
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company



(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

(1) PROPOSED OFF-MARKET SHARE BUY-BACK CONSTITUTING A CONNECTED TRANSACTION AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 21 of this circular. A letter of recommendation from the Independent Board Committee to the Disinterested Shareholders is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Disinterested Shareholders, is set out on pages 24 to 50 of this circular.

A notice convening the EGM to be held at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Monday, 16 January 2023 at 10:00 a.m. is set out on pages 66 to 67 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.kpa-bm.com.hk. Whether or not you intend to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power of attorney or authority, to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjourned meeting thereof (as the case may be) and, in such event, the form of proxy shall be deemed to be revoked.

Precautionary measures and special arrangements for the EGM

In view of the novel coronavirus (COVID-19) outbreak, certain measures will be implemented at the EGM to reduce the risk of infection to attendees of the EGM, including but not limited to (i) compulsory body temperature check; (ii) wearing of surgical mask throughout the EGM; and (iii) no refreshments or drinks will be provided. Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

The Company will keep monitoring the COVID-19 situation and may implement additional measures which, if any, will be announced at a time closer to the date of the EGM.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 6 December 2022 in relation to, among other things, the Share Buy-back Agreement, the Share Buy-back and the Transfers
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 payable by the Company for the Share Buy-back
“Buy-back Share(s)”	43,070,000 Shares, representing approximately 7.18% of the entire issued share capital of the Company as at the Latest Practicable Date, and 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 thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	the coronavirus disease occurred since January 2020 which is an infectious disease caused by severe acute respiratory syndrome coronavirus
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Disinterested Shareholder(s)”	Shareholder(s) other than Success Wing, the Success Wing Shareholders (insofar they hold the Shares) and Shareholders who have a material interest in the Share Buy-back which is different from the interests of all other Shareholders
“EGM”	the extraordinary general meeting of the Company to be convened and held by the Company for the purpose of considering and, if thought fit, 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 from time to time or any delegate of the Executive Director
“Group”	the Company and its subsidiaries (from time to time)
“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
“Latest Practicable Date”	20 December 2022, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“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

DEFINITIONS

“Mr. Yip”	Mr. Yip Pak Hung (葉柏雄), an executive Director and controlling shareholder of the Company
“Relevant Period”	the period commencing on 6 June 2022 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company, as amended, supplemented or otherwise modified from time to time
“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
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“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 Latest Practicable Date
“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 Latest Practicable Date
“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.

* *For identification purpose only*

LETTER FROM THE BOARD



(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

Executive Directors:

Mr. Yip Pak Hung (*Chairman*)

Mr. Wai Yat Kin (*Chief Executive Officer*)

Independent non-executive Directors:

Ms. Lai Pik Chi, Peggy

Mr. Lam Chi Wai, Peter

Dr. Yeung Kit Ming

Registered office

Windward 3,

Regatta Office Park

PO Box 1350,

Grand Cayman KY1-1108

Cayman Islands

Principal place of business

in Hong Kong

27/F., The Octagon

6 Sha Tsui Road

Tsuen Wan, New Territories

Hong Kong

23 December 2022

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED OFF-MARKET SHARE BUY-BACK
CONSTITUTING A CONNECTED TRANSACTION
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Share Buy-back Agreement, the Share Buy-back and the Transfers.

This circular is to provide you with, among other things, (i) details of the Share Buy-back and the Share Buy-back Agreement; (ii) the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders in relation to the Share Buy-back and the Share Buy-back Agreement; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Shareholders relating to the Share Buy-back and the Share Buy-back Agreement; (iv) other information required pursuant to the Takeovers Code, the Share Buy-backs Code and the Listing Rules in relation to the Share Buy-back and the Share Buy-back Agreement; and (v) notice of the EGM.

* For identification purpose only

LETTER FROM THE BOARD

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 Latest Practicable Date.

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 5.8% to the closing price of approximately HK\$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;

LETTER FROM THE BOARD

- (vii) 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;
- (viii) 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
- (ix) 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 report for the six months ended 30 September 2022.

Highest and lowest Share prices

During the Relevant Period, 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;

LETTER FROM THE BOARD

- 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. As at the Latest Practicable Date, save for condition (f) above, none of the conditions has been fulfilled.

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.

There was no declared but unpaid dividend in respect of the Shares as at the Latest Practicable Date. If the Board declares any dividend subsequent to the Latest Practicable Date and the Vendor is the beneficial owner of the Buy-back Shares on the dividend record date for such dividend, the Vendor will be entitled to receive such dividend in respect of the Buy-back Shares. As at the Latest Practicable Date, the Board had no plan to declare any dividend.

LETTER FROM THE BOARD

The Success Wing Restructuring

As at the Latest Practicable Date, 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 the section headed “Letter from the Board” in this circular) 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 30 September 2022, the amount of cash and bank balances of the Group amounted to approximately HK\$107.3 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.

LETTER FROM THE BOARD

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 Latest Practicable Date.

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. As at the Latest Practicable Date, none of the conditions has been fulfilled.

LETTER FROM THE BOARD

(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 Latest Practicable Date.

Consideration

The total consideration for the Yip Sale Shares is HK\$5,263,200 (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. As at the Latest Practicable Date, none of the conditions has been fulfilled.

LETTER FROM THE BOARD

S&P Completion

S&P Completion will take place on the second day after the condition 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 the section headed “Letter from the Board” in this circular 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 Latest Practicable Date; (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 Latest Practicable Date		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	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % 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:	600,000,000	100.00%	600,000,000	100.00%	600,000,000	100.00%	556,930,000	100.00%

Note:

- As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 report 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 Latest Practicable Date was approximately 67,621 Shares per day, representing only approximately 0.011% of the number of issued Shares as at the Latest Practicable Date. 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 in the letter from the Independent Board Committee) 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.

LETTER FROM THE BOARD

PUBLIC FLOAT

The Company intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules. It is expected that the Company will meet the said public float requirement after Share Buy-back Completion.

FINANCIAL EFFECTS OF THE SHARE BUY-BACK

(i) Net assets per Share

Assuming that the Share Buy-back Completion had taken place on 30 September 2022 and the Buy-back Shares have been bought back in full and cancelled, the Group's unaudited net assets per Share attributable to the Shareholders (i.e. excluding non-controlling interests) as at 30 September 2022 would have increased by approximately 3.46% from approximately HK\$0.433 per Share to approximately HK\$0.448 per Share.

(ii) Basic earnings per Share

Assuming that the Share Buy-back had taken place on 1 April 2021 and the Buy-back Shares have been bought back in full and cancelled, the Share Buy-back would not have caused any financial impact on the results of the Group and the profit of the Company for the year ended 31 March 2022 would remain unchanged at approximately HK\$11.5 million. As a result of the Share Buy-back, the number of issued Shares would decrease from 600,000,000 Shares to 556,930,000 Shares. Accordingly, the Group's basic earnings per Share would have increased by approximately 7.73% from approximately HK1.92 cents per Share to approximately HK2.07 cents per Share.

(iii) Total liabilities

The consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash resources and as such the Share Buy-back will not have an impact on the liabilities of the Group.

(iv) Working capital

As the consideration of the Share Buy-back will be settled in cash, there will be an impact on the working capital or gearing position of the Group in the amount of the cash consideration. Based on the consolidated financial information of the Group as set out in the interim report of the Company for the six months ended 30 September 2022 and assuming that the Share Buy-back had taken place on 30 September 2022, the net working capital (expressed as net current asset) would decrease by approximately 4.36% from approximately HK\$240.6 million to approximately HK\$230.1 million. The gearing ratio (calculated as total debt divided by total equity) would have increased by approximately 0.85% from approximately 20.16% to approximately 21.01%. The Company is of the view that it continues to maintain sufficient and adequate working capital for its operations. Taking into account the

LETTER FROM THE BOARD

amount of cash resources held by the Company as at the Latest Practicable Date, the Directors are of the view that the Company has adequate financial resources to finance the Share Buy-back which will allow the Company to take advantage of the opportunity to enhance the Shareholders' value through the Share Buy-back. Additionally, on the basis that the Buy-back Price is HK\$0.2448 per Buy-back Share and the number of Buy-back Shares is 43,070,000, the cash payment for the consideration for the Buy-back Shares represents approximately 9.8% of the cash and bank balances of the Group as at 30 September 2022. The Company therefore considers that the cash payment for consideration will not have a material adverse effect on the working capital requirements of the Group or the gearing position which in the opinion of the Directors are from time to time appropriate for the Group.

Based on the above, the Company considers that the Share Buy-back will have no material adverse effect on the Group's net assets per Share, basic earnings per Share, total liabilities or working capital.

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 Latest Practicable Date, 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 Latest Practicable Date.

