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 your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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

KPa-BM Holdings Limited
應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

(I) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SALE LOAN OF THE TARGET COMPANY; (II) TERMINATION OF CONTINUING CONNECTED TRANSACTIONS; AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

MESSIS 大有融資

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

天泰金融 TITAN

Titan Financial Services Limited

A letter from the Board is set out on pages 5 to 17 of this circular.

A notice dated 9 April 2019 convening the EGM to be held at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Monday, 29 April 2019 at 10:00 a.m. is set out on pages 42 to 43 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

* *For identification purpose only*

9 April 2019

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

"2018 Master Supply Agreement"	the new master supply agreement dated 20 April 2018 entered between the Company and BuildMax (SZ) in relation to the purchase of building material products processed, fabricated or manufactured by BuildMax (SZ) on an non-exclusive basis for the three years ending 31 March 2021;
"Acquisition"	the acquisition of the Sale Shares and the Sale Loan pursuant to the Sale and Purchase Agreement;
"Announcement"	the announcement of the Company dated 9 March 2019 in relation to, among others, Sale and Purchase Agreement and the transactions contemplated thereunder;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"BuildMax (SZ)"	BuildMax Technology (Shenzhen) Limited, currently a wholly foreign-owned enterprise incorporated in the PRC, which is wholly-owned by the Target Company;
"BVI"	the British Virgin Islands;
"Company"	KPa-BM Holdings Limited, a company incorporated in the Cayman Island and the Shares of which are traded on the Main Board of the Stock Exchange;
"Completion"	Completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"EGM"	an extraordinary general meeting of the Company to be convened at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong at 10:00 a.m. on Monday, 29 April 2019 to consider and, if thought fit, approve, amongst other things, the Sale and Purchase Agreement and the transactions contemplated thereunder;

"Group"	the Company together with its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent board committee of the Company comprising all the independent non-executive Directors;
"Independent Financial Adviser"	Titan Financial Services 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 and the Independent Shareholders in respect of the Acquisition;
"Independent Shareholders"	Shareholder of the Company, other than Mr. Liu, Mr. Wai and Mr. Yip and their respective associates;
"Latest Practicable Date"	4 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rule Governing the Listing of Securities on the Stock Exchange;
"Mr. Lui"	Mr. Lui Bun Yuen, Danny, one of the controlling shareholders of the Company;
"Mr. Wai"	Mr. Wai Yat Kin, an executive Director, the chief executive officer and one of the controlling shareholders of the Company;
"Mr. Yip"	Mr. Yip Pak Hung, an executive Director, the chairman of the Board and one of the controlling shareholders of the Company;
"PRC"	the People's Republic of China, which for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	BUILDMAX HOLDINGS LIMITED, a company incorporated in the BVI with limited liability, which is indirectly wholly-owned by the Company;

"Reorganisation"	the corporate reorganisation of the Target Group to the effect that 25% equity interest in BuildMax (SZ) was transferred to the Target Company so that the Target Company owns the entire equity interest in BuildMax (SZ);
"Sale and Purchase Agreement"	the sale and purchase agreement dated 9 March 2019 and entered into between the Purchaser and the Vendors in relation to the Acquisition;
"Sale Loan"	all outstanding debts of the Target Group as at the date of Completion owed to the Vendors;
"Sale Shares"	10,000 ordinary shares of Target Company, representing the entire issued share capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time;
"Share(s)"	Share(s) of HK$0.01 each in the capital of the Company;
"Shareholders"	holder of the Share(s);
"Shenzhen Hengyauyuan"	深圳市恒有源科技發展有限公司 (Shenzhen Hengyauyuan Technology Development Limited*), a company established under the laws of the PRC with limited liability and is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"SZ Property"	an office premises located at Room 1508, Ruisi Building, the Junction of Yan He South Road and Shen Nan East Road, Shenzhen, the Guangdong Province, the PRC;
"SZ Property Value"	market value of the SZ Property as stated in the valuation report prepared by the independent valuer;
"Target Company"	Hillford Trading Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 26.7% by Mr. Lui, 26.7% by Mr. Wai, 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming;
"Target Group"	the Target Company together with BuildMax (SZ);

* *For identification purpose only*

"Vendors"	Mr. Yip, Mr. Wai, Mr. Lui, Mr. Liu Yuen Wai and Mr. Chan Chi Ming, collectively;
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency in the PRC;
"%"	per cent; and
"sq.m"	square metre.

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK$ at the rate of RMB1 = HK$1.16.

KPa-BM Holdings Limited
應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

Executive Directors:
Mr. Yip Pak Hung *(Chairman of the Board)*
Mr. Wai Yat Kin *(Chief Executive Officer)*

Independent non-executive Directors:
Ms. Lai Pik Chi, Peggy
Mr. Lam Chi Wai, Peter
Dr. Yeung Kit Ming

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

Head office and principal place of business in Hong Kong:
27/F, The Octagon
6 Sha Tsui Road, Tsuen Wan
New Territories
Hong Kong

9 April 2019

To the Shareholders

Dear Sir/Madam,

(I) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SALE LOAN OF THE TARGET COMPANY;
(II) TERMINATION OF CONTINUING CONNECTED TRANSACTIONS;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement, that on 9 March 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors conditionally agreed to sell (i) the Sale Shares; and (ii) the Sale Loan for the total consideration of approximately HK$12.2 million, which shall be settled by the Purchaser in cash upon the Completion.

* *For identification purpose only*

The Target Group underwent the Reorganisation and completed all registration of the Reorganisation. As at the Latest Practicable Date, the Target Company directly owns the entire equity interest of BuildMax (SZ). Prior to the Reorganisation, BuildMax (SZ) was a sino-foreign equity joint venture enterprise incorporated in the PRC owned as to 75% by the Target Company and 25% by Shenzhen Hengyauyuan, being an independent third party. Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and therefore, the financial results of the Target Group will be consolidated into the financial statements of the Group.

References are made to the Company's announcement dated 20 April 2018, the circular dated 25 May 2018 in relation to the 2018 Master Supply Agreement. As disclosed in the Announcement, the transactions under the 2018 Master Supply Agreement currently constitute continuing connected transactions of the Company. Upon the Completion, BuildMax (SZ) will become an indirect wholly-owned subsidiary of the Company and cease to be a connected person of the Company. Accordingly, the transactions between the Company and BuildMax (SZ) will no longer constitute continuing connected transactions of the Company. Therefore, on 9 March 2019, the Company and BuildMax (SZ) entered into an agreement to terminate the 2018 Master Supply Agreement with effect from the Completion.

The purpose of this circular is to provide you with the information, amongst other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the advice and recommendations from the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (iv) the notice of EGM.

THE SALE AND PURCHASE AGREEMENT

The major terms of the Sale and Purchase Agreement are as follows:

Date

9 March 2019

Parties

(i) the Purchaser, an indirect wholly-owned subsidiary of the Company and principally engaged in investment holding; and

(ii) the Vendors comprising:

(a) Mr. Lui, one of the controlling shareholders of the Company;

(b) Mr. Wai, an executive Director and one of the controlling shareholders of the Company;

(c) Mr. Yip, an executive Director and one of the controlling shareholders of the Company;

(d) Mr. Liu Yuen Wai, a general manager of the Group; and

(e) Mr. Chan Chi Ming, a commercial manager of the Group.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell (i) the Sale Shares, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan, representing all amounts owing by the Target Group to the Vendors as at the date of the Completion.

The Target Group underwent the Reorganisation and completed all registration of the Reorganisation. Completion of the Reorganisation is one of the conditions precedent to the Acquisition. As at the Latest Practicable Date, the Target Company directly owns the entire equity interest of BuildMax (SZ). Details of the Target Group both immediately before and after the Reorganisation are set out in the section headed "Information of the Target Group" below.

