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(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

PROPOSED OFF-MARKET SHARE BUY-BACK CONSTITUTING A CONNECTED TRANSACTION

SHARE BUY-BACK AGREEMENT

On 6 December 2022 (after trading hours), the Company entered into the Share Buy-back Agreement with the Vendor pursuant to which the Vendor has agreed to sell, and the Company has agreed to repurchase for cancellation, a total of 43,070,000 Shares at the total consideration of HK\$10,543,536, equivalent to HK\$0.2448 per Buy-back Share.

The Share Buy-back Agreement is conditional upon, among others, (i) the Executive giving his consent to the Share Buy-back; and (ii) the Disinterested Shareholders approving the Share Buy-back at the EGM. Share Buy-back Completion will take place on the second Business Day (or such other date as agreed between the Vendor and the Company) after fulfilment (or waiver) of the conditions precedent under the Share Buy-back Agreement.

The reasons for and benefits of the Share Buy-back and the basis on which the terms of the Share Buy-back Agreement have been determined are set out in the section headed “Reasons for and benefits of the Share Buy-back” below.

THE TRANSFERS

On 6 December 2022 (after trading hours), being the same date of execution of the Share Buy-back Agreement, the Board was informed by the Vendor that he has respectively entered into the Wai S&P Agreement with Mr. Wai, the executive Director, and the Yip S&P Agreement with Mr. Yip, the executive Director, pursuant to which the Vendor conditionally agreed to sell and Mr. Wai and Mr. Yip respectively conditionally agreed to acquire the Wai Sale Shares and the Yip Sale Shares. The Sale Shares represent approximately 11.65% of the entire issued share capital of Success Wing, which in turn holds 369,000,000 Shares, representing approximately 61.50% of the issued share capital of the Company as at the date of this announcement.

Share Buy-back Completion and S&P Completion are not inter-conditional. Completions of the Share Buy-back Agreement and the S&P Agreements will take place separately and independently.

REGULATORY REQUIREMENTS

Share Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company will make an application to the Executive for approval for the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

Listing Rules

Since the Vendor is a controlling shareholder and therefore a connected person of the Company, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM.

Voting

As at the date of this announcement, (i) Success Wing holds 369,000,000 Shares, representing approximately 61.50% of the issued share capital of the Company; (ii) Success Wing is owned as to approximately 33.01% by Mr. Yip, 33.01% by Mr. Wai, 23.33% by the Vendor, 7.90% by Mr. Liu and 2.75% by Mr. Chan; (iii) given that Success Wing is a private company which is beneficially held by the Success Wing Shareholders and given the longstanding relationship of Success Wing and the Success Wing Shareholders since listing of the Company, the Success Wing Shareholders are parties acting in concert; (iv) the Vendor, Mr. Wai and Mr. Yip are also parties acting in concert pursuant to the Concert Parties Confirmatory Deed; (v) Mr. Wai personally holds 31,850,000 Shares, representing approximately 5.30% of the issued share capital of the Company; and (vi) Mr. Yip personally holds 33,570,000 Shares, representing approximately 5.60% of the issued share capital of the Company. Save as aforesaid, neither the Vendor nor any parties acting in concert with it, nor Success Wing nor Mr. Wai nor Mr. Yip is interested in any voting rights or rights over the Shares. Since Success Wing and the Success Wing Shareholders are materially interested in the Share Buy-back Agreement, they will abstain from voting at the EGM insofar they hold the Shares as required under the Share Buy-backs Code, the Takeovers Code and the Listing Rules. Save as aforesaid, no other Shareholder is required to abstain from voting on the resolution(s) approving the Share Buy-back Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, has been established to consider the Share Buy-back and to give recommendation to the Disinterested Shareholders on the Share Buy-back and the Share Buy-back Agreement.

Red Sun has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders on the Share Buy-back and the Share Buy-back Agreement.