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 report 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 Latest Practicable Date, 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 Latest Practicable Date.

LETTER FROM THE BOARD

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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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.

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 has made 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.

LETTER FROM THE BOARD

Other arrangements

As at the Latest Practicable Date:

- 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 circular, 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 circular, (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.

LETTER FROM THE BOARD

Takeovers Code

According to Rule 32 of the Takeovers Code, if a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Share Buy-back, such increase will be treated as an acquisition of voting rights. As at the Latest Practicable Date, Success Wing and the Success Wing Shareholders were interested in 434,420,000 Shares, representing approximately 72.40% of the issued share capital of the Company. Save as aforesaid, Success Wing and the Success Wing Shareholders are not interested in any existing holding of voting rights or rights over the Shares. Assuming there are no changes to the shareholding of Success Wing and the Success Wing Shareholders, and the issued share capital of the Company from the Latest Practicable Date up to Share Buy-back Completion, immediately upon Share Buy-back Completion, the percentage shareholding of Success Wing and the Success Wing Shareholders will be reduced to approximately 70.27% of the reduced issued share capital of the Company upon Share Buy-back Completion as a result of the Share Buy-back. Given that Success Wing and the Success Wing Shareholders presently holds more than 50% of the voting rights of the Company, no obligation on the part of Success Wing and the Success Wing Shareholders to make a general offer for all the Shares not already owned or agreed to be acquired by Success Wing and the Success Wing Shareholders will arise as a result of the Share Buy-back.

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.

EGM

The EGM will be held to consider and, if thought fit, pass the resolution to approve, among other things, the Share Buy-back Agreement. Only the Disinterested Shareholders will be entitled to vote on the resolution to approve the Share Buy-back Agreement and the Share Buy-back at the EGM. At the EGM, any Shareholder with a material interest in the Share Buy-back Agreement and the transactions contemplated thereunder is required to abstain from voting on the resolution(s) approving the Share Buy-back Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, (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

LETTER FROM THE BOARD

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.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong 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 adjourned meeting thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the form appointing a proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

All votes at the EGM will be taken by poll pursuant to Rule 2 of the Share Buy-backs Code.

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.

LETTER FROM THE BOARD

RECOMMENDATIONS

On the basis of the information set out in this circular, the Directors (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee as set out on pages 22 to 23 of this circular after taking into account the advice from the Independent Financial Adviser) consider that the Share Buy-back is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee as set out on pages 22 to 23 of this circular after taking into account the advice from the Independent Financial Adviser) recommend the Disinterested Shareholders to vote in favour of the resolution as set out in the notice of the EGM.

Having taken into account the advice of the Independent Financial Adviser set out on pages 24 to 50 of this circular, the recommendation from the Independent Board Committee to the Disinterested Shareholders is set out in the Letter from the Independent Board Committee on pages 22 to 23 of this circular.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 22 to 23 of this circular and the letter from the Independent Financial Adviser as set out on pages 24 to 50 of this circular which contain their recommendations to the Disinterested Shareholders regarding the Share Buy-back Agreement and the Share Buy-back. The Disinterested Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

PRECAUTIONARY MEASURES FOR THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. In view of the recent development of the COVID-19 pandemic, and in order to better protect the safety and health of the attending Shareholders, staff and other stakeholders, the Company will implement the following preventive measures at the EGM:

- (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of EGM. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue. The persons who are not admitted to the venue of the EGM will be provided with voting slips to exercise their voting rights;
- (ii) every person is required to wear facial mask at the venue of the EGM;
- (iii) the Company will not serve refreshment at the EGM to avoid the coming into close contact amongst participants; and
- (iv) persons who are not Shareholders or their proxy will not be admitted into the EGM venue.

LETTER FROM THE BOARD

The Company wishes to remind the Shareholders and other participants who will attend the EGM in person to take personal precautions and abide by the requirements of precaution and control at the venue of the EGM. In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, the Company also reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the EGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation to the Disinterested Shareholders from the Independent Board Committee regarding the Share Buy-back Agreement and the transactions contemplated thereunder, for the purpose of incorporation in this circular.



(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

23 December 2022

To the Disinterested Shareholders

Dear Sir/Madam,

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

We refer to the circular of the Company to the Shareholders dated 23 December 2022 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the Share Buy-back Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Disinterested Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group.

Red Sun has been approved by the Independent Board Committee and has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 24 to 50 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 21 of the Circular and the additional information set out in the appendices to the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Share Buy-back and the Share Buy-back Agreement and the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we consider that the terms of the Share Buy-back and the Share Buy-back Agreement are fair and reasonable, insofar as the Disinterested Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, although the Share Buy-back is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back and the Share Buy-back Agreement contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

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

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Disinterested Shareholders regarding the Share Buy-back for the purpose of inclusion in this circular.



Room 310, 3/F.,
China Insurance Group Building,
141 Des Voeux Road Central,
Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

23 December 2022

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

Dear Sir/Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the proposed off-market share buy-back constituting a connected transaction, details of which are contained in the Letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 23 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Share Buy-Back

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 conditionally agreed to sell, and the Company has conditionally 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following Share Buy-back Completion, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all Shareholders in the issued share capital of the Company will be proportionally increased following the cancellation to the Buy-back Shares and the resulting reduction in the number of issued Shares.

The Success Wing Restructuring

As at the Latest Practicable Date, 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 the Letter from the Board) in the Share Buy-back Agreement.

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 have 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 Latest Practicable Date.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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.

VOTING

As at the Latest Practicable Date, (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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Yip Pak Hung and Mr. Wai Yat Kin as executive Directors, and Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming as independent non-executive Directors.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Disinterested Shareholders in respect of the Share Buy-back and the Share Buy-back Agreement.

We, Red Sun Capital Limited, have 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 whether the terms of the Share Buy-back are fair and reasonable and the Share Buy-back, as far as the Disinterested Shareholders are concerned, is in the interests of the Company and the Shareholders as a whole; and to give independent advice to Independent Board Committee and Disinterested Shareholders as to whether the Disinterested Shareholder should vote in favour of the Share Buy-back Agreement.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Vendor, the Company, Success Wing and their respective shareholders, directors or chief executives, any of their respective associates or connected persons or any party acting, or presumed to be acting, in concert with any of them and accordingly, are qualified to give independent advice to the Independent Board Committee and the Disinterested Shareholders regarding the connected transaction.

In the last two years, save for this appointment as the Independent Financial Adviser, we have not acted as an independent financial adviser to the Company, the Vendor or Success Wing, their respective associates or connected persons for any other transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Vendor, the Company, Success Wing and their respective shareholders, directors or chief executives, any of their respective associates or connected persons, any party acting, or presumed to be acting, in concert with any of them or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Share Buy-backs Codes and Rule 13.84 of the Listing Rules.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and the management of the Group (the “**Management**”). We have reviewed the annual reports of the Company for the year ended 31 March 2021 and 2022, the interim report of the Company for the six months ended 30 September 2022 and the announcement of the Company dated 6

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December 2022. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at date of the Circular. The Company will notify the Shareholders of any material changes to the information contained or referred to in the Circular as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, as soon as possible.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts that the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions, and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions, and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company.

We have not considered the tax and regulatory implications as regards the Share Buy-back since these depend on individual circumstances. In particular, the Disinterested Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee and the Disinterested Shareholders solely in connection with their consideration of the Share Buy-back, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating at our opinion and recommendation to the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

(a) Principal business of the Group

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.

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(b) Historical financial information of the Group

The following sets out the financial information of the Group as extracted and summarised from the published annual report for the year ended 31 March 2022 (the “**2022 Annual Report**”) and the interim report for the six months ended 30 September 2022 (the “**2022 Interim Report**”).

Summary of the consolidated statement of comprehensive income of the Group extracted from the 2022 Annual Report and 2022 Interim Report

	For the six months ended		For the year ended	
	30 September		31 March	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	292,621	263,347	494,170	458,493
Cost of revenue	(246,253)	(219,901)	(433,457)	(357,840)
Gross profit	46,368	43,446	60,713	100,653
Profit before income tax	28,060	23,720	14,620	59,195
Profit for the year/period	23,427	19,520	11,505	50,171

Financial performance for the six months ended 30 September 2021 (the “6M2021”) and the six months ended 30 September 2022 (the “6M2022”)

The revenue of the Group increased from approximately HK\$263.3 million for 6M2021 to approximately HK\$292.6 million for 6M2022, representing an increase of approximately HK\$29.3 million or 11.1%. Such increase was attributable to the increase in Structural Engineering Works from approximately HK\$251.4 million for 6M2021 to approximately HK\$264.8 million for 6M2022, representing an increase of approximately HK\$13.4 million or 5.33% and the increase in Supply and Installation of Building Material Products from approximately HK\$9.5 million for 6M2021 to approximately HK\$25.6 million for 6M2022, representing an increase of approximately HK\$16.1 million or 169.5%.