Consideration

The total consideration for the Sale Shares and the Sale Loan is approximately HK$12.2 million, of which (i) the consideration for the Sale Loan is equivalent to its face value at the Completion. Based on the management account of the Target Company for the two months ended 28 February 2019, the face value of the Sale Loan amounted to approximately HK$9.3 million; and (ii) the consideration for the Sale Share of approximately HK$2.9 million, which shall be the balance of the total consideration after deducting the consideration for the Sale Loan. The total consideration shall be settled in full by the Purchaser in cash to the Vendors upon the Completion and which will be funded by the internal resources of the Group.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to (i) the net asset value of BuildMax (SZ) prepared under the PRC generally accepted accounting principles as at 31 December 2018 of approximately RMB9.2 million (equivalent to approximately HK$10.7 million); (ii) the valuation premium of SZ Property of approximately RMB1.3 million (equivalent to approximately HK$1.5 million), being the difference between (a) the SZ Property Value of RMB5.1 million; and (b) the carry value of the SZ Property of approximately RMB3.8 million as at 31 December 2018; (iii) the Sale Loan amount due by the Target Company to the Vendors as at the date of the Announcement; and (iv) other factors as set out in the section headed "Reasons for and benefits of the Acquisition" below.

In view of the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the consideration is fair and reasonable and the Sale and Purchase Agreement is on normal commercial terms and is fair and reasonable, and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions

The Completion is subject to and conditional upon the fulfilment or waiver (as the case may be) of the following conditions precedent:

(i) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the Sale and Purchase Agreement and the Acquisition contemplated thereunder;

(ii) the Target Group having completed the Reorganisation pursuant to the Sale and Purchase Agreement and all government approvals, filing and licenses relevant to the Reorganisation having been obtained and/or completed;

(iii) the Purchaser having received a PRC legal opinion from a PRC legal adviser, of which the form and substance shall be satisfactory to the Purchaser with respect to BuildMax (SZ);

(iv) the receiving of the management account of the Target Group ending on the date of Completion by the Purchaser, certified by the directors of the Target Company;

(v) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement;

(vi) no event having occurred since the date of the Sale and Purchase Agreement to the Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospectus of the Target Group;

(vii) the obtaining of all approvals and all necessary licenses for the execution and performance of Sale and Purchase Agreement and the Completion and not being revoked; and

(viii) no material breach of the warranties and the warranties remaining true and accurate from the date of the Sale and Purchase Agreement up to the date of the Completion.

Save for conditions precedent (i) and (ii) above, the Purchaser may at its absolute discretion waive the other conditions precedent under the Sale and Purchase Agreement. If any of the above conditions is not fulfilled or waived (as the case maybe) by 30 September 2019 (or such other date as the parties to the Agreement may agree in writing), the Sale and Purchase Agreement shall terminate and neither party shall have any further obligations towards the other thereunder except for any antecedent breaches.

The Board takes the view that waiver of conditions precedent (iii) to (v) above will not affect the substance of the Acquisition as these conditions precedent are built in to protect the Purchaser's interest under the Acquisition. However, depending on the materiality of the facts causing the non-fulfillment of conditions precedent (vi) to (viii), the substance of the Acquisition could be affected if these conditions precedent were waived by the Purchaser. The Purchaser has no intention to waive any of the above conditions precedent which could adversely affect the substance of the Acquisition and the interest of the Purchaser.

As at the Latest Practicable Date, conditions precedent (ii) has been fulfilled. To the best of the Directors' knowledge, information and belief, other conditions precedents have yet to be satisfied and none have been waived.

Completion

The Completion shall take place on the fifth Business Days after the fulfilment or waiver (as the case may be) of all the conditions precedent of the Sale and Purchase Agreement (or such other date as may be agreed in writing between the parties).

Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and therefore, the financial results of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) provision of structural engineering works with a focus on design and building 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 Purchaser is incorporated in the BVI with limited liability, which is indirectly wholly-owned by the Company and is principally engaged in investment holding.

INFORMATION OF THE TARGET GROUP

The Target Company is incorporated in Hong Kong with limited liability and is wholly-owned by the Vendors. As at the Latest Practicable Date, the Target Company is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. The Target Company is an investment holding company and wholly owns the entire equity interests of BuildMax (SZ) as at the Latest Practicable Date.

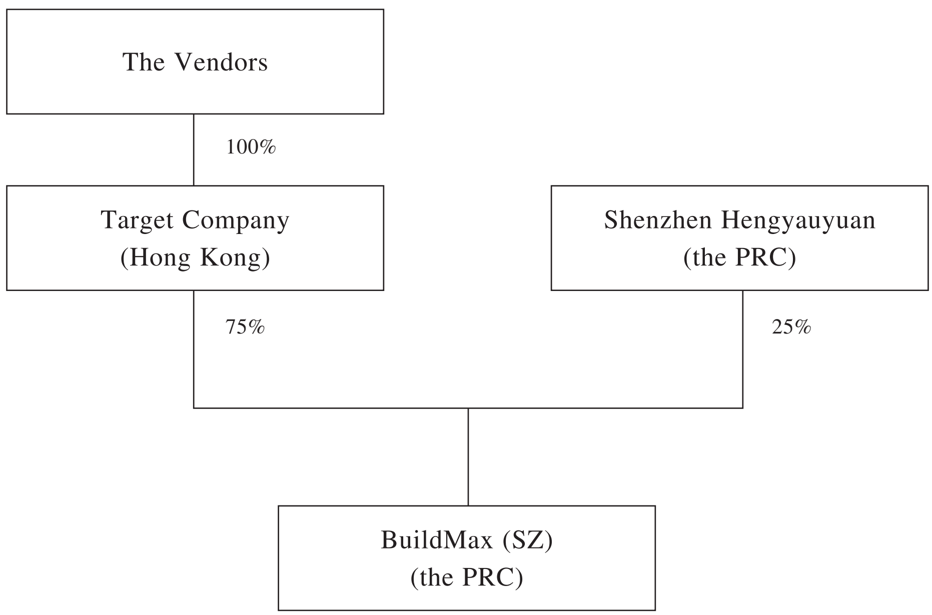
BuildMax (SZ) is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to the Group in Hong Kong and to customers in the PRC.

Prior to the Reorganisation, BuildMax (SZ) was a sino-foreign equity joint venture enterprise incorporated in the PRC and was owned as to 75% by the Target Company and 25% by Shenzhen Hengyauyuan, an independent third party. Pursuant to the Reorganisation, the Target Company acquired the 25% equity interests of BuildMax (SZ) from Shenzhen Hengyauyuan, an independent third party, at a consideration of HK$3 million which was determined as to the proportion of net asset value of BuildMax (SZ) with the valuation premium of the SZ Property attributable to Shenzhen Hengyauyuan, the value of which was translated at the closing exchange rate as at 31 December 2018. The Target Company underwent the Reorganisation and completed all registration of the Reorganisation. As at the Latest Practicable Date, BuildMax (SZ) becomes a wholly foreign-owned enterprise in the PRC and a wholly-owned subsidiary of the Target Company.

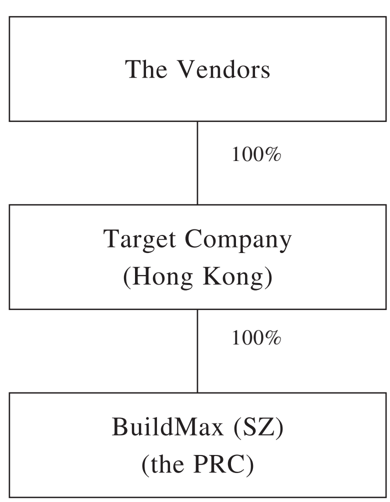
BuildMax (SZ) owns the SZ Property where comprises of an office premises with gross floor area of approximately 162.9 sq.m and the land use rights for a term from 10 October 1994 to 9 October 2044 for commercial, office and apartment uses.

The following diagrams illustrate the shareholding structures of the Target Group (i) immediately before completion of the Reorganisation; (ii) immediately after completion of the Reorganisation; and (iii) immediately after the Completion.