A circular containing, among others, details of the Share Buy-back Agreement, the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders on the Share Buy-back and the Share Buy-back Agreement, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee relating to the Share Buy-back and the Share Buy-back Agreement, the notice of the EGM and other information as required under the Listing Rules, the Takeovers Code and the Share Buy-backs Code will be despatched to the Shareholders on or before 27 December 2022.

As Share Buy-back Completion is subject to fulfilment of certain conditions, the Share Buy-back may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

SHARE BUY-BACK AGREEMENT

Date : 6 December 2022 (after trading hours)

Parties : (i) the Vendor as vendor
(ii) the Company as purchaser

Number of Buy-back Shares

43,070,000 Shares, representing approximately 7.18% of the issued share capital of the Company as at the date of this announcement.

Consideration

The total consideration for the Share Buy-back is HK\$10,543,536, equivalent to HK\$0.2448 per Buy-back Share, and is payable in cash. The Buy-back Price was determined following arm's length commercial negotiations between the Vendor and the Company, taking into account (i) the market price of the Shares; (ii) the liquidity of the Shares; and (iii) prevailing market conditions. The total Buy-back Price will be paid by the Company to the Vendor at Share Buy-back Completion.

The Buy-back Price represents:

- (i) a discount of approximately 9.3% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the date of the Share Buy-back Agreement;
- (ii) a discount of approximately 9.3% to the average closing price of approximately HK\$0.27 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

- (iii) a discount of approximately 6.9% to the average closing price of approximately HK\$0.263 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (iv) a discount of approximately 6.2% to the average closing price of approximately HK\$0.261 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (v) a discount of approximately 10.6% to the average closing price of approximately HK\$0.2739 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (vi) a discount of approximately 16.9% to the average closing price of approximately HK\$0.2944 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;
- (vii) a discount of approximately 40.6% to the net asset value of approximately HK\$0.4123 per Share as at 31 March 2022 based on the Company's latest audited financial statements published in the Company's annual report for the year ended 31 March 2022; and
- (viii) a discount of approximately 43.5% to the net asset value of approximately HK\$0.4334 per Share as at 30 September 2022 based on the Company's latest unaudited financial statements published in the Company's interim results announcement for the six months ended 30 September 2022.

Highest and lowest Share prices

During the six-month period immediately preceding and including the date of this announcement, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.30 on 14 September 2022, 16 June 2022, 15 June 2022, 14 June 2022, 13 June 2022, 10 June 2022 and 9 June 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.23 on 28 November 2022.

Conditions to Share Buy-back Completion

Share Buy-back Completion is conditional upon the satisfaction (or waiver by the Company) of the following conditions:

- a) the Executive having granted and not having withdrawn or revoked the approval for the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code and the condition(s) of such approval (if any) having been satisfied;

- b) the passing of the resolutions at the EGM by at least three-fourths of the Disinterested Shareholders of the votes cast on a poll approving the Share Buy-back;
- c) the Company having complied with the applicable provisions of the Listing Rules, including those under Chapter 14A, the disclosure requirements and the requirement to obtain Disinterested Shareholders' approval in relation to the Share Buy-back;
- d) representations and warranties given by the Vendor and the Company under the Share Buy-back Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Share Buy-back Completion Date;
- e) the Success Wing Restructuring having completed and the Vendor having become and remained the legal and beneficial owner of the Buy-back Shares;
- f) the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law;
- g) the Vendor having provided an unconditional and irrevocable undertaking to the Company that he will resign from all positions in the Group with effect from Share Buy-back Completion and confirm that he has no claim against the Group for his resignation; and
- h) (where required) the obtaining of all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Share Buy-back Agreement and/or the performance of their obligations hereunder by the Vendor and the Company.

Apart from the Executive's consent and the Disinterested Shareholders' approval as set out in conditions (a), (b) and (c) above, the Directors are not aware of any other approvals or consents that are required to be obtained from or any filings that are required to be made with any government or regulatory authority or any person in connection with the Share Buy-back.