The gross profit for the period of the Group increased from approximately HK\$43.4 million for 6M2021 to approximately HK\$46.4 million for 6M2022, representing an increase of profit of approximately HK\$3.0 million or 6.9%. The profit for the period of the Group increased from approximately HK\$19.5 million for 6M2021 to approximately HK\$23.4 million for 6M2022, representing an increase of profit of approximately HK\$3.9 million or 20.0% which was mainly attributable to the increase in gross profit of approximately HK\$3.0 million and the government subsidies of approximately HK\$2.1 million received during 6M2022.

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Financial performance for the year ended 31 March 2021 (the “FY2021”) and the year ended 31 March 2022 (the “FY2022”)

As set out in the 2022 Annual Report, the Group recorded total revenue of approximately HK\$494.2 million for the FY2022, representing an increase of approximately 7.8% or HK\$35.7 million as compared to the total revenue of approximately HK\$458.5 million for FY2021. Such increase was resulted from the favorable progress of newly obtained key projects.

Notwithstanding the increase in revenue, the gross profit of the Group decreased by approximately HK\$40.0 million or 39.7% from approximately HK\$100.7 million for FY2021 to approximately HK\$60.7 million for FY2022. The gross profit margin decreased from approximately 22% for FY2021 to 12.3% for FY2022 which mainly attributable to (i) the material prices had increased in general during the FY2022, the market price of steel had risen to new records during the FY2022 and therefore the Group has incurred higher material costs for the construction contracts; (ii) the transportation charge substantially increased due to the negative impact on cross-border transport and logistics caused by the fifth wave of community outbreak of COVID-19 in Hong Kong; and (iii) the Group incurred extra labour and plant costs during idling time resulted from interrupted work programme in some construction sites.

The profit for the FY2022 decreased by approximately HK\$38.7 million or 77.1% from approximately HK\$50.2 million for the FY2021 to approximately HK\$11.5 million for the FY2022 which was a result of the decrease in gross profit and the absence of one-off government grants. We note that the profit of the Group for 6M2021 of approximately HK\$19.5 million is higher than the profit of the Group for FY2022 of approximately HK\$11.5 million which means the Group recorded loss for approximately HK\$8.0 million for the six months ended 31 March 2022.

Summary of the consolidated statement of financial position of the Group extracted from the 2022 Annual Report and 2022 Interim Report

	As at	As at 31 March	
	30 September	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Current assets	509,696	374,996	386,205
Total assets	533,013	402,126	431,393
Current liabilities	269,096	148,501	157,337
Total liabilities	272,990	154,761	163,168
Net current assets	240,600	226,495	228,868
Net assets	260,023	247,365	268,225
Cash and cash equivalents	107,313	105,400	116,649

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Financial position as at 30 September 2022

The Group's current assets of approximately HK\$509.7 million as at 30 September 2022 mainly included, among others, (i) the contract assets of approximately HK\$185.9 million; (ii) the trade and other receivables, deposits and prepayments of approximately HK\$195.4 million; and (iii) the cash and bank balances of approximately HK\$107.3 million. The Group's current liabilities of approximately HK\$269.1 million as at 30 September 2022 mainly included, among others, (i) the contract liabilities of approximately HK\$69.2 million; (ii) the trade and other payables of approximately HK\$140.8 million; and (iii) the bank borrowings of approximately HK\$41.6 million. As at 30 September 2022, the Group recorded net current assets of approximately HK\$240.6 million.

As at 30 September 2022, the Group recorded the total assets was approximately HK\$533.0 million, the total liabilities were approximately HK\$273.0 million and the net assets of approximately HK\$260.0 million.

The Group's cash and cash equivalents increased from approximately HK\$105.4 million as at the end of FY2022 to approximately HK\$107.3 million as at 30 September 2022, representing an increase of approximately HK\$1.9 million or 1.8%.

Financial position as at 31 March 2021 and 31 March 2022

The Group's current assets of approximately HK\$375.0 million as at 31 March 2022 representing a decrease of approximately HK\$11.2 million or 2.9% comparing with the figure as at 31 March 2021, mainly due to the decrease in contract assets of approximately HK\$35.4 million which net-off with the increase in trade and other receivables, deposits and prepayments of approximately HK\$27.4 million. The Group's current liabilities of approximately HK\$148.5 million as at 31 March 2022 representing a decrease of approximately HK\$8.8 million or 5.6% comparing with the figure as at 31 March 2021, mainly due to the decrease in contract liabilities of approximately HK\$22.5 million and the decrease in tax payable of approximately HK\$4.1 million offset by the increase in trade and other payables of approximately HK\$14.3 million. As at 31 March 2022, the Group recorded net current assets of approximately HK\$226.5 million.

As at 31 March 2022, the Group recorded the total assets was approximately HK\$402.1 million, the total liabilities was approximately HK\$154.8 million and the net assets of approximately HK\$247.4 million.

The Group's cash and cash equivalents decreased from approximately HK\$116.6 million as at the end of FY2021 to approximately HK\$105.4 million as at the end of FY2022, representing a year-on-year decrease of approximately HK\$11.2 million or 9.6%.

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2. Prospect and outlook of the Group

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. We refer to the 2022 Annual Report and the 2022 Interim Report and note that the structural engineering works contributed 90% or above of the Group's revenue during each of FY2022 and 6M2022. As such, we focus on the prospect and outlook of structural engineering work industry.

Gross value of construction works in nominal terms performed by contractors in Hong Kong

<i>HK\$ million</i>	2017	2018	2019	2020	2021	2021Q1-3	2022Q1-3
Main Contractor	249,919	252,176	236,438	229,870	233,722	170,330	179,013 (Note 1)
Sub-contractor	168,786	216,759	214,316	143,072	130,104	N/A (Note 2)	N/A (Note 2)
Total	418,705	468,935	450,754	372,942	365,847	170,330	179,013

Source: Report on the Quarterly Survey of Construction Output (Fourth Quarter 2018, 2019, 2020, 2021 and Third Quarter 2022), Census and Statistics Department of Hong Kong SAR

Notes:

- 1. Provisional figure is used for gross value of construction works in nominal terms performed by main contractors in 2022Q3.*
- 2. No quarterly data have been provided by the Census and Statistics Department of Hong Kong SAR for the gross value of construction works in nominal terms performed by sub-contractors.*

As shown in the table above, the industry showed a slump starting from 2020 which resulted from the COVID-19 and affected the Hong Kong economy. There was a decrease in gross value of construction works from approximately HK\$450,754 million in 2019 to approximately HK\$372,942 million in 2020 which represents approximately 17.3% decrease. The gross value of construction works further slightly decreased from 2020 to 2021 which represents 1.9% decrease. Comparing with the first three quarters between 2021 and 2022, it showed that there is improvement of gross value of construction works by main contractors which represents a 5.1% increase.

We note from the Interim Report 2022 that the Group expects to have a steady flow of construction contracts from the public sector in the coming years which results from the proposal by The Chief Executive of the HKSAR Government in relation to six major transport infrastructure projects in the 2022 Policy Address to drive and support future development of Hong Kong. In addition, on the other hand, the global financial market is facing complex and challenging situation, the inflation in energy and commodity price together with increase in interest rate has added burden on the operation cost to the business. The Group will maintain a prudent approach in its project bidding and cost budgeting to safeguard its profitability amidst the present market uncertainties. The Group's value of outstanding contracts on hand as at 30 September 2022 amounted to approximately HK\$988 million, while another relatively sizeable project for facade works for an office building redevelopment in Central with contract sum of over HK\$200 million was awarded to the Group in November 2022.

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In view of the turnaround of the gross value of construction works by main contractors in the first three quarters of 2022, the expected steady flow of construction contracts from the public sector in the coming years and the Group's contract value on hand, we are of the opinion that the Group is recovering from COVID-19 and the business prospect of the Group is positive.

3. 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 Latest Practicable Date, 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 Latest Practicable Date.

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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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.

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4. Principal terms of the Share Buy-back Agreement

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 Latest Practicable Date.

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.

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;

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- 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 the 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. As at the Latest Practicable Date, save for condition (f) above, none of the conditions has been fulfilled.

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.

There was no declared but unpaid dividend in respect of the Shares as at the Latest Practicable Date. If the Board declares any dividend subsequent to the Latest Practicable Date and the Vendor is the beneficial owner of the Buy-back Shares on the dividend record date for such dividend, the Vendor will be entitled to receive such dividend in respect of the Buy-back Shares. As at the Latest Practicable Date, the Board had no plan to declare any dividend.