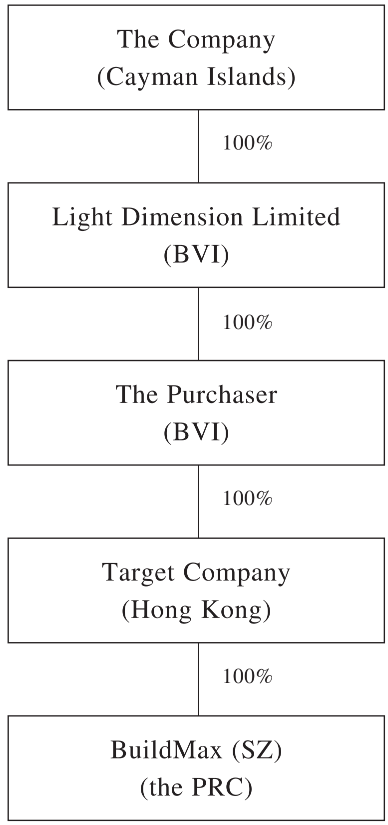
(i) Group structure of the Target Group immediately before completion of the Reorganisation



(ii) Group structure of the Target Group immediately after completion of the Reorganisation



(iii) Group structure of the Target Group immediately after the Completion



FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2018:

	Year ended 31 December 2017	**Year ended 31 December 2018**
	HK$ (approximately)	*HK$* (approximately)
Loss before tax	41,000	43,000
Loss after tax	41,000	43,000

	As at 31 December 2017 *HK$* (approximately)	As at 31 December 2018 *HK$* (approximately)
Net assets	58,000	15,000

Set out below is the audited financial information of BuildMax (SZ) for the two years ended 31 December 2018 prepared in accordance with the PRC general accepted accounting principles:

	Year ended 31 December 2017 *RMB* (approximately)	Year ended 31 December 2018 *RMB* (approximately)
Profit before tax	641,000	598,000
Profit after tax	481,000	538,000

	As at 31 December 2017 *RMB* (approximately)	As at 31 December 2018 *RMB* (approximately)
Net assets	8,739,000	9,224,000

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors considered the Acquisition is beneficial to the Company and its shareholders as a whole, taking into account the following factors:

(i) Expected increasing demand for building material products to be purchased from BuildMax (SZ) to support the Group's business expansion and projects on hand which would exceed the annual caps under the 2018 Master Supply Agreement

Reference is made to the Company's circular dated 25 May 2018, the proposed annual caps for the Group to purchase building materials products from BuildMax (SZ) under the 2018 Master Supply Agreement is HK$24.0 million for the year ended 31 March 2019. For the ten months ended 31 January 2019, the transaction amounts under the 2018 Master Supply Agreement were approximately HK$19.8 million and the Directors expect that the purchase amount of building material products by the Group from BuildMax (SZ) will be approximately HK$22.8 million for the year ended 31 March 2019, which is very close to the annual cap of HK$24.0 million for the year ended 31 March 2019 under 2018 Master Supply Agreement.

As at 31 January 2019, the Group had a total of 41 design and build projects on hand which were related to (i) facade, roof and related works; (ii) structural steelwork and noise barriers, with a total awarded contract sum and an outstanding award contract sum of approximately HK$1,543.5 million and approximately HK$872.5 million, respectively, where (i) two new sizeable contracts with a respective contract sum of approximately HK$243 million and HK$324 million were awarded to the Group in October 2018, with reference to the Company's announcements dated 5 October 2018 and 19 October 2018 respectively; and (ii) 13 contracts with a total awarded contract sum of approximately HK$144.0 million were newly awarded to the Group after 28 February 2018 and up to 31 January 2019. Based on the Directors' industry experience and the nature and specification of the Group's projects on hand, it is estimated that the cost of materials (including the related processing, fabrication or manufacturing charges) will amount to approximately HK$290.8 million. Out of the estimated materials costs of approximately HK$211.4 million of the building material products will be purchased from BuildMax (SZ) and its similar types of independent third party suppliers.

Having considered the historical annual purchase proportion from BuildMax (SZ), the Directors expect that that the Group's forecasted demand in building material products from BuildMax (SZ) and other similar types of independent third party suppliers will be maintained on similar proportion basis. The Directors estimate that the total purchase amounts of building material products to be placed by the Group from BuildMax (SZ) will amount to approximately HK$126.8 million for its 41 projects as at 31 January 2019 and approximately HK$42.3 million for each of the three years ending 31 March 2022 which exceed the annual caps of HK$27.0 million and HK$30.0 million for each of two years ending 31 March 2021 under the 2018 Master Supply Agreement. In light of the abovementioned newly awarded contracts, the Acquisition and the termination of continuing connected transactions under the 2018 Master Supply Agreement would streamline and facilitate the Group's business expansion, where administrative expenses and burden would also be alleviated as the Group no longer requires to monitor the transaction amounts to be within the annual caps thereunder and seek approval from Independent Shareholders pursuant to the Listing Rules for the adjustment of annual caps when necessary.

(ii) Enabling BuildMax (SZ) to fully support the Group's business operations in the future

Prior to the Reorganisation, BuildMax (SZ) was owned as to 75% by the Target Company and 25% by Shenzhen Hengyauyuan, an independent third party. Although the Group is a major customer of BuildMax (SZ), BuildMax (SZ) historically serves independent third party customers which contributed to approximately 3%, 10% and 3% of its total revenue for each of the three years ended 31 December 2018. With reference to the Company's circular dated 25 May 2018, it was disclosed that the Group's historical transaction amounts with BuildMax (SZ) dropped during the financial year ended 31 March 2017 due to the increase in purchase of building material products by the Group from other independent third party suppliers as a result of the production capacity of BuildMax (SZ) failing to meet the demand of the Group during the year. As a result, it is believed that the Acquisition would enable BuildMax (SZ) to focus on the catering of the Group's demand and to fully support the Group's business operations in the future.

As the Group continues to undertake more sizeable projects for its expansion, it is inevitable that the purchase amount of building material products from BuildMax (SZ) and its similar types of independent third party suppliers will be increased. The Directors consider that a stable supply of building material products is essential for the execution of the Group's projects on hand as at 31 January 2019 and to minimise the risk of building material products shortage which would result in delay of projection completion. The Directors also consider that the supply of building material products from other independent third party suppliers may not be as reliable as BuildMax (SZ) in view of the continuing support from and consistent long-term collaboration with BuildMax (SZ) during the past years, as well as subject to the cost of raw materials and the market price fluctuation. In light of above, the Directors consider the Acquisition could secure the stable supply of building material products for the Group's projects and its business operation. Such Acquisition will also avoid any unnecessary disruption, including the risk of building material products shortage, to the Group's business and guarantees a smooth operation of the Group. Apart from the steady supply of building material products generated, the Acquisition will further strengthen the Group's business scale in terms of revenue and profit base.

(iii) Stable business operation and expansion of BuildMax (SZ) to meet the demand of the Group

BuildMax (SZ) is engaged in the manufacture, supply and sales of building material products. The building material products are manufactured and processed in its processing factory operated in the PRC on "own equipment manufacturing" (OEM) basis. According to the historical audited financial statements of BuildMax (SZ), BuildMax (SZ) has a stable business expansion in the past. During each of the two years ended 31 December 2017, BuildMax (SZ) had an addition of plant and machinery of approximately RMB0.3 million and RMB0.7 million, respectively, to support its business expansion and increase in its production capacity. As a result, BuildMax (SZ) was able to expand its scale of operation as evidenced by the increasing trend of its revenue.

Furthermore, pursuant to the due diligence review on BuildMax (SZ) conducted by the legal advisers to the Company as to the PRC laws, BuildMax (SZ) has obtained all necessary licences, permits and qualifications to satisfy the requirements of the PRC laws in all material aspects. In particular, while BuildMax (SZ) is subject to certain environmental protection laws, rules and regulations in the PRC, the management of BuildMax (SZ) confirmed that BuildMax (SZ) historically incurred minimal costs for the compliance in such regard.