Except the condition set out in (d) above which may be waived by the Vendor or the Company with respect to the warranties given by the other, none of the conditions above is capable of being waived by the Vendor or the Company. If the above conditions are not fulfilled or waived (where applicable) on or before 5:00 p.m. on 31 March 2023 (or such other date as the Vendor and the Company may from time to time agree in writing), none of the Vendor or Purchaser shall be obliged to proceed to Share Buy-back Completion, and none of the parties shall have any claim against each other save for any antecedent breaches.

Share Buy-back Completion

Share Buy-back Completion will take place on the second Business Day (or such other date as agreed between the Vendor and the Company) after fulfilment or waiver of the conditions under the Share Buy-back Agreement.

Immediately upon Share Buy-back Completion, the Company shall cancel the Buy-back Shares and any rights attaching thereto shall cease with effect from Share Buy-back Completion.

Share Buy-back Completion and S&P Completion are not inter-conditional. Completions of the Share Buy-back Agreement and the S&P Agreements will take place separately and independently.

The Success Wing Restructuring

As at the date of this announcement, Success Wing holds 369,000,000 Shares, representing approximately 61.50% of the entire issued share capital of the Company and of which the Buy-back Shares form part. As it is the intention of the Vendor that the Vendor shall sell directly and personally the Buy-back Shares to the Company, the Success Wing Restructuring will be carried out before the Share Buy-back to the effect that the Vendor will be the legal and beneficial owner of the Buy-back Shares and holding the Buy-back Shares directly and personally.

Under the Success Wing Restructuring, Success Wing will transfer the Buy-back Shares to the Vendor in consideration for the transfer of 4,307 Success Wing Shares from the Vendor to Success Wing for cancellation. Immediately after the Success Wing Restructuring, the Vendor will be the legal and beneficial owner of the Buy-back Shares and the shareholding of Success Wing in the Company will reduce by the number of the Buy-back Shares from 369,000,000 Shares, representing approximately 61.50% of the entire issued share capital of the Company, to 325,930,000 Shares, representing approximately 54.32% of the entire issued share capital of the Company.

It is expected that the Success Wing Restructuring will be carried out after the fulfillments (or waiver) of other conditions precedents (i.e. conditions (a) to (d) and conditions (f) to (h) as set out under the paragraph headed “Conditions to Share Buy-back Completion” in this announcement) in the Share Buy-back Agreement.

FUNDING OF THE SHARE BUY-BACK

The Company will fund the Share Buy-back from the Company's share premium account. Under the Companies Law, any buy-back of Shares by the Company may only be funded out of the Company's profits, a fresh issue of Shares made for the purpose, the Company's share premium account, or if so authorised by its articles of association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be bought-back must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. As at 31 March 2022, the amount of cash and bank balances of the Group amounted to approximately HK\$105.4 million. The Company has sufficient surplus funds not currently required in its normal operations, which will be paid out of its share premium account, to effect the Share Buy-back.

THE TRANSFERS

On 6 December 2022 (after trading hours), being the same date of execution of the Share Buy-back Agreement, the Board was informed by the Vendor that he has respectively entered into the Wai S&P Agreement with Mr. Wai and the Yip S&P Agreement with Mr. Yip, pursuant to which the Vendor conditionally agreed to sell and Mr. Wai and Mr. Yip respectively conditionally agreed to acquire the Wai Sale Shares and the Yip Sale Shares.

Details of the S&P Agreements are as follows:

(A) The Wai S&P Agreement

Date : 6 December 2022 (after trading hours)

Parties : (i) the Vendor as vendor
(ii) Mr. Wai as purchaser

Subject Matter

Subject to the terms and condition of the Wai S&P Agreement, the Vendor conditionally agreed to sell and Mr. Wai conditionally agreed to acquire 2,150 Success Wing Shares, representing approximately 5.83% of the entire issued share capital of Success Wing as at the date of this announcement.