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5. 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 report 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 Latest Practicable Date was approximately 67,621 Shares per day, representing only approximately 0.011% of the number of issued Shares as at the Latest Practicable Date. 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.

We discussed with the Management in relation to the Share Buy-back and were given the understanding that the Vendor has discussed with Mr. Yip, Mr. Wai and the Company for the intention to dispose of his interests in Success Wing. Considering the Company's financial resources, the Directors are of the view that the Share Buy-back represents a good opportunity to utilise its financial resources with aim to enhance its earnings per Share. Taking into account of the total consideration for the Share Buy-back of HK\$10,543,536, the Group's cash and cash equivalents of approximately HK\$107,313,000 and net current assets of approximately HK\$240,600,000 as at 30 September 2022, we concur with the view of the Directors that the Share Buy-back represents a good opportunity to utilise its financial resources with aim to enhance its earnings per Share.

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6. Analysis of the Buy-back Price

(a) *Analysis of the historical market price of the Shares*

The Buy-back Price of HK\$0.2448 represents:

- (i) a discount of approximately 5.8% to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) 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;
- (viii) 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
- (ix) 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 report for the six months ended 30 September 2022.

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We note that in general the Buy-back Price represents discount to the historical price of the Shares and net asset value per Share which we consider in the interests of the Company and its Shareholders.

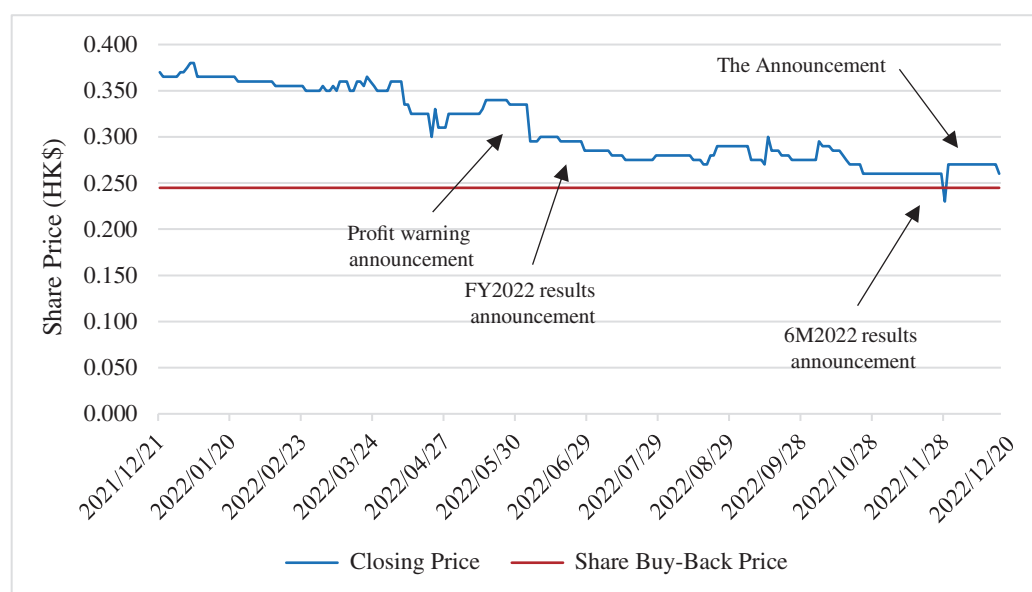
Highest and lowest Share prices

During the Relevant Period immediately preceding and including the Latest Practicable Date, 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.

(b) Historical market price performance

With a view to assess the reasonableness of the Share Buy-back, from the point of view of recent market price trend, we have conducted an analysis on the market prices per Share and the Share Buy-back price. The chart below sets out the closing share prices of Shares for a 12-month period, from 21 December 2021 up to the Latest Practicable Date (the “Review Period”) to illustrate the price movement of the Shares and make comparison between the historical closing prices of the Shares and the Buy-back Price. We consider that the Review Period is fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing price of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Buy-back Price.

Daily Closing Price of Shares during the Review Period



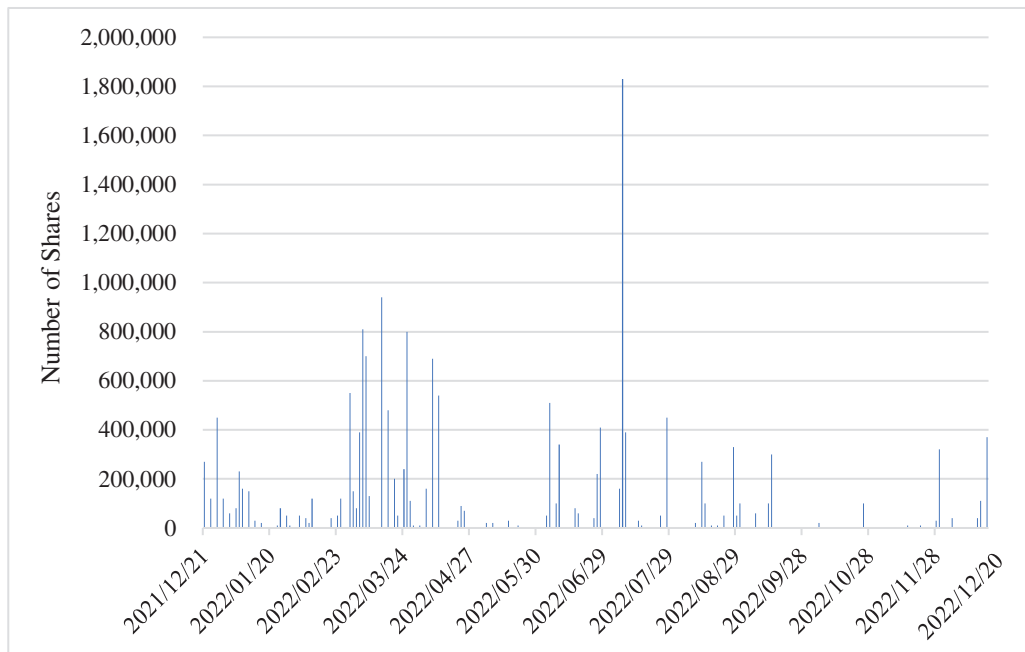
Source: website of the Stock Exchange (www.hkex.com.hk)

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The closing price per Share ranged from HK\$0.23 and HK\$0.38 with an average closing price of approximately HK\$0.31 during the Review Period. The closing price per Share was in a general downward trend during the Review Period which might result from the decrease in profit of the Company from FY2021 to FY2022 and the unsatisfactory Hong Kong economy during the Review Period. The Buy-back Price of HK\$0.2448 per Share was in general lower than the Share closing price during the Review Period, except the Share closing price of HK\$0.23 per Share recorded on 28 November 2022. The Buy-back Price represents (i) a discount of approximately 21.03% to the average of the closing prices of HK\$0.31 per Share during the Review Period; (ii) a discount of approximately 35.58% to the highest daily closing price of HK\$0.38 per Share during the Review Period recorded on 4 January 2022 and 5 January 2022, respectively; and (iii) a premium of approximately 6.43% over the lowest daily closing price of HK\$0.23 per Share during the Review Period recorded on 28 November 2022. Given that the Buy-back Price of HK\$0.2448 per Share was in general lower than the Share closing price during the Review Period except one trading day, we are of the opinion that the Buy-back Price is fair and reasonable by comparing to the price trend during the Review Period.

(c) Analysis of the historical liquidity of the Shares

The following chart sets out the daily trading volume of the Shares during the Review Period:



Source: website of the Stock Exchange (www.hkex.com.hk)

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The average daily trading volume of the Shares has been thin in general during the Review Period which 67,621 Shares were traded, representing approximately 0.011% of the issued share capital of the Company. We also note that no trading activity was recorded in 162 days out of 248 days during the Review Period. By considering the thin trading volume during the Review Period, in the event that the Vendor disposes of his Shares in open market, it will potentially create downward pressure to the Share price which would not be in the interests of the Company and its Shareholders.

(d) Comparison analysis

We are of the view that the price-to-earning ratio and the price-to-book ratio are the most common comparison methods to analyse the fairness and reasonableness of the Buy-back Price. We have made reference to the price-to-earning ratio and price-to-book ratios of other comparable companies which (i) are listed on the main board of the Stock Exchange as at the Latest Practicable Date, excluding listed companies which are being suspended for more than three months as at the Latest Practicable Date; (ii) have a significant proportion, over 50%, of their total revenue from provision of structural engineering works or related service for its latest completed financial year; (iii) have a significant proportion, over 50%, of their total revenue generated from Hong Kong; and (iv) based on its closing price on the Latest Practicable Date, their market capitalisation shall be not more than HK\$500 million. We consider that the size of market capitalisation at HK\$500 million or below is fair, adequate, representative and sufficient to illustrate similar business size of the Group's competitors for conducting a reasonable comparison. We have identified and generated a list of 17 companies (the "**Comparable Companies**") that fall into the abovementioned selection criteria. We consider that the list of the Comparable Companies is an exhaustive list which comprises fair, sufficient and representative samples with features similar to the Company for the purpose of analysis under the prevailing market practice.