BuildMax (SZ) operates a processing factory in the PRC which is relatively labour intensive and relies on a stable and low cost labour supply. During each of the three years ended 31 December 2018, BuildMax (SZ) incurred staff costs which represented approximately 22%, 18% and 21% of its total revenue, respectively, which the management of BuildMax (SZ) considered to be comparable and remained relatively stable. Alongside the stable business operation and expansion of BuildMax (SZ) in the recent years, it is also believed that BuildMax (SZ) is able to retain the existing labour and/or recruit sufficient skilled labour for its production needs.

Taking into account the above factors as well as the basis of determining the consideration as set out in the paragraph headed "Consideration" above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms, and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

TERMINATION OF CONTINUING CONNECTED TRANSACTIONS

References are made to the Company's announcement dated 20 April 2018 and the circular dated 25 May 2018 in relation to the 2018 Master Supply Agreement, pursuant to which, BuildMax (SZ) supplies building material products to the Group. BuildMax (SZ) is a connected person of the Company and the transactions under the 2018 Master Supply Agreement currently constitute continuing connected transactions of the Company.

Upon the Completion, BuildMax (SZ) will become an indirect wholly-owned subsidiary of the Company and cease to be a connected person of the Company. Accordingly, the transactions between the Company and BuildMax (SZ) will no longer constitute continuing connected transactions of the Group. Therefore, on 9 March 2019, the Company and BuildMax (SZ) entered into an agreement to terminate the 2018 Master Supply Agreement with effect from the Completion. Pursuant to the termination agreement, both parties agreed to terminate the 2018 Master Supply Agreement and neither party shall have any claim against the other on any ground.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% and all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements for the Company under Chapter 14 of the Listing Rules.

As at the date of this circular, the Target Company is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is the commercial manager of the Group.

As (i) Mr Lui is one of the controlling shareholders of the Company and Mr. Wai and Mr. Yip are executive Directors and controlling shareholders of the Company, and hence they are connected persons of the Company; and (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in the Target Company, the Target Company is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the Sale and Purchase Agreement and the transactions and matters contemplated thereunder and on how to vote. Titan Financial Services Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this respect.

EGM

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

The notice convening the EGM to be held at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Monday, 29 April 2019 at 10:00 a.m. is set out on pages 42 to 43 of this circular. An ordinary resolution will be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the result of the EGM.

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

RECOMMENDATIONS

Taking into consideration of the reasons set out in the section headed "Reasons for and benefits of the Acquisition" above, the Directors (including the independent non-executive Directors having considered the advice from the Independent Financial Adviser) are of the view that (i) the nature of the Acquisition, though not in the ordinary and usual course of business of the Group, is in line with the business development of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 18 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 36 of this circular; and (iii) the information set out in the appendix of this circular.

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

KPa-BM Holdings Limited
應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock code: 2663)

9 April 2019

To the Independent Shareholders

Dear Sir or Madam,

(I) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SALE LOAN OF THE TARGET COMPANY;
AND
(II) TERMINATION OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the "**Circular**") dated 9 April 2019 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. Titan Financial Services Limited has been appointed by the Company as the Independent Financial Adviser to advise us in these regards. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 19 to 36 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with their views and consider that (i) the nature of the Acquisition, though not in the ordinary and usual course of the Group's business, is in line with the strategic development of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so as far as the Company and the Shareholders are concerned; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of the
Independent Board Committee

Ms. Lai Pik Chi, Peggy **Mr. Lam Chi Wai, Peter** **Dr. Yeung Kit Ming**
Independent non-executive Directors

* *For identification purpose only*

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Titan Financial Services Limited in respect of the Acquisition, which has been prepared for the purpose of inclusion in this circular.

天泰金融
TITAN

Titan Financial Services Limited
Suites 3201-02, 32/F
COSCO Tower, Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

9 April 2019

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SALE LOAN OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and to advise the Independent Shareholders on how to vote at the EGM. Details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 9 April 2019 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 9 March 2019 (the "**Announcement**"). On 9 March 2019, the Purchaser and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors conditionally agreed to sell (i) the Sale Shares; and (ii) the Sale Loan for the total consideration of HK$12.2 million, which shall be settled by the Purchaser in cash upon the Completion.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this letter, the Target Company is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming.

As (i) Mr. Lui is one of the controlling shareholders of the Company and Mr. Wai and Mr. Yip are executive Directors and controlling shareholders of the Company, and hence they are connected persons of the Company; and (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in the Target Company, the Target Company is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to the Listing Rules, any shareholder with a material interest in the relevant transaction is required to abstain from voting in relating to such transaction. As at Latest Practicable Date, Mr. Lui, Mr. Wai and Mr. Yip together held 432,000,000 Shares, representing 72.0% of the issued share capital of the Company. Each of Mr. Lui, Mr. Wai and Mr. Yip and their respective associates shall abstain from voting at the EGM in respect of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Save for Mr. Lui, Mr. Wai and Mr. Yip and their respective associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, we, Titan Financial Services Limited ("**Titan**"), did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Titan. Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. As such, we are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, Titan did not have any relationships or interests with the Group that could reasonably be regarded as relevant to the independence of Titan. In the last two years, there was no engagement between the Group and Titan. 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 have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Sale and Purchase Agreement and the Acquisition contemplated thereunder.

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and/or the management of the Company (the "**Management**"), including but not limited to the property valuation report (the "**Property Valuation Report**") conducted by an independent property valuer, RHL Appraisal Limited ("**RHL**") as at 20 January 2019.

We have assumed that all information and representations provided by the Directors and/or the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group, the connected persons, and any of their subsidiaries or the prospects of the markets in which they respectively operate.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, the Target Group, and their respective associates.

This letter was issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons. Our conclusions are based on the results of our analysis taken as a whole.

1. Background of the Group, the Purchaser and the Target Group

The Group

The Group is principally engaged in (i) provision of structural engineering works with a focus on design and building 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 Purchaser is incorporated in the BVI with limited liability which is indirectly wholly-owned by the Company and principally engaged in investment holding.

The Target Group

The Target Company is incorporated in Hong Kong with limited liability and is wholly-owned by the Vendors as at the Latest Practicable Date. As at the Latest Practicable Date, the Target Company is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. The Target Company is an investment holding company and wholly owns the entire equity interests of BuildMax (SZ) as at the Latest Practicable Date.

BuildMax (SZ) is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to the Group in Hong Kong and to customers in the PRC.

Prior to the Reorganisation, BuildMax (SZ) was a sino-foreign equity joint venture enterprise incorporated in the PRC and was owned as to 75% by the Target Company and 25% by Shenzhen Hengyauyuan, an independent third party. Pursuant to the Reorganisation, the Target Company acquired the 25% equity interests of BuildMax (SZ) from Shenzhen Hengyauyuan, an independent third party, at a consideration of HK$3 million which was determined as to the proportion of net asset value of BuildMax (SZ) with the valuation premium of the SZ Property attributable to Shenzhen Hengyauyuan, the value of which was translated at the closing exchange rate as at 31 December 2018. The Target Company underwent the Reorganisation and completed all registration of the Reorganisation. As at the date of this letter, BuildMax (SZ) becomes a wholly foreign-owned enterprise in the PRC and a wholly-owned subsidiary of the Target Company.

BuildMax (SZ) owns the SZ Property which comprises of an office premises with gross floor area of approximately 162.9 sq.m and the land use rights for a term from 10 October 1994 to 9 October 2044 for commercial, office and apartment uses.