Consideration

The total consideration for the Wai Sale Shares is HK\$5,263,200 (equivalent to HK\$2,448 per Wai Sale Share) which was determined after arm's length negotiation between the Vendor and Mr. Wai, and taking into account the consideration for each Buy-back Share. The consideration for each Wai Sale Share corresponds to the consideration for each Buy-back Share to be acquired by the Company pursuant to the Share Buy-back Agreement on the basis of "1 Success Wing Share: 10,000 Shares". The total consideration will be settled in cash by Mr. Wai's own financial resources.

Conditions

Completion of the Wai S&P Agreement is conditional upon the satisfaction (or waiver by Mr. Wai) of the following conditions:

- a) the Vendor having provided an unconditional and irrevocable undertaking to Success Wing that he will resign as a director of Success Wing and if so requested by Mr. Wai, from all positions in the Group, with effect from the completion of Wai S&P Agreement and confirm that he has no claim against the respective companies for his resignation; and
- b) representations and warranties given by the Vendor under the Wai S&P Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading as at the date of the completion of the Wai S&P Agreement.

If completion of the Wai S&P Agreement does not take place on or before 31 March 2023, the Wai S&P Agreement shall terminate, and none of the parties shall have any claim against each other save for any antecedent breaches.

(B) The Yip S&P Agreement

Date : 6 December 2022 (after trading hours)

Parties : (i) the Vendor as vendor
(ii) Mr. Yip as purchaser

Subject Matter

Subject to the terms and condition of the Yip S&P Agreement, the Vendor conditionally agreed to sell and Mr. Yip conditionally agreed to acquire 2,150 Success Wing Shares, representing approximately 5.83% of the entire issued share capital of Success Wing as at the date of this announcement.

Consideration

The total consideration for the Yip Sale Shares is HK\$5,263,000 (equivalent to HK\$2,448 per Yip Sale Share) which was determined after arm's length negotiation between the Vendor and Mr. Yip, and taking into account the consideration for each Buy-back Share. The consideration for each Yip Sale Share corresponds to the consideration for each Buy-back Share to be acquired by the Company pursuant to the Share Buy-back Agreement on the basis of "1 Success Wing Share: 10,000 Shares". The total consideration will be settled in cash by Mr. Yip's own financial resources.

Conditions

Completion of the Yip S&P Agreement is conditional upon the satisfaction (or waiver by Mr. Yip) of the following conditions:

- a) that the Vendor having provided an unconditional and irrevocable undertaking to Success Wing that he will resign as a director of Success Wing and if so requested by Mr. Yip, from all positions in the Group, with effect from the completion of Yip S&P Agreement and confirm that he has no claim against the respective companies for his resignation.
- b) representations and warranties given by the Vendor under the Yip S&P Agreement being true, correct and complete when made and remaining true, correct and complete and not misleading as at the date of the completion of the Yip S&P Agreement.

If completion of the Yip S&P Agreement does not take place on or before 31 March 2023, the Yip S&P Agreement shall terminate, and none of the parties shall have any claim against each other save for any antecedent breaches.

S&P Completion

S&P Completion will take place on the second day after the conditions contemplated under the respective S&P Agreements have been fulfilled or waived or such other date as the parties may agree in writing. It is expected that completion of the S&P Agreements will take place before the Success Wing Restructuring but after conditions (a) to (d) and conditions (f) to (h) as set out under the paragraph headed “Conditions to Share Buy-back Completion” in this announcement have been fulfilled or waived.

Completions of the Wai S&P Agreement and the Yip S&P Agreement are not inter-conditional and will take place separately.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; (ii) immediately after completion of the Transfers but before the Success Wing Restructuring and the Share Buy-back; (iii) immediately after completion of the Transfers and the Success Wing Restructuring but before the Share Buy-back; and (iv) immediately after completion of both the Transfers and the Share Buy-back:

Shareholders	As at the date of this announcement		Immediately after completion of the Transfers but before the Success Wing Restructuring and the Share Buy-back		Immediately after completion of the Transfers and the Success Wing Restructuring but before the Share Buy-back		Immediately after completion of both the Transfers and the Share Buy-back	
	Approximate%		Approximate%		Approximate%		Approximate%	
	Number of Shares	of shareholding	Number of Shares	of shareholding	Number of Shares	of shareholding	Number of Shares	of shareholding
Success Wing (Note 1)	369,000,000	61.50%	369,000,000	61.50%	325,930,000	54.32%	325,930,000	58.52%
Mr. Yip (Note 1)	33,570,000	5.60%	33,570,000	5.60%	33,570,000	5.60%	33,570,000	6.03%
Mr. Wai (Note 1)	31,850,000	5.30%	31,850,000	5.30%	31,850,000	5.30%	31,850,000	5.72%
The Vendor (Note 1)	-	-	-	-	43,070,000	7.18%	-	-
Sub-total held by the Concert Group:	434,420,000	72.40%	434,420,000	72.40%	434,420,000	72.40%	391,350,000	70.27%
Public Shareholders	165,580,000	27.60%	165,580,000	27.60%	165,580,000	27.60%	165,580,000	29.73%
Total:	<u>600,000,000</u>	<u>100.00%</u>	<u>600,000,000</u>	<u>100.00%</u>	<u>600,000,000</u>	<u>100.00%</u>	<u>556,930,000</u>	<u>100.00%</u>

Notes:

- As at the date of this announcement, Success Wing is owned as to approximately 33.01% by Mr. Yip, 33.01% by Mr. Wai, 23.33% by the Vendor, 7.90% by Mr. Liu and 2.75% by Mr. Chan. Pursuant to the Concert Party Confirmatory Deed, the Vendor, Mr. Wai and Mr. Yip are parties acting in concert controlling Success Wing and therefore deemed to be interested in the Shares held by Success Wing.

INFORMATION ON THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 2663). The Group is principally engaged in (i) provision of structural engineering works with a focus on design and build projects in Hong Kong; (ii) supply of building material products together with installation services of such products in Hong Kong; and (iii) trading of building material products predominately in Hong Kong.

As at the date of this announcement, there are 600,000,000 Shares in issue. The Company does not have any outstanding derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or other types of equity interest as at the date of this announcement.

For the two years ended 31 March 2021 and 2022, the audited consolidated net profit before taxation of the Group were approximately HK\$59,195,000 and HK\$14,620,000 respectively and the audited consolidated profit after taxation attributable to owners of the Company were approximately HK\$50,171,000 and HK\$11,505,000 respectively.

According to the interim results announcement of the Company for the six months ended 30 September 2022, the unaudited consolidated net asset value of the Group amounted to HK\$260,023,000 as at 30 September 2022.

INFORMATION ON SUCCESS WING, THE VENDOR, MR. WAI AND MR. YIP

Success Wing is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the date of this announcement, there are 36,900 Success Wing Shares in issue and Success Wing was owned as to approximately 33.01% by Mr. Yip, 33.01% by Mr. Wai, 23.33% by the Vendor, 7.90% by Mr. Liu and 2.75% by Mr. Chan. The board of directors of Success Wing comprises Mr. Wai, Mr. Yip and the Vendor. Success Wing holds 369,000,000 Shares, representing approximately 61.50% of the issued share capital of the Company as at the date of this announcement.

The Vendor is the director of certain subsidiaries of the Company. Further, because of the Concert Parties Confirmatory Deed and his holding of 8,607 Success Wing Shares, the Vendor is deemed to be interested in the 369,000,000 Shares held by Success Wing as at the date of this announcement. Therefore, the Vendor is a controlling shareholder of the Company, and thus a connected person to the Company.

Mr. Wai is the executive Director and personally holds 31,850,000 Shares as at the date of this announcement. Further, because of the Concert Parties Confirmatory Deed and his holding of 12,182 Success Wing Shares, Mr. Wai is deemed to be interested in the 369,000,000 Shares held by Success Wing as at the date of this announcement. Therefore, Mr. Wai is a controlling shareholder of the Company.