Price-to-earning ratio

Considering that the Company recorded a profit for the year of approximately HK\$11.5 million for FY2022 and it is one of the most common comparison methods in valuing a company and as such we consider that the application of P/E ratio for evaluating the Buy-back Price is appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock Code	Stock name	Latest audited profit for the year attributable to owners of the Company <i>HK\$</i>	Closing share price as at the Latest Practicable Date (A) <i>HK\$</i>	Earnings per share for the latest financial year (B) <i>HK\$</i>	Price-to-earning ratio ("P/E Ratio") (A/B)
0368	Superland Group Holdings Limited	12,597,000	0.2900	0.0157	18.47
0385	Chinney Alliance Group Limited	77,379,000	0.5900	0.1300	4.54
0983	SOCAM Development Limited	76,000,000	1.1000	0.2000	5.50
1447	SFK Construction Holdings Limited	17,426,000	0.5500	0.0440	12.50
1546	Thelloy Development Group Limited	4,264,000	0.1900	0.0053	35.85
1547	IBI Group Holdings Limited	27,010,000	0.2750	0.0340	8.09
1582	CR Construction Group Holdings Limited	47,552,000	0.4450	0.0951	4.68
1667	Milestone Builder Holdings Limited	(60,495,000)	0.3550	(0.0630)	N/A
1683	Hope Life International Holdings Limited	6,871,000	0.0820	0.0082	10.00
1793	Wecon Holdings Limited	14,209,000	0.1610	0.0180	8.94
1897	Million Hope Industries Holdings Limited	24,625,000	0.4450	0.0600	7.42
2195	Unity Enterprise Holdings Limited	26,282,000	0.1750	0.0280	6.25
3728	Ching Lee Holdings Limited	(18,161,000)	0.1200	(0.0179)	N/A
6038	G & M Holdings Limited	36,800,000	0.1500	0.0370	4.05
6063	Lotus Horizon Holdings Limited	(22,656,000)	0.0870	(0.0113)	N/A
9900	Gain Plus Holdings Limited	13,322,000	0.9900	0.0358	27.65
9938	Wah Wo Holdings Group Limited	1,424,000	0.1320	0.0014	94.29
				Max	94.29
				Min	4.05
				Average	17.73
				Median	8.52

Stock Code	Stock name	Latest audited profit for the year attributable to owners of the Company <i>HK\$</i>	Share Buy-back Price (A') <i>HK\$</i>	Latest Earnings per share (B') <i>HK\$</i>	Implied Price-to-earning ratio ("Implied P/E Ratio") (A'/B')
2663	KPa-BM Holdings Limited	11,505,000	0.2448	0.0192	12.75

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that 3 out of 17 Comparable Companies recorded loss in the respective latest financial year and should not been included in the P/E ratio analysis.

The P/E Ratio of the remaining Comparable Companies ranges from approximately 4.05 times to approximately 94.29 times with an average of approximately 17.73 times and median of approximately 8.52 times.

The Implied P/E Ratio of the Company is 12.75 times which is lower than the average of P/E Ratio, representing a discount of approximately 28.09% to the average P/E Ratio of the Comparable Companies and is higher than the median of P/E Ratio, representing a premium of approximately 49.65% over the median P/E Ratio of the Comparable Companies.

In view of the wide range of P/E Ratio of the Comparable Companies, we tried to take away the highest and the lowest P/E Ratio of the Comparable Companies and the adjusted average P/E Ratio would be approximately 12.49 times. The Implied P/E Ratio of the Company is higher than the adjusted average of P/E Ratio, representing a premium of approximately 2.08% over the adjusted average P/E Ratio of the Comparable Companies.

Notwithstanding the Implied P/E Ratio of the Company is higher than the median of P/E Ratio and the adjusted average of P/E Ratio, we are of the view that the Buy-back Price was determined at a favourable level by considering the discount of the Buy-back Price to the market price of the Shares and therefore is fair and reasonable and as far as the Disinterested Shareholders are concerned, in the interests of the Company and its Shareholders as a whole.

Price-to-book ratio

Considering structural engineering works or related service is capital intensive in nature which requires sufficient working capital to support the business, the higher net asset value would enable the companies to obtain financing for operation to maintain the business scale and it is one of the most common comparison methods in valuing a company and as such we consider that the application of P/B ratio for evaluating the Buy-back Price is appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock Code	Stock name	Closing share price as at the Latest Practicable Date (A) <i>HK\$</i>	Market Capitalization as at the Latest Practicable Date (B) <i>HK\$</i>	Latest Published Net Asset Value attributable to owners of the Company (C) <i>HK\$</i>	Price-to-book ratio ("P/B Ratio") (B/C)
0368	Superland Group Holdings Limited	0.2900	232,000,000	141,673,000	1.64
0385	Chinney Alliance Group Limited	0.5900	350,990,555	2,106,327,000	0.17
0983	SOCAM Development Limited	1.1000	410,966,780	2,999,000,000	0.14
1447	SFK Construction Holdings Limited	0.5500	220,000,000	376,243,000	0.58
1546	Thelloy Development Group Limited	0.1900	152,000,000	151,280,000	1.00
1547	IBI Group Holdings Limited	0.2750	220,000,000	158,591,000	1.39
1582	CR Construction Group Holdings Limited	0.4450	222,500,000	563,946,000	0.39
1667	Milestone Builder Holdings Limited	0.3550	340,800,000	11,778,000	28.94 <i>(Note 1)</i>
1683	Hope Life International Holdings Limited	0.0820	70,848,000	240,759,000	0.29
1793	Wecon Holdings Limited	0.1610	128,800,000	278,723,000	0.46
1897	Million Hope Industries Holdings Limited	0.4450	186,299,975	523,947,000	0.36
2195	Unity Enterprise Holdings Limited	0.1750	175,000,000	169,467,000	1.03
3728	Ching Lee Holdings Limited	0.1200	121,560,000	106,249,000	1.14
6038	G & M Holdings Limited	0.1500	150,000,000	266,967,000	0.56
6063	Lotus Horizon Holdings Limited	0.0870	174,000,000	127,844,000	1.36

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Stock Code	Stock name	Closing share price as at the Latest Practicable Date (A) HK\$	Market Capitalization as at the Latest Practicable Date (B) HK\$	Latest Published Net Asset Value attributable to owners of the Company (C) HK\$	Price-to-book ratio ("P/B Ratio") (B/C)
9900	Gain Plus Holdings Limited	0.9900	368,280,000	256,123,000	1.44
9938	Wah Wo Holdings Group Limited	0.1320	132,000,000	247,145,000	0.53
				Max	1.64
				Min	0.14
				Average	0.78
				Median	0.57
Stock Code	Stock name	Share Buy-back Price HK\$	Implied Market Capitalization (B') HK\$	Latest Published Net Asset Value (C') HK\$	Implied Price-to-book ratio ("Implied P/B Ratio") (B'/C')
2663	KPa-BM Holdings Limited	0.2448	146,880,000 (Note 2)	260,023,000	0.56 (Note 2)

Source: website of the Stock Exchange (www.hkex.com.hk) and latest published financial statement of the Comparable Companies

Notes:

1. *For conducting a reasonable P/B ratio analysis, comparable company with a P/B ratio of 28.94 (i.e. Milestone Builder Holdings Limited (Stock code: 1667)) will be treated as an outlier and will be excluded from the P/B ratio analysis.*
2. *For illustration purpose, the implied market capitalization and Implied P/B of the Company are calculated based on the Share Buy-back Price.*

Given 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, the Comparable Companies with the above-mentioned features would serve as a fair and representative sample for the purpose of drawing a meaningful analysis to the Buy-back price. However, the Disinterested Shareholders should note that the Comparable Companies are not identical to the Company in terms of operations and financial position.

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The P/B Ratio of the Comparable Companies ranges from approximately 0.14 times to approximately 1.64 times with an average of approximately 0.78 times and median of approximately 0.57 times. The Implied P/B Ratio of the Company is 0.56 times which is lower than the average of P/B Ratio, representing a discount of approximately 28.21% to the average P/B Ratio of the Comparable Companies and is lower than the median of P/B Ratio, representing a discount of approximately 1.75% to the adjusted median P/B Ratio of the Comparable Companies.