2. Financial information of the Group

The following table summarises the key financial information of the Group for the two years ended 31 March 2017 and 2018 (the "**FY2017**" and "**FY2018**", respectively) and the six months ended 30 September 2017 and 2018 (the "**1H2017**" and "**1H2018**") as extracted from the annual report of the Company for the year ended 31 March 2018 (the "**2018 Annual Report**") and the interim report of the Company for the six months ended 30 September 2018 (the "**2018 Interim Report**")

	For the year ended 31 March		For the six months ended 30 September	
	2017	**2018**	2017	**2018**
	(audited)	**(audited)**	(unaudited)	**(unaudited)**
	HKD'000	***HKD'000***	*HKD'000*	***HKD'000***
Revenue	381,394	378,433	161,976	174,367
– Structural engineering works	349,204	336,135	147,708	162,125
– Supply and installation of building material products	20,756	21,502	6,121	8,625
– Trading of building material products	11,434	20,796	8,147	3,617
Gross Profit	69,112	73,950	33,039	32,743
Gross Profit Margin	18.1%	19.5%	20.4%	18.8%
Profit for the year/period	30,964	26,220	13,607	13,217
Net profit margin	8.1%	6.9%	8.4%	7.6%

	As at 31 March		As at 30 September
	2017	**2018**	**2018**
	(audited)	**(audited)**	**(unaudited)**
	HKD'000	***HKD'000***	***HKD'000***
Total assets	248,708	270,925	276,729
Total liabilities	93,903	99,384	101,653
Net assets	154,805	171,541	175,076

For FY 2017 and FY2018

As set out in 2018 Annual Report, the Group maintained a revenue of approximately HK$378.4 million for the FY2018 as compared to approximately HK$381.4 million for the FY2017. The mild decrease was mainly due to the slow progress of 2 key projects in the stage prior to the Group's scope of work, which caused the work done by the Group during the year ended 31 March 2018 falling short of expectation. The Group recorded gross profit of approximately HK$74.0 million for the FY2018, representing an increase of approximately 7.0% as compared to that of approximately HK$69.1 million for the FY2017. Gross profit margin of the Group increased to approximately 19.5% for the FY2018 from approximately 18.1% for the FY2017. As disclosed in the 2018 Annual Report, such increase in the gross profit margin was due to the Group's smooth negotiation process with the its customers in respect of the compensation for variation works and/or urgent work orders completed by the Group during the FY2018.

Profit for the year decreased from approximately HK$31.0 million for the FY2017 to approximately HK$26.2 million for the FY2018, representing a decrease of approximately 15.3%. As stated in the 2018 Annual Report, the decrease was mainly due to (1) slight decrease in revenue as mentioned above; and (2) the increase of approximately HK$11.2 million in administrative and other operating expenses, which was mainly due to the combined effect of (i) the professional fees of approximately HK$2.8 million incurred in relation to the listing transfer from GEM to the Main Board of the Stock Exchange (the "**Transfer of Listing**"); (ii) increase in rent and rates of approximately HK$1.1 million; (iii) increase in Directors' remuneration of approximately HK$3.2 million; (iv) a charitable donation of HK$1.0 million; and (v) the expenses of approximately HK$0.4 million incurred in relation to the Group's 25th anniversary corporate event. The professional fees incurred for the Transfer of Listing of approximately HK$2.8 million was non-recurring in nature. After adjusting for the non-recurring professional fees, the Group's normalised profit for the FY2018 would be approximately HK$29.0 million, representing a net profit margin of approximately 7.7%.

As at 31 March 2018, total assets of the Group amounted to approximately HK$270.9 million, of which property, plant and equipment, investment properties, amounts due from customers for contract works, trade and other receivables, deposits and prepayments, amounted to approximately HK$5.9 million, HK$21.1 million, HK$69.0 million and HK$107.1 million, representing approximately 2.2%, 7.8%, 25.5% and 39.5% of the total assets of the Group, respectively. Meanwhile, pledged bank deposits and cash and bank balances amounted to approximately HK$19.2 million and 41.4 million, representing approximately 7.1% and 15.3% of the total assets of the Group respectively. As at 31 March 2018, total liabilities of the Group amounted to approximately HK$99.4 million, of which amounts due to customers for contract works, bank borrowings and trade and other payables amounted to approximately HK$7.8 million, HK$18.1 million and HK$69.7 million, representing approximately 7.8%, 18.2% and 70.1% respectively.

For 1H2017 and 1H2018

As set out in 2018 Interim Report, the Group's revenue increased from approximately HK$162.0 million for 1H2017 to approximately HK$174.4 million for 1H2018, representing an increase of approximately 7.6%. The increase in revenue was mainly due to three key projects that were still at the design and preliminary stage in 1H2017 had started to generate more revenue during the 1H2018. The Group recorded gross profit of approximately HK$32.7 million for the 1H2018, representing a decrease of approximately 0.9% as compared to that of approximately HK$33.0 million for the 1H2017. The slight decrease in gross profit was mainly due to increase in material cost and labour cost outweighed the increase in revenue. Gross profit margin of the Group decreased to approximately 18.8% for the 1H2018 from approximately 20.4% for the 1H2017. As disclosed in the 2018 Interim Report, the relatively high overall gross profit margin at approximately 20.4% of the Group for 1H2017 was mainly due to that the Group successfully negotiated with its customers on compensation for certain variation works and thus further adjustments for higher profit margin have been made on a number of project budgets.

Profit for the period decreased from approximately HK$13.6 million for the 1H2017 to approximately HK$13.2 million for the 1H2018, representing a decrease of approximately 2.9%. As stated in the 2018 Interim Report, the decrease was mainly due to (i) a decrease in gross profit of approximately HK$0.3 million; (ii) an increase of approximately HK$0.4 million in administrative and other operating expenses; and (iii) partly offset by a decrease in income tax expense.

As at 30 September 2018, total assets of the Group amounted to approximately HK$276.7 million, of which property, plant and equipment, investment properties, contract assets, trade and other receivables, deposits and prepayments, amounted to approximately HK$5.1 million, HK$21.1 million, HK$$48.0 million and HK$131.2 million, representing approximately 1.8%, 7.6%, 17.3% and 47.4% of the total assets of the Group, respectively. Meanwhile, pledged bank deposits and cash and bank balances amounted to approximately HK$11.1 million and 53.7 million, representing approximately 4.0% and 19.4% of the total assets of the Group respectively. As at 30 September 2018, total liabilities of the Group amounted to approximately HK$101.7 million, of which contract liabilities, bank borrowings, dividend payable and trade and other payables amounted to approximately HK$16.1 million, HK$5.4 million, HK$9.6 million and HK$64.3 million, representing approximately 15.8%, 5.3%, 9.4% and 63.2% respectively.

3. Financial information on the Target Group

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2018:

	Year ended 31 December 2017 *HK$* *(approximately)*	**Year ended 31 December 2018** ***HK$*** ***(approximately)***
Loss before tax	41,000	43,000
Loss after tax	41,000	43,000

	As at 31 December 2017 *HK$* *(approximately)*	**As at 31 December 2018** ***HK$*** ***(approximately)***
Net assets	58,000	15,000

Set out below is the audited financial information of BuildMax (SZ) for the two years ended 31 December 2018 prepared in accordance with the PRC general accepted accounting principles:

	Year ended 31 December 2017 *RMB* *(approximately)*	**Year ended 31 December 2018** ***RMB*** ***(approximately)***
Revenue	21,108,000	26,627,000
Gross profit	3,008,000	3,643,000
Profit before tax	641,000	598,000
Profit after tax	481,000	538,000
Gross profit margin	14.2%	13.7%
Net profit margin	2.3%	2.0%

	As at 31 December 2017 *RMB* *(approximately)*	**As at 31 December 2018** ***RMB*** ***(approximately)***
Fixed assets	6,094,000	5,542,000
Accounts receivables	415,000	1,827,000
Inventories	6,197,000	5,466,000
Cash and bank balances	938,000	947,000
Accounts payables	3,802,000	3,410,000
Receipt in advances	842,000	1,792,000
Net assets	8,739,000	9,224,000

BuildMax (SZ) is engaged in the manufacture, supply and sales of building material products. The building material products are manufactured and processed in its processing factory operated in the PRC on "own equipment manufacturing" (OEM) basis. According to the historical audited financial statements of BuildMax (SZ), BuildMax (SZ) has a stable business expansion in the past.