Mr. Yip is the executive Director and personally holds 33,570,000 Shares as at the date of this announcement. Further, because of the Concert Parties Confirmatory Deed and his holding of 12,182 Success Wing Shares, Mr. Yip is deemed to be interested in the 369,000,000 Shares held by Success Wing as at the date of this announcement. Therefore, Mr. Yip is a controlling shareholder of the Company.

On 14 July 2015, the Vendor, Mr. Wai and Mr. Yip entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, inter alia, that they are parties acting in concert of the Company and shall give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the relevant member of the Group, cast unanimous vote collectively for or against all resolutions in all meetings and discussions of the relevant member of the Group and cooperate with each other to obtain and maintain the collective control and the management of the relevant member of the Group. Therefore, pursuant to the Concert Parties Confirmatory Deed together with the joint holding in Success Wing, the Vendor, Mr. Wai and Mr. Yip are parties acting in concert.

REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

In considering to proceed with the Share Buy-back, the Company has taken into consideration the following:

- (i) the Share Buy-back is a good opportunity for the Company to utilise its financial resources with aim to enhance its earnings per Share, and it is expected that earnings per Share will improve from HK cents 1.92 to about HK cents 2.07, based on the financial information of the Company as at 31 March 2022. As at 31 March 2022, the amount of cash and bank balances of the Group amounted to approximately HK\$105.4 million and the amount of bank borrowings amounted to approximately HK\$2.5 million. According to the interim results announcement of the Company for the six months ended 30 September 2022, the Group maintained a steady level of cash and bank balances of approximately HK\$107.3 million as at 30 September 2022;
- (ii) any on-market disposal of the Buy-back Shares by the Vendor will potentially create downward pressure on the Share price. After thorough consideration, to minimise the downward pressure on the Share price in relation to such disposal comparing to the relatively thin trading volume of the Shares in the market, it is in the best interest of the Company and its shareholders as a whole to proceed with an off-market share buy-back;
- (iii) the closing price of the latest trading day of the Shares represented a discount of over 30.0% of the net asset value per share of the Company as at 31 March 2022 and the re-purchase of the Buy-back Shares by the Company is beneficial for safeguarding the intrinsic value of the Company;

- (iv) the Buy-back Price represents a discount of certain percentage to the average closing price based on the daily closing prices of the Shares as quoted on the Stock Exchange prior to the Share Buy-back Agreement; and
- (v) the average daily trading volume of the Shares for the 12 months up to and including the date of this announcement was approximately 75,927 Shares per day, representing only approximately 0.013% of the number of issued Shares as at the date of this announcement. Given the thin trading volume in the Shares, the Share Buy-back would avoid affecting the normal trading of the Shares in terms of price and volume.

In view of the above, the Directors (excluding the members of the Independent Board Committee, who will give their recommendation after taking advice from the Independent Financial Adviser) believe that the terms of the Share Buy-back are fair and reasonable and the Share Buy-back is in the interests of the Company and the Shareholders as a whole.

REGULATORY REQUIREMENTS

Share Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company will make an application to the Executive for approval for the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As the approval of the Executive for the Share Buy-back is a condition under the Share Buy-back Agreement, the Company will not proceed to Share Buy-back Completion unless the Executive has approved the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all the conditions under the Share Buy-back Agreement will be fulfilled.

Other arrangements

As at the date of this announcement:

- a) other than (i) the 369,000,000 Shares (of which the Buy-back Shares form part) held by Success Wing and (ii) their respective shareholding in Success Wing as disclosed in this announcement, neither the Vendor nor any party acting in concert with it holds, owns, controls or directs any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;

- b) neither the Company, the Vendor nor any party acting in concert with it has received an irrevocable commitment to vote in favour of or against the Share Buy-back;
- c) neither the Vendor nor any party acting in concert with it has entered into any outstanding derivatives in respect of the securities in the Company;
- d) other than (i) the Share Buy-back Agreement, (ii) the S&P Agreements and (iii) the Success Wing Restructuring, neither the Company, the Vendor nor any party acting in concert with it has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the Shares or the Success Wing Shares which might be material to the Share Buy-back;
- e) other than (i) the Share Buy-back Agreement and (ii) the Success Wing Restructuring, neither the Company, the Vendor nor any party acting in concert with it has any agreement or arrangement to which the Company, the Vendor or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back; or
- f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save as disclosed in this announcement, (i) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Group to the Vendor or any party acting in concert with it in connection with the Share Buy-back; (ii) there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and the Vendor and any party acting in concert with it on the other hand; and (iii) there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2) the Company, its subsidiaries or associated companies.