As such, we are of the view that the Buy-back Price was determined at a favorable level and therefore is fair and reasonable and as far as the Disinterested Shareholders are concerned, in the interests of the Company and its Shareholders as a whole.

7. Effects on the shareholding structure of the Group

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; (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 Latest Practicable Date		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	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % 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:	600,000,000	100.00%	600,000,000	100.00%	600,000,000	100.00%	556,930,000	100.00%

Note:

- As at the Latest Practicable Date, 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 is deemed to be interested in the Shares held by Success Wing.

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We note that percentage of the public Shareholders will increase from approximately 27.60% as at the Latest Practicable Date to approximately 29.73% immediately after completion of both the Transfers and the Share Buy-back. Taking into account of the enhancement of shareholding interests of the public Shareholders after completion of both the Transfers and the Share Buy-back and the Buy-back Price in discount to the market price and net asset value per Share, we are of the opinion that the Share Buy-back is fair and reasonable so far as the Company and its Shareholders are concerned.

8. Financial effects of the Share Buy-back

Basic earnings per Share

The Share Buy-back will result in an enhancement in the basic earnings per Share upon the completion of the Share Buy-back which is illustrated below:

	Before the Share Buy-back <i>HK cents</i>	Immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares <i>HK cents</i>	Percentage increase %
For the year ended 31 March 2022			
Basic Earnings per Share	<u>1.92</u>	<u>2.07</u>	<u>7.73</u>

As shown in the above table and for illustration purpose only, assuming Share Buy-back had taken place on 1 April 2021 and the Buy-back Shares had been bought back in full and cancelled, the Share Buy-back would not have caused any financial impact on the results of the Group and the profit for the year of the Company for the FY2022 would have remained unchanged at approximately HK\$11.5 million. As a result of the Share Buy-back, the weighted average number of issued Shares for the year ended 31 March 2022 would have decreased from 600,000,000 Shares to 556,930,000 Shares. Accordingly, the basic earnings per Share for the year ended 31 March 2022 would have increased from approximately HK cents 1.92 to approximately HK cents 2.07, representing an increase of approximately 7.73%. From this perspective, we note that the Share Buy-back is the interests of the Company and the Shareholders as a whole.

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Audited consolidated net asset value (NAV) per Share

The Share Buy-back will result in an enhancement in the consolidated NAV per Share attributable to Shareholders, which is illustrated below:

	Before the Share Buy-back HK\$	Immediately upon Share Buy-back Completion and cancellation of Buy-back Shares HK\$	Percentage Increase %
As at 30 September 2022			
Unaudited consolidated NAV per Share	<u>0.433</u>	<u>0.448</u>	<u>3.46</u>

As shown in the above table and for illustration purpose only, based on the unaudited consolidated NAV of approximately HK\$260.02 million as at 30 September 2022 as disclosed in the 2022 Interim Report and assuming that the Share Buy-back had taken place on 30 September 2022 and the Buy-back Shares had been bought back in full and cancelled, the unaudited consolidated NAV per Share of the Group would have increased from approximately HK\$0.433 to approximately HK\$0.448.

Thus, the Share Buy-back would result in an approximately 3.46% enhancement to the unaudited consolidated NAV per Share which are due to the fact that the Buy-back Price for each Share is below the Company's unaudited consolidated NAV per Share. We note that the enhancement in unaudited consolidated NAV per Share would enable each Shareholder to entitle to a greater value per Share upon Share Buy-back Completion and therefore is in the interest of the Company and the shareholders as a whole.

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Dividend yield ratio

The Share Buy-back will result in an enhancement in the dividend yield ratio, as illustrated below:

	Before the Share Buy-back	Immediately upon Share Buy-back Completion and cancellation of Buy-back Shares	Percentage Increase
	%	%	%
Dividend yield ratio (<i>Note 1, 2</i>)	<u>5.77</u>	<u>6.22</u>	<u>7.73</u>

Notes:

1. *For illustration purpose, calculated based on the final dividend of HK\$0.015 per share, totalling HK\$9.0 million for the Year and no interim dividend or special dividend for year ended 31 March 2022 according to 2022 Annual Report of the Company.*
2. *Assuming that the Share Buy-back had taken place on 31 March 2022 and calculated by the closing price as at the Latest Practicable Date.*

As shown in the above table and for illustration purpose only, assuming that the Share Buy-back had taken place on 31 March 2022, the Buy-back Shares have been bought back in full and cancelled, dividend yield ratio calculated by the closing price as at the Latest Practicable Date and the dividend payout remained unchanged, the dividend yield ratio of the Company would have increased from 5.77% to 6.22%. We note that the enhancement in dividend yield ratio would enable each Shareholder to enjoy a greater dividend yield upon the Share Buy-back Completion and therefore is in the interest of the Company and the Shareholders as a whole.

Total liabilities

As stated in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and funded by the Company's available cash resources. Assuming that the Share Buy-back had taken place on 31 March 2022 and the Buy-Back Shares have been bought back in full and cancelled, the total liabilities would remain unchanged.

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Working capital and gearing ratio

Based on the consolidated financial information of the Group as set out in 2022 Interim Report and assuming that the Share Buy-back had taken place on 30 September 2022, the net working capital (expressed as net current asset) would decrease by approximately 4.36% from approximately HK\$240.6 million to approximately HK\$230.1 million. The gearing ratio (calculated as total debt divided by total equity) would have increased by approximately 0.85% from approximately 20.16% to approximately 21.01%. The Company is of the view that it continues to maintain sufficient and adequate working capital for its operations. Taking into account the amount of cash resources held by the Company as at the Latest Practicable Date, the Directors are of the view that the Company has adequate financial resources to finance the Share Buy-back which allowed the Company to take advantage of the opportunity to enhance the Shareholders' value through the Share Buy-back, and we are of the view that the Share Buy-back will have no material adverse effect on the working capital and gearing position of the Company.

In light of the above, we are of the view that the terms of the Share Buy-back is in the interests of the Company and Shareholders as a whole as far as the Disinterested Shareholders are concerned.

RECOMMENDATION

Notwithstanding the Implied P/E Ratio of the Company is higher than the median of P/E Ratio and the adjusted average of P/E Ratio, having considered the below principal factors and reasons:

- (i) the generally strong and stable financial position of the Group as well as the amount of cash resources held by the Company as at the Latest Practicable Date which are considered to be adequate to finance the consideration of Buy-back Shares;
- (ii) the enhancement on the basic earnings per Share, consolidated NAV per Share and dividend yield ratio which shall create a greater Shareholders' value and that the slight increase in the gearing ratio shall not create material adverse impact on the financial position of the Company;
- (iii) the Buy-back Price represents a discount to the unaudited consolidated NAV per Share as at 30 September 2022;
- (iv) the Buy-back Price represents a discount of approximately 21.03% to the average of the closing prices of HK\$0.31 per Share during the Review Period and a discount of approximately 5.85% to the closing prices of HK\$0.26 per Share as at the Latest Practicable Date;
- (v) 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; and

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- (vi) the Buy-back Price, as determined by reference to, among other things, the NAV per Share, is fair and reasonable with reference to the P/B Ratio of the Comparable Companies,

we are of the opinion that although the entering into of the Share Buy-back Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back Agreement (including the Buy-back Price) are on normal commercial terms and fair and reasonable and as far as the Disinterested Shareholders are concerned, the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back Agreement and the Share Buy-back contemplated thereunder.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 24 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited financial information of the Group for each of the years ended 31 March 2020, 31 March 2021 and 31 March 2022 respectively, as extracted from each of the relevant annual reports of the Company.

Consolidated Annual Results

	For the year ended 31 March		
	2020	2021	2022
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Revenue	733,345	458,493	494,170
Cost of revenue	(623,640)	(357,840)	(433,457)
Gross profit	109,705	100,653	60,713
Other income	1,731	6,805	1,277
Marketing and distribution expenses	(3,311)	(3,537)	(2,435)
Administrative and other operating expenses	(46,638)	(43,415)	(41,936)
Finance costs	(1,833)	(934)	(1,164)
Profit before income tax	63,163	59,195	14,620
Income tax expense	(9,410)	(9,024)	(3,115)
Profit for the year	<u>53,753</u>	<u>50,171</u>	<u>11,505</u>
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations	<u>(808)</u>	<u>1,180</u>	<u>635</u>
Other comprehensive income for the year	<u>(808)</u>	<u>1,180</u>	<u>635</u>
Total comprehensive income for the year	<u><u>52,945</u></u>	<u><u>51,351</u></u>	<u><u>12,140</u></u>
Earnings per share (HK cent)			
Basic and diluted earnings per share	<u><u>8.96</u></u>	<u><u>8.36</u></u>	<u><u>1.92</u></u>

A final dividend in respect of the financial year ended 31 March 2020 of HK2.50 cents per ordinary share, amounting to HK\$15.0 million was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders during the year ended 31 March 2021.