4. Overview of the construction and building materials trading market in Shenzhen, Guangdong Province

We noted that the economies of PRC and Shenzhen, Guangdong Province have expanded substantially in the past years. According to China Statistical Yearbook (中國統計年鑒) published by National Bureau of Statistics of the PRC (中華人民共和國統計局), the gross domestic production (the "**GDP**") of the PRC increased from approximately RMB48.9 trillion in 2011 to approximately RMB82.7 trillion in 2017, representing a compound annual growth rate ("**CAGR**") of approximately 9.1%. According to Shenzhen Statistical Yearbook (深圳統計年鑒) published by Shenzhen Statistics Bureau (深圳市統計局), the GDP of Shenzhen, Guangdong Province increased from approximately RMB1.18 trillion in 2011 to approximately RMB2.25 trillion in 2017, representing a CAGR of approximately 11.3%.

In addition, according to Shenzhen Statistics Bureau (深圳市統計局), the gross output value of the construction industry in Shenzhen increased from approximately RMB194.2 billion in 2011 to approximately RMB279.7 billion in 2017, representing a CAGR of approximately 6.3%, while the value in wholesale trade of building materials in Shenzhen increased from approximately RMB14.0 billion in 2011 to approximately RMB25.2 billion in 2017, representing a CAGR of approximately 10.3%.

We noted that the vigorous growth in the GDP, gross output value of the construction industry and the value in wholesale trade of building materials in Shenzhen have the following drivers:

– the "opening-up" economic policy adopted by the local government as the first special economic zone in the PRC

– rapid population growth, propelled by the south-bound migration in the PRC

– favourable geographic location, being a major city in Guangdong Province, forming part of the Pearl River Delta megalopolis and bordering Hong Kong, a well-established international financial center, to the south

Based on the above, we consider that the growth in the economy, and the growth in the construction and building materials market in Shenzhen are expected to present favorable business opportunities to the Group after the Completion.

5. Reasons for and benefits of the Acquisition

In order to assess the reasonableness and fairness in respect of the entering into of the Sale and Purchase Agreement, we have taken into account the following key factors:

(i) Expected increasing demand for building material products from BuildMax (SZ)

It is disclosed in the Letter from the Board that, as at 31 January 2019, the Group had a total of 41 design and build projects on hand which were related to (i) facade, roof and related works; (ii) structural steelwork and noise barriers, with a total awarded contract sum and an outstanding award contract sum of approximately HK$1,543.5 million and approximately HK$872.5 million, respectively, where (i) two new sizeable contracts with a respective contract sum of approximately HK$243 million and HK$324 million were awarded to the Group in October 2018, with reference to the Company's announcements dated 5 October 2018 and 19 October 2018 respectively; and (ii) 13 contracts with a total awarded contract sum of approximately HK$144.0 million were newly awarded to the Group after 28 February 2018 and up to 31 January 2019. Based on the above projects on hand, it is estimated that, the expected purchase amount by the Group from BuildMax (SZ) for the year ended 31 March 2019 will be very close to the annual cap under the 2018 Master Supply Agreement.

Moreover, the estimated total purchase amounts of building material products to be placed by the Group from BuildMax (SZ) will amount to approximately HK$126.8 million for its 41 projects as at 31 January 2019, which represents approximately HK$42.3 million for each of the three years ending 31 March 2022. Such estimated annual purchase amount would exceed the annual caps of HK$27.0 million and HK$30.0 million for each of two years ending 31 March 2021 under the 2018 Master Supply Agreement.

In light of the abovementioned situation, the Acquisition and the termination of continuing connected transactions under the 2018 Master Supply Agreement would alleviate the Group's burden as the Group no longer requires to monitor the continuing connected transaction amounts and seek approval from Independent Shareholders pursuant to the Listing Rules for the adjustment of annual caps when necessary.

(ii) Enabling BuildMax (SZ) to fully support the Group's business operations in the future

Although the Group is a major customer of BuildMax (SZ), BuildMax (SZ) historically serves independent third party customers which contributed to approximately 3%, 10% and 3% of its total revenue for each of the three years ended 31 December 2018. As the Group continues to undertake more sizeable projects for its expansion, it is inevitable that the purchase amount of building material products from BuildMax (SZ) and its similar types of independent third party suppliers will be increased.

Given that a stable supply of building material products is essential for the execution of the Group's projects on hand as at 31 January 2019, it is believed that the Acquisition would (i) enable BuildMax (SZ) to focus on the catering of the Group's demand and to fully support the Group's business operations in the future, (ii) minimize the risk of building material products shortage which would result in delay of projection completion, and (iii) secure a stable supply of building material products for the Group's projects and its business operation in view of the continuing support from and consistent long-term collaboration with BuildMax (SZ) during the past years, which will avoid any unnecessary disruption, including the risk of building material products shortage, to the Group's business and guarantees a smooth operation of the Group.

(iii) Strengthen the Group's business scale in terms of revenue and profit base

We have reviewed the audited financial statement of BuildMax (SZ) for the years ended 31 December 2017 and 2018, and as set out under the paragraph headed "3. Financial information on the Target Group" of this letter, BuildMax (SZ) recorded profit after tax of approximately RMB481,000 and RMB538,000 for the years ended 31 December 2017 and 2018, respectively, while the net assets of BuildMax (SZ) amounted to approximately RMB8.7 million and RMB9.2 million as at 31 December 2017 and 2018, respectively.

The following table sets out a comparison of the gross profit margin and net profit margin of the Group for the years ended 31 March 2017 and 2018 and BuildMax (SZ) for the years ended 31 December 2017 and 2018,

	Year ended 31 March 2017 (approximately) **The Group**	Year ended 31 December 2017 (approximately) **BuildMax (SZ)**	**Year ended 31 March 2018 (approximately) The Group**	**Year ended 31 December 2018 (approximately) BuildMax (SZ)**
Gross profit margin	18.1%	14.2%	19.5%	13.7%
Net profit margin	8.1%	2.3%	6.9%	2.0%

Given that part of the purchase of the Group were from BuildMax (SZ) and BuildMax (SZ) was in profit making position in the past two years, immediately upon Completion, the financial results of BuildMax (SZ) will be consolidated into the financial statements of the Group and will therefore reduce the overall purchase cost of the Group and bring in positive contribution to the Group's earnings.

Moreover, BuildMax (SZ) historically serves independent third party customers which contributed to approximately 3%, 10% and 3% of its total revenue for each of the three years ended 31 December 2018, despite BuildMax (SZ) will focus on the catering of the Group's demand after the Completion, BuildMax (SZ) can still have the option to promote and sell its products to other customers if the terms are favorable, therefore the Acquisition would also possibly bring in additional source of revenue to the Group.

Based on the abovementioned financial performance of BuildMax (SZ), it is expected that the Acquisition would help bringing in additional source of revenue to the Group after the Completion and improve its profitability.

Leveraging on the reasons above, coupled with the potential drivers of the construction industry and the buildings materials market in Shenzhen as illustrated under the paragraph headed "4. Overview of the construction and building materials trading market in Shenzhen, Guangdong Province" in this letter and our review on the financial information on the Group and the Target Group as discussed under the paragraph headed "2. Financial Information of the Group" and the paragraph headed "3. Financial Information of the Target Group" in this letter, we concur with the Company that the Acquisition is in the interests of the Company and the Shareholders as a whole.