Listing Rules

Since the Vendor is a controlling shareholder and therefore a connected person of the Company, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM.

Voting

As at the date of this announcement, (i) Success Wing holds 369,000,000 Shares, representing approximately 61.50% of the issued share capital of the Company; (ii) Success Wing is owned as to approximately 33.01% by Mr. Yip, 33.01% by Mr. Wai, 23.33% by the Vendor, 7.90% by Mr. Liu and 2.75% by Mr. Chan; (iii) given that Success Wing is a private company which is beneficially held by the Success Wing Shareholders and given the longstanding relationship of Success Wing and the Success Wing Shareholders since listing of the Company, the Success Wing Shareholders are parties acting in concert; (iv) the Vendor, Mr. Wai and Mr. Yip are also parties acting in concert pursuant to the Concert Parties Confirmatory Deed; (v) Mr. Wai personally holds 31,850,000 Shares, representing approximately 5.30% of the issued share capital of the Company; and (vi) Mr. Yip personally holds 33,570,000 Shares, representing approximately 5.60% of the issued share capital of the Company. Save as aforesaid, neither the Vendor nor any parties acting in concert with it, nor Success Wing nor Mr. Yip nor Mr. Wai is interested in any voting rights or rights over the Shares. Since Success Wing and the Success Wing Shareholders are materially interested in the Share Buy-back Agreement, they will abstain from voting at the EGM insofar they hold the Shares as required under the Share Buy-backs Code, the Takeovers Code and the Listing Rules. Save as aforesaid, no other Shareholder is required to abstain from voting on the resolution(s) approving the Share Buy-back Agreement and the transactions contemplated thereunder.

Save for Mr. Wai and Mr. Yip who have abstained from voting on the Board meeting approving the Share Buy-back as they are deemed to be materially interested in the Share Buy-back because of their common holding in the share capital of Success Wing with the Vendor and the S&P Agreements, none of the other Directors has material interest in the Share Buy-back and hence no other Director has abstained from voting on such Board meeting approving the Share Buy-back.

GENERAL

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, has been established to consider the Share Buy-back and to give recommendation to the Disinterested Shareholders on the Share Buy-back and the Share Buy-back Agreement.

Red Sun has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders on the Share Buy-back and the Share Buy-back Agreement.

A circular containing, among others, details of the Share Buy-back and the Share Buy-back Agreement, the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders on the Share Buy-back and the Share Buy-back Agreement, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee relating to the Share Buy-back Agreement, the notice of the EGM and other information as required under the Listing Rules, the Takeovers Code and the Share Buy-backs Code will be despatched to the Shareholders on or before 27 December 2022.

As Share Buy-back Completion is subject to fulfilment of certain conditions, the Share Buy-back may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which the Stock Exchange is generally open for transaction of business and licensed banks in Hong Kong are generally open for business
“Buy-back Price”	the proposed buy-back price of HK\$0.2448 per Buy-back Share
“Buy-back Share(s)”	43,070,000 Share(s) legally and beneficially owned by the Vendor after the Success Wing Restructuring and immediately before Share Buy-back Completion
“Companies Law”	the Companies Law (as revised) of the Cayman Islands
“Company”	KPa-BM Holdings Limited (應力控股有限公司*), a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Stock Exchange (Stock Code: 2663)
“Concert Parties Confirmatory Deed”	the concert parties confirmatory deed executed by Mr. Wai, Mr. Yip and the Vendor on 14 July 2015