A final dividend in respect of the financial year ended 31 March 2021 of HK2.50 cents and a special dividend of HK3.00 cents per ordinary share, totaling HK\$15.0 million and HK\$18.0 million respectively was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders during the year ended 31 March 2022.

A final dividend in respect of the financial year ended 31 March 2022 of HK1.50 cents per ordinary share, amounting to HK\$9.0 million was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders on 5 October 2022.

Consolidated Assets and Liabilities

	As at 31 March		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Assets and liabilities			
Total assets	433,938	431,393	402,126
Total liabilities	(202,064)	(163,168)	(154,761)
Net assets	<u>231,874</u>	<u>268,225</u>	<u>247,365</u>

The following financial information is extracted from the Company's interim report for the six months ended 30 September 2022:

	For the six months ended	
	30 September	
	2021	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	263,347	292,621
Cost of revenue	(219,901)	(246,253)
Gross profit	43,446	46,368
Government subsidies	–	2,130
Other income and gains	860	307
Marketing and distribution expenses	(109)	(121)
Administrative and other operating expenses	(19,731)	(20,048)
Finance costs	(746)	(576)
Profit before income tax	23,720	28,060
Income tax expense	(4,200)	(4,633)
Profit for the period	19,520	23,427
Other comprehensive income for the period	–	(1,769)
Total comprehensive income for the period	<u>19,520</u>	<u>21,658</u>
Earnings per share (HK cent)		
Basic and diluted earnings per share	<u>3.25</u>	<u>3.90</u>

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2022 (30 September 2021: nil).

Consolidated Assets and Liabilities

	As at 30 September	
	2021	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Assets and liabilities		
Total assets	437,538	533,013
Total liabilities	<u>182,905</u>	<u>272,990</u>
Net assets	<u>255,021</u>	<u>260,023</u>

2. AUDITED FINANCIAL STATEMENTS

The Group's audited consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for each of the three years ended 31 March 2022 can be found below:

- pages 76 to 166 of the annual report of the Company for the year ended 31 March 2020, a copy of which is available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0723/2020072300301.pdf>;
- pages 71 to 150 of the annual report of the Company for the year ended 31 March 2021, a copy of which is available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0720/2021072000701.pdf>;
- pages 80 to 154 of the annual report of the Company for the year ended 31 March 2022, a copy of which is available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0726/2022072600205.pdf>

According to the published annual reports of the Company, in the opinion of the auditor of the Company, the consolidated financial statements of the Group for each of the three years ended 31 March 2022 give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, 2021 and 2022, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. No qualified opinion, emphasis of matter nor material uncertainty related to going concern had been issued by the auditor of the Company in the independent auditor's report since its listing on the Stock Exchange.

3. UNAUDITED FINANCIAL STATEMENTS

The Group's unaudited condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and notes to the condensed financial statements for the six months ended 30 September 2022 are set out at pages 13 to 32 of the interim report of the Company for the six months ended 30 September 2022 which can be found at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1206/2022120600197.pdf>.

4. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding secured interest-bearing bank loans of approximately HK\$41,637,000. The Group's interest-bearing bank loans were secured by the corporate guarantee provided by the Company.

Contingent liabilities

As at the close of business on 30 September 2022, the Group did not have any significant contingent liabilities.

Save as disclosed above, and apart from the intra-group liabilities and normal trade payables, the Group did not have outstanding indebtedness as at the close of business on 30 September 2022 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that save for the entering into of the Share Buy-back Agreement with the Vendor as disclosed in the Announcement and the interim report of the Company for the six months ended 30 September 2022, there is no material adverse change in the financial or trading position or outlook of the Group since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

6. MATERIAL CHANGE

The Directors confirm that save for the entering into of the Share Buy-back Agreement with the Vendor as disclosed in the Announcement and the interim report of the Company for the six months ended 30 September 2022, there is no material change in the financial or trading position or outlook of the Group since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

7. FINANCIAL AND TRADING PROSPECT

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.

After 30 years of development, the Group has built up reputation and technical capability and expanded its capacity, and has been able to tap into a market segment of higher entry threshold and secure larger scale projects from public service operators, governmental bodies, and real estate developers. The construction market has been relatively steady in the past few years as the HKSAR Government's implementation of Long Term Housing Strategy and infrastructural development.

After the fifth wave of community outbreak of COVID-19 in Hong Kong became stable, the Hong Kong Government has launched a progress plan of relaxing the regulation on infection control, the society confidence in the future economy has been improved. The Chief Executive of Hong Kong proposed six major transport infrastructure projects in the 2022 Policy Address to drive and support future development of Hong Kong. Accordingly, it is expected that there will be a steady flow of construction contracts from the public sector in the coming years.

On the other hand, the global financial market is facing complex and challenging situation, the inflation in energy and commodity price together with increase in interest rate has added burden on the operation cost to the business. The Group will maintain a prudent approach in its project bidding and cost budgeting to safeguard its profitability amidst the present market uncertainties. Looking ahead, the Group will continue, using its best endeavours, to provide the highest quality services to its clients and explore new opportunities that are beneficial to the Group and its investors.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 is no omission of other matters which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Share Buy-backs Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding the Latest Practicable Date; (ii) on the date of the Announcement; and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK\$
30 June 2022	0.285
29 July 2022	0.280
31 August 2022	0.290
30 September 2022	0.275
31 October 2022	0.260
30 November 2022	0.270
6 December 2022 (the date of the Announcement)	0.270
20 December 2022 (the Latest Practicable Date)	0.260

During the Relevant Period, 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.

3. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares assuming that no further Shares will be issued or bought back by the Company prior to Share Buy-back Completion is illustrated below:

(a) *as at the Latest Practicable Date*

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u>	<u>20,000,000</u>

<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>600,000,000</u>	<u>6,000,000</u>

(b) *immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares assuming no further Shares will be issued or bought back by the Company prior to Share Buy-back Completion*

<i>Authorised share capital</i>	<i>HK\$</i>
<u>2,000,000,000</u>	<u>20,000,000</u>

<i>Issued and fully paid:</i>	<i>HK\$</i>
600,000,000 Shares as at the Latest Practicable Date	6,000,000
<u>43,070,000 Shares to be bought back and cancelled pursuant to the Share Buy-back</u>	<u>430,700</u>
<u>556,930,000 Shares immediately upon Share Buy-back Completion and cancellation of the Buy-back Shares</u>	<u>5,569,300</u>

All Shares in issue rank pari passu in all respects with each other, including, in particular as to rights in respect of return of capital, dividends and voting. The Shares in issue are listed on the Stock Exchange.

As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives, warrants or other conversion rights affecting the Shares.

The number of Shares in issue as at 31 March 2022, being the date to which the latest audited financial statements of the Company were made up, was 600,000,000.

There was no reorganisation of capital of the Company during the two financial years preceding the date of the Announcement.

No Shares had been issued or bought-back by the Company since 31 March 2022, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

Further, no Shares had been issued or bought-back by the Company during the period of 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date

4. DIVIDENDS

A final dividend in respect of the financial year ended 31 March 2020 of HK2.5 cents per ordinary share, amounting to HK\$15.0 million was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders during the year ended 31 March 2021.

A final dividend in respect of the financial year ended 31 March 2021 of HK2.5 cents and a special dividend of HK3.0 cents per ordinary share, totalling HK\$15.0 million and HK\$18.0 million respectively was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders during the year ended 31 March 2022.

A final dividend in respect of the financial year ended 31 March 2022 of HK1.5 cents per ordinary share, amounting to HK\$9.0 million was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders on 5 October 2022.

The Company's ability to pay dividends to Shareholders depends on a number of factors including the Group's earnings, financial condition, capital requirements and surplus and any other factors that the Board may consider relevant. The Company shall review and reassess its dividend policy and its effectiveness on a regular basis or as required. The Company has no plan or intention to alter its present dividend policy.

5. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interest or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be disclosed pursuant to the Share Buy-backs Code; or (iv) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in Shares

(a) Interest in the Shares

Director	Capacity/ Nature of Interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company (approximate)
Mr. Wai (Notes 1, 2)	Corporate interest	369,000,000	61.50%
	Beneficial owner	31,850,000	5.30%
	Interests held jointly	33,570,000	5.60%
Mr. Yip (Notes 1, 3)	Corporate interest	369,000,000	61.50%
	Beneficial owner	33,570,000	5.60%
	Interests held jointly	31,850,000	5.30%

Notes:

- As at the Latest Practicable Date, 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.
- As at the Latest Practicable Date, Mr. Wai personally holds 31,850,000 Shares and interested as a result of being a party acting-in-concert with the Vendor and Mr. Yip, Mr. Wai is also deemed to be interested in 33,570,000 Shares personally held by Mr. Yip.