6. The Valuation

6.1 Information about the SZ Property

The following table sets forth the information about the SZ Property,

Property address	Nature and size	Market Value as at 20 January 2019
Room 1508, Ruisi Building, the Junction of Yan He South Road and Shen Nan East Road, Shenzhen, the Guandong Province, the PRC	The property comprises an office unit with gross floor area of approximately 162.9 sq.m. within an office building completed in about 1996.	RMB5,100,000

6.2 The Valuer

The SZ Property was valued by RHL, an independent property valuer appointed by the Company. We have conducted an interview with RHL regarding its experience in valuing similar property interests in the PRC, and its independence. Based on our interview with RHL, we understand that RHL is an established independent property valuer with over 40 years of history, providing comprehensive services on corporate valuation and advisory and real estate solution and surveying practice. RHL has completed a large number of assignments acting for Hong Kong listed companies with property interests in, among others, the PRC. We also understand that each of the two principal valuers, a managing director and a senior associate director, of the RHL's valuation team has approximately 20 and 8 years' experiences, respectively, in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. The managing director is a fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC and the senior associate director is a Professional Member of The Royal Institution of Chartered Surveyors.

We have also reviewed the terms of engagement letter of RHL and noted that the purpose of which is to prepare the Property Valuation Report and provide the Company with the opinion of market value on the SZ Property as at 20 January 2019. The engagement letter also contains standard valuation scopes that are typical of property valuation carried out by independent property valuers. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by RHL in the Property Valuation Report. We also understand from RHL that it has carried out on-site inspection and relied on and obtained sufficient information to reach a view of the valuation for the market value of SZ Property (the "**Valuation**") as at 20 January 2019 and no material defect has been found during the course of the inspection.

6.3 Valuation methodologies

We noted from the Property Valuation Report that in performing the Valuation, RHL has adopted the direct comparison approach (the "**Direct Comparison Approach**") by making reference to the comparable market transactions or asking cases as available. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

Based on the above, we have discussed with RHL on the rationale of adopting the Direct Comparison Approach for valuing the SZ Property. According to RHL, the Direct Comparison Approach is the most appropriate valuation method for assessing the market value of the SZ Property, as the Direct Comparison Approach is straightforward, reliable in assessing the market value and there was sufficient market information obtained by RHL for the purpose of the Valuation.

After considering the reasons for RHL's choice of adopting the Direct Comparison Approach for valuing the SZ Property, we are of the opinion that the valuation methodology adopted is reasonable and acceptable in establishing the market value of the SZ Property attributable to the BuildMax (SZ) as at 20 January 2019.

In the Property Valuation Report, it is set forth that, in valuing the property interest, RHL has complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2017.

6.4 Valuation bases and assumptions

We noted that RHL has made various assumptions for the Valuation, including (a) all necessary statutory approvals for the SZ Property or the subject building of which the SZ Property forms part of their use have been obtained; (b) transferable land use rights in respect of the SZ Property for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid; (c) no deleterious or hazardous materials or techniques have been used in the construction of the SZ Property; and (d) the SZ Property is connected to main services and sewers which are available on normal terms. We have discussed with RHL and reviewed on the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Property Valuation Report.

6.5 Comparable

For valuation of the SZ Property, RHL has identified three comparable properties which are located in the same building of the SZ Property. These properties have similar characteristics as the SZ Property such as the usage of property and the view. The asking price of these comparable properties were approximately RMB33,000 per sq.m..

We have reviewed the details of the comparable properties identified by RHL for the Direct Comparison Approach, a summary of comparable properties is as follows:

Property	**Location**	**Usage**	**Gross Floor Area (sq.m.)**	**Asking price (RMB per sq.m.)**	**Date of asking**
Comparable A	Ruisi Building	Office	210	33,000	December 2018
Comparable B	Ruisi Building	Office	380	33,000	December 2018
Comparable C	Ruisi Building	Office	175	33,029	December 2018

Appropriate adjustments are made by RHL in considering the unit rate of the SZ Property, such as the size and floor of the comparable properties and discount have been made on the asking price of the comparable properties. The general basis of adjustment of physical characteristics like size and floor is that if the comparable property is better than the SZ Property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the SZ Property, an upward adjustment is made. A market price of approximately RMB31,138 per sq.m. was adopted by RHL for valuation of the SZ Property. The valuation is computed as follows:

Gross Floor Area of SZ Property:	162.9 sq.m.
Adopted market price (RMB per sq.m.):	31,138
Valuation:	Approximately RMB5.1 million

Based on the above, we consider that the comparable properties selected by RHL are fair and representative sample.

Taking into account the above, we consider that the bases and assumptions adopted by RHL for the valuation methodologies are reasonable and in line with market practice.

7. Principal Terms of the Sale and Purchase Agreement

7.1 The Agreement

On 9 March 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell (i) the Sales Shares; and (ii) the Sale Loan for the total consideration of HK$12.2 million.

Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and therefore, the financial results of the Target Group will be consolidated into the financial statements of the Group.

7.2 Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of, among other things, the following conditions:

(i) the passing of the resolution(s) by the Independent Shareholders at the EGM to approve the Sale and Purchase Agreement and the Acquisition contemplated thereunder;

(ii) the Target Group having completed the Reorganisation pursuant to the Sale and Purchase Agreement and all government approvals, filing and licenses relevant to the Reorganisation having been obtained and/or completed;

(iii) the Purchaser having received a PRC legal opinion from a PRC legal adviser, of which the form and substance shall be satisfactory to the Purchaser with respect to BuildMax (SZ);

(iv) the receiving of the management account of the Target Group ending on the date of Completion by the Purchaser, certified by the directors of the Target Company;

(v) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement;

(vi) no event having occurred since the date of the Sale and Purchase Agreement to the Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group;

(vii) the obtaining of all approvals and all necessary licenses for the execution and performance of Sale and Purchase Agreement and the Completion and not being revoked; and

(viii) no material breach of the warranties and the warranties remaining true and accurate from the date of the Sale and Purchase Agreement up to the date of Completion.

Save for conditions precedent (i) and (ii) above, the Purchaser may at its absolute discretion waive the other conditions precedent under the Sale and Purchase Agreement. If any of the above conditions is not fulfilled or waived (as the case maybe) by 30 September 2019 (or such other date as the parties to the Agreement may agree in writing), the Sale and Purchase Agreement shall terminate and neither party shall have any further obligations towards the other thereunder except for any antecedent breaches.

7.3 Consideration

As set out in the Letter from the Board, the total consideration for the Sale Shares and the Sale Loan is HK$12.2 million, of which (i) the consideration for the Sale Loan is equivalent to its face value at the Completion, based on the management account of the Target Company for the two months ended 28 February 2019, the face value of the Sale Loan amounted to approximately HK$9.3 million; and (ii) the consideration for the Sale Share of approximately HK$2.9 million, which shall be the balance of the total consideration after deducting the consideration for the Sale Loan. The total consideration shall be settled in full by the Purchaser in cash to the Vendors upon the Completion and will be funded by the internal resources of the Group.

As set out in the Letter from the Board, the consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to (i) the net asset value of BuildMax (SZ) prepared under the PRC generally accepted accounting principles as at 31 December 2018 of approximately RMB9.2 million (equivalent to approximately HK$10.7 million); (ii) the valuation premium of the SZ Property of approximately RMB1.3 million (equivalent to approximately HK$1.5 million), being the difference between (a) the SZ Property Value of RMB5.1 million; and (b) the carrying value of the SZ Property of approximately RMB3.8 million as at 31 December 2018; (iii) the Sale Loan amount due by the Target Company to the Vendors as at the date of the Circular in the amount of approximately HK$9.3 million; and (iv) other factors as set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

In assessing the fairness and reasonableness of the Consideration, we have reassessed the unaudited consolidated net asset value of the Target Group as at 31 December 2018 and the value of the Sale Loan below:

	RMB million (approximately)	*HK$ million* (approximately)
Unaudited consolidated net asset value of the Target Group as at 31 December 2018 before revaluation of the SZ Property	N/A	1.4
Add:		
The valuation premium of the SZ Property	1.3	1.5
The face value of the Sale Loan	N/A	9.3
Value of the Sale Shares and the Sale Loan		12.2

As shown above, taking into account that the Consideration represented the approximate sum of (1) the unaudited consolidated net asset value of the Target Group as at 31 December 2018 of approximately HK$1.4 million, (2) the face value of the Sale Loan of approximately HK$9.3 million and (3) the valuation premium of the SZ Property of approximately RMB1.3 million (equivalent to HK$1.5 million), we consider that the basis of determining the Consideration is fair and reasonable.