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disinterested Shareholder(s)”	Shareholder(s) other than Success Wing, the Success Wing Shareholders (insofar they hold the Shares) and Shareholders who has a material interest in the Share Buy-back which is different from the interests of all other Shareholders
“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of approving, among other things, the Share Buy-back Agreement and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board established and comprising all the independent non-executive Directors, being Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, to advise the Disinterested Shareholders in respect of the Share Buy-back and the Share Buy-back Agreement
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) 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 in respect of the Share Buy-back and the Share Buy-back Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chan”	Mr. Chan Chi Ming (陳志明)
“Mr. Liu”	Mr. Liu Yuen Wai (廖遠維)
“Mr. Wai”	Mr. Wai Yat Kin (韋日堅), an executive Director and controlling shareholder of the Company
“Mr. Yip”	Mr. Yip Pak Hung (葉柏雄), an executive Director and controlling shareholder of the Company
“S&P Agreements”	collectively the Yip S&P Agreement and the Wai S&P Agreement
“S&P Completion”	completion of the S&P Agreements in accordance with the terms thereof
“Sale Shares”	in aggregate 4,300 Success Wing Shares to be sold by the Vendor to Mr. Wai and Mr. Yip pursuant to the S&P Agreements, comprising the Yip Sale Shares and the Wai Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Share Buy-back”	the proposed buy-back of the Buy-back Shares by the Company from the Vendor for cancellation
“Share Buy-back Agreement”	the conditional sale and repurchase agreement dated 6 December 2022 between the Vendor and the Company in relation to the Share Buy-back
“Share Buy-backs Code”	the Hong Kong Code on Share Buy-backs
“Share Buy-back Completion”	completion of the Share Buy-back in accordance with the terms and conditions of the Share Buy-back Agreement
“Share Buy-back Completion Date”	the date on which Share Buy-back Completion takes place
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Success Wing”	Success Wing Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to approximately 33.01% by Mr. Yip, 33.01% by Mr. Wai, 23.33% by the Vendor, 7.90% by Mr. Liu and 2.75% by Mr. Chan, and holding 369,000,000 Shares, representing approximately 61.50% of the issued share capital of the Company as at the date of this announcement
“Success Wing Restructuring”	a proposed restructuring to be carried out at Success Wing, pursuant to which Success Wing will transfer the Buy-back Shares to the Vendor in consideration for the transfer of 4,307 Success Wing Shares from the Vendor to Success Wing for cancellation
“Success Wing Share(s)”	the ordinary share(s) of Success Wing of par value USD1 each
“Success Wing Shareholders”	collectively Mr. Yip, Mr. Wai, the Vendor, Mr. Chan and Mr. Liu, being the shareholders of Success Wing as at the date of this announcement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfers”	the sale and purchase of the Sale Shares under the S&P Agreements
“USD”	United States dollar, the lawful currency of the United States of America
“Vendor”	Mr. Lui Bun Yuen Danny (呂品源)
“Wai S&P Agreement”	the conditional sale and purchase agreement dated 6 December 2022 entered into between the Vendor and Mr. Wai for the sale and purchase of Wai Sale Shares
“Wai Sale Shares”	2,150 Success Wing Shares to be sold by the Vendor to Mr. Wai pursuant to the Wai S&P Agreement
“Yip S&P Agreement”	the conditional sale and purchase agreement dated 6 December 2022 entered into between the Vendor and Mr. Yip for the sale and purchase of Yip Sale Shares

“Yip Sale Shares” 2,150 Success Wing Shares to be sold by the Vendor to Mr. Yip pursuant to the Yip S&P Agreement

“%” per cent.

By order of the Board
KPa-BM Holdings Limited
Yip Pak Hung
Executive Director

Hong Kong, 6 December 2022

As at the date of this announcement, the executive Directors are Mr. Yip Pak Hung (chairman of the Board) and Mr. Wai Yat Kin and independent non-executive Directors are Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* *For identification purpose only*