3. As at the Latest Practicable Date, Mr. Yip personally holds 33,570,000 Shares and as a result of being a party acting-in-concert with the Vendor and Mr. Wai, Mr. Yip is also deemed to be interested in 31,850,000 Shares personally held by Mr. Wai.

(b) Interest in the shares of as associated corporation

Name of associated corporation:

Success Wing

Director	Capacity/ Nature of Interest	Number of Success Wing Shares	Percentage of shareholding (approximate)
Mr. Wai (<i>Note 1</i>)	Beneficial owner	12,182	33.01%
	Interests held jointly	20,789	56.34%
Mr. Yip (<i>Note 2</i>)	Beneficial owner	12,182	33.01%
	Interests held jointly	20,789	56.34%

Notes:

- As at the Latest Practicable Date, Mr. Wai holds 12,182 Success Wing Shares and as a result of being a party acting-in-concert with the Vendor and Mr. Yip, Mr. Wai is also deemed to be interested in the 20,789 Success Wing Shares in aggregate held by the Vendor and Mr. Yip.
- As at the Latest Practicable Date, Mr. Yip holds 12,182 Success Wing Shares and as a result of being a party acting-in-concert with the Vendor and Mr. Wai, Mr. Yip is also deemed to be interested in the 20,789 Success Wing Shares in aggregate held by the Vendor and Mr. Wai.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company 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 of the SFO) which (i) were 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be disclosed pursuant to the Share Buy-backs Code; or (iv) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial Shareholders' interests and short positions in Shares and underlying Shares of the Company

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Positions in Shares and underlying Shares

Name of shareholder	Capacity/ Nature of Interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Success Wing	Beneficial owner	369,000,000	61.50%
Ms. Lam Suk Lan Bonnie (<i>Note 1</i>)	Interest of spouse	434,420,000	72.40%
Ms. Wu Janet (<i>Note 2</i>)	Interest of spouse	434,420,000	72.40%
The Vendor (<i>Notes 3, 4</i>)	Corporate interest	369,000,000	61.50%
	Interests held jointly	65,420,000	10.90%

Notes:

- 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 under the SFO.
- 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 under the SFO.
- As at the Latest Practicable Date, 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.
- As at the Latest Practicable Date, as a result of being a party acting-in-concert with Mr. Wai and Mr. Yip, the Vendor is also deemed to be interested in 31,850,000 Shares personally held by Mr. Wai and 33,570,000 Shares held by Mr. Yip.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group or any options in respect of such capital.

6. ADDITIONAL DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, 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 the paragraph headed “Disclosure of Interests” in this appendix, 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) As at the Latest Practicable Date, 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) As at the Latest Practicable Date, 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) As at the Latest Practicable Date, 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) As at the Latest Practicable Date, 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.
- (f) During the Relevant Period, neither the Company, the Vendor nor any party acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.
- (g) Save for (i) the Share Buy-back Agreement, (ii) the S&P Agreements and (iii) the Success Wing Restructuring, none of the Vendor, the Directors and any person acting in concert with the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.
- (h) Save for (i) the Share Buy-back Agreement, (ii) the S&P Agreements and (iii) the Success Wing Restructuring, none of the holders of 10% or more of the voting rights of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (i) As at the Latest Practicable Date, apart from the total consideration for the Buy-back Shares, 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.

- (j) As at the Latest Practicable Date, apart from (i) the Share Buy-back Agreement and (ii) the S&P Agreements, 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.
- (k) As at the Latest Practicable Date, apart from (i) the Share Buy-back Agreement and (ii) the S&P Agreements, there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2) the Company, its subsidiaries or associated companies.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had engaged in any business that competes or is likely to compete, either directly or indirectly with the business of the Group or have any other conflict of interest with the Group.

9. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 March 2022, acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

10. MATERIAL CONTRACT

Save for the Share Buy-back Agreement, no contract (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. EXPERTS AND CONSENTS

The followings are the names and the qualifications of the professional advisers to the Company whose letter, opinion or advice are contained or referred to in this circular.

Name	Qualification
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 SFO

Red Sun has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear. The reports or letters given by the above expert is given as of the date of this circular for incorporation herein.

Red Sun does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Red Sun does not have any direct or indirect interests in any assets which have been, since 31 March 2022 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

13. MISCELLANEOUS

- (i) The registered office of the Company is situated at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108 Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.
- (iii) The registered office of Red Sun Capital Limited is situated at Room 310, 3/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong, Hong Kong.
- (iv) The branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (v) The secretary of the Company is Mr. Chan Sun Kwong. Mr. Chan Sun Kwong is a fellow member of the Hong Kong Chartered Governance Institute, the Chartered Governance Institute in United Kingdom, the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.
- (vi) In the event of inconsistency, the English texts of this circular, the notice of the EGM and the accompanying form of proxy shall prevail over the Chinese texts.

14. DOCUMENTS ON DISPLAY

Copies of the following documents are available on display (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.kpa-bm.com.hk>; and (iii) at the office of the Company at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three years ended 31 March 2020, 2021 and 2022;
- (c) the interim report of the Company for the six months ended 30 September 2022;
- (d) the letter from the Board as set out on pages 5 to 21 of this circular;
- (e) the letter from the Independent Board Committee to the Disinterested Shareholders as set out on pages 22 to 23 of this circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders as set out on pages 24 to 50 of this circular;
- (g) the Share Buy-back Agreement;
- (h) the Wai S&P Agreement;
- (i) the Yip S&P Agreement;
- (j) the written consents referred to under the paragraph headed “Experts and consents” in this appendix;
- (k) the material contracts as referred to in the paragraph headed “Material Contract” in this appendix; and
- (l) this circular.

NOTICE OF EGM



(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of KPa-BM Holdings Limited (the “Company”) will be held on Monday, 16 January 2023 at 10:00 a.m. at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolution as special resolution of the Company:

SPECIAL RESOLUTION

“**THAT:**

- (a) the share repurchase agreement dated 6 December 2022 (the “**Share Buy-back Agreement**”) entered into between Mr. Lui Bun Yuen Danny (the “**Vendor**”) and the Company in relation to the proposed buy-back (the “**Share Buy-back**”) of 43,070,000 ordinary shares of par value HK\$0.01 each (the “**Buy-back Shares**”) in the issued share capital of the Company by the Company from the Vendor at the proposed total consideration of HK\$10,543,536 (a copy of which is marked “A” and produced to the meeting and signed by the chairman of the meeting for identification purpose) be and is hereby approved;
- (b) the Share Buy-back and the transactions contemplated under the Share Buy-back Agreement be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Share Buy-back Agreement and the transactions contemplated thereunder (including but not limited to the cancellation of the Buy-back Shares).”

By order of the Board

KPa-BM Holdings Limited

Yip Pak Hung

Chairman and Executive Director

Hong Kong, 23 December 2022

Principal place of business in Hong Kong:
27/F., The Octagon
6 Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

Registered office:
Windward 3
Regatta Office Park
P. O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

* *For identification purpose only*

NOTICE OF EGM

Notes:

1. One special resolution to be considered at the meeting will be taken by poll. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and of the Company in accordance with the Listing Rules.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

In the case of joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

3. A form of proxy for use at the meeting is being despatched together with this notice. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Friday, 13 January 2023 in order for the holders of the shares to qualify to attend and vote at the EGM or any adjournment thereof.
5. If Typhoon Signal No.8 or above is expected to be hoisted or "extreme conditions" caused by super typhoons or a Black Rainstorm Warning Signal is expected to be in force at 12:00 noon on the day of the EGM, then the EGM will be postponed and the Shareholders will be informed of the date, time and venue of the postponed meeting by a supplementary notice, posted on the Company's website (www.kpa-bm.com.hk) and the website of the HKEx (www.hkexnews.hk).

If Typhoon Signal No. 8 or above or a Black Rainstorm Warning Signal is cancelled before 12:00 noon on the day of the EGM, and where conditions permit, the EGM will be held as scheduled. The EGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force.

Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations and, if they do so, they are advised to exercise care and caution.

6. Precautionary measures and special arrangements for disease control

In view of the novel coronavirus (COVID-19) outbreak, certain measures will be implemented at the EGM to reduce the risk of infection to attendees of the EGM, including but not limited to (i) compulsory body temperature check; (ii) wearing of surgical mask throughout the EGM; and (iii) no refreshments or drinks will be provided. Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

The Company will keep monitoring the COVID-19 situation and may implement additional measures which, if any, will be announced at a time closer to the date of the EGM.

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