Furthermore, we consider using net asset value adjusted for property valuation premium to be appropriate for estimating the value of a company with significant property interest, given that (i) the same approach was also adopted when the Target Company acquired the 25% equity interests of BuildMax (SZ) from Shenzhen Hengyauyuan, an independent third party, at a consideration of HK$3.0 million which was also determined based on net asset value adjusted for property valuation premium, and (ii) we have reviewed the audited financial statement of BuildMax (SZ) for the years ended 31 December 2017 and 2018, and noted the financial statement has been prepared in accordance with the PRC general accepted accounting principles. Based on (i) and (ii) above, we consider that the valuation of the assets and liabilities other than the SZ Property based on their book value is fair and reasonable.

In addition, we consider the valuation methodology and the bases and assumptions adopted by RHL in establishing the market value of the SZ Property are reasonable and acceptable.

8. Financial effect of the Acquisition

As disclosed in the 2018 Interim Report, the Group had cash and cash equivalents of approximately HK$53.7 million. The Group intends to finance the payment of the Consideration with its internal financial resources. In view of the cash and cash equivalents of the Group as mentioned above, the Company's management expects that the settlement of Consideration would not have material impact on the financial position of the Group.

Upon the Completion, the Target Company will become a wholly-owned subsidiary of the Company and as such, the assets, liabilities and financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

As set out under the paragraph headed "3. Information on the Target Group" of this letter, the Target Company incurred loss after tax of approximately HK$41,000 and HK$43,000 for the years ended 31 December 2017 and 2018, respectively, and had net assets of approximately HK$58,000 and HK$15,000 as at 31 December 2017 and 2018, while BuildMax (SZ) generated profit after tax of approximately RMB481,000 and RMB538,000 for the years ended 31 December 2017 and 2018, respectively, and had net assets of approximately RMB8.7 million and RMB9.2 million as at 31 December 2017 and 2018. Based on the abovementioned financial performance of BuildMax (SZ), it is expected that the Acquisition would help bringing in additional source of revenue to the Group after the Completion and improve its profitability.

OPINION AND RECOMMENDATION

Having considered the factors and reasons as mentioned above, we consider that (i) the Sale and Purchase Agreement are on normal commercial terms; and (ii) the nature of the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, is in line with the strategic development of the Group. Further, we are of the view that the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Titan Financial Services Limited

Eric Koo	**Douglas Cheung**
Managing Director	*Associate Director*

Mr. Eric Koo is a licensed person registered with the Securities and Futures Commission and a responsible officer of Titan to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has over 18 years of experience in corporate finance.

Mr. Douglas Cheung is a licensed person registered with the Securities and Futures Commission and a representative of Titan to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has over 3 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company, or their associates, had any interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange:

Name of Director	Capacity/Nature of Interest	Number of Shares held	% of the total number of Share issued
Mr. Wai *(Note 1 & 2)*	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.00%
Mr. Yip *(Note 1 & 3)*	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	432,000,000	72.00%

Notes:

1. On 14 July 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into the concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert in relation to the Group.

2. Shares in which Mr. Wai is interested consist of (i) 31,500,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing Investments Limited ("**Success Wing**"), a company which is in aggregate owned as to approximately 89.4% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Wai is deemed to be interested under the SFO; and (iii) 31,500,000 Shares in which Mr. Wai is deemed to be interested as a result of being a party acting-in-concert with Mr. Yip.

3. Shares in which Mr. Yip is interested consist of (i) 31,500,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 89.4% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Yip is deemed to be interested under the SFO; and (iii) 31,500,000 Shares in which Mr. Yip is deemed to be interested as a result of being a party acting-in-concert with Mr. Wai.

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

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

Name	Capacity/Nature of Interest	Number of Shares held	% of the total issued Share
Success Wing *(Note 1)*	Beneficial owner	369,000,000	61.50%
Ms. Wu, Janet *(Note 2)*	Interest of spouse	432,000,000	72.00%
Ms. Lam Suk Lan, Bonnie *(Note 3)*	Interest of spouse	432,000,000	72.00%
Mr. Lui *(Note 4)*	Interest in a controlled corporation	369,000,000	61.50%

Notes:

1. Success Wing is a registered owner holding 61.50% shareholding interest in the Company. The issued share capital of Success Wing is owned as to approximately 28.8% by Mr. Lui, approximately 30.3% by Mr. Wai and approximately 30.3% by Mr. Yip.

2. Ms. Wu, Janet is the spouse of Mr. Wai and is deemed, or taken to be, interested in all Shares in which Mr. Wai has interest in under the SFO.

3. Ms. Lam Suk Lan, Bonnie is the spouse of Mr. Yip and is deemed, or taken to be, interested in all Shares in which Mr. Yip has interest in under the SFO.

4. Shares in which Mr. Lui is interested are 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 89.4% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Lui is deemed to be interested under the SFO.

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

3. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to acquired or disposed of by or leased to any members of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up.

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

5. SERVICE CONTRACTS

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

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

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

6. LITIGATION

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Titan Financial Services 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 and the Independent Shareholders in respect of the Acquisition

Titan Financial Services Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Titan Financial Services Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 March 2018 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

(i) The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street Grand, Cayman KY1-1108, Cayman Islands.

(ii) The head office and principal place of business of the Company in Hong Kong is located at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

(iii) The company secretary of the Company is Mr. Chan Sun Kwong, who is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

(iv) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(v) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office in Hong Kong at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the Sale and Purchase Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;

(c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 36 of this circular;

(d) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this appendix;

(e) the service contracts referred to in the paragraph headed "Service contracts" in this appendix; and

(f) this circular.

KPa-BM Holdings Limited
應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of KPa-BM Holdings Limited (the "**Company**") will be held at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong on Monday, 29 April 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company. Capitalized terms used herein without definition have the same meanings as in the circular issued by the Company on 9 April, unless the context otherwise requires:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) The sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 9 March 2019 entered into between BUILDMAX HOLDINGS LIMITED (the "**Purchaser**") and Mr. Yip Pak Hung, Mr. Wai Yat Kin, Mr. Lui Bun Yuen, Danny, Mr. Liu Yuen Wai and Mr. Chan Chi Ming (collectively the "**Vendors**"), pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire equity interest in Hillford Trading Limited at a total consideration of HK$12,221,740, and a copy of which is produced to this meeting and marked "**A**" and initialled by the chairman of this meeting for the purpose of identification and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and

   (b) Any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the Sale and Purchase Agreement and completing the transactions contemplated thereby."

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

Hong Kong, 9 April 2019

As at the date of this notice, the executive Directors are Mr. Yip Pak Hung 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.

* *For identification purpose only*

Registered office:	*Head office and principal place of business in Hong Kong:*
P.O. Box 1350	27/F, The Octagon
Clifton House	6 Sha Tsui Road, Tsuen Wan
75 Fort Street Grand	New Territories
Cayman KY1-1108	Hong Kong
Cayman Islands	

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or, if he/she is the holder of two or more shares of the Company, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy needs not be a member of the Company but must be present in person at the EGM to represent the member. 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.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printer thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she so wished and in such event, the form of proxy shall be deemed to be revoked.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a notarial certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM.

4. In case of joint holders of shares of the Company, any one of such holders may attend and vote at the EGM, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. The register of members will be closed from Wednesday, 24 April 2019 to Monday, 29 April 2019 both days inclusive, during which no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM to be held on Monday, 29 April 2019, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch registrar of the Company in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Tuesday, 23 April 2019.