; and (3) the aforesaid on-going review by the auditors of the Company regarding the Proposed 2018 Annual Cap, 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 Supplemental Agreement is entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement are on normal commercial terms; (iii) the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed 2018 Annual Cap is 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 Supplemental Agreement and the Proposed 2018 Annual Cap 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 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate % of the total number of Share issued
Mr. Lui (<i>Note 1 & 2</i>)	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.0%
Mr. Wai (<i>Note 1 & 3</i>)	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.0%
Mr. Yip (<i>Note 1 & 4</i>)	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.0%

Notes:

1. 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.
2. 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.
3. 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.
4. 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 5.0% 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 total issued Share
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 61.5% 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 10.0% 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 2016, 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 2016, 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 Supplemental Agreement and the Proposed 2018 Annual Cap 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 2016

(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 Chartered Association of Certified Accountants in the United Kingdom 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 Master Supply Agreement (as supplemented by the Supplemental Agreement);
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 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 16 to 26 of this circular;
- (d) the memorandum of association and the bye-laws of the Company;
- (e) the annual report of the Company for the year ended 31 March 2016;

- (f) the interim report of the Company for the six months ended 30 September 2016;
- (g) the written consent 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.

NOTICE OF THE EGM



KPa-BM Holdings Limited **應力控股有限公司***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

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 Monday, 3 July 2017 at 11:00 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 15 June, unless the context otherwise requires:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Supplemental Agreement dated 28 April 2017 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), and the Proposed 2018 Annual Cap for the transactions contemplated thereunder for the year ending 31 March 2018 be and are hereby approved, confirmed and ratified; and
- (b) 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 Supplemental Agreement and the transactions contemplated thereunder.”

By Order of the Board

KPa-BM Holdings Limited

Yip Pak Hung

Chairman and Executive Director

Hong Kong, 15 June 2017

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*

NOTICE OF THE EGM

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 authorised 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 authorised, 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 Meeting, the register of members of the Company will be closed from 28 June 2017 to 3 July 2017 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, 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 27 June 2017.
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.