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*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 2663)

**Financial adviser**



## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER SUPPLY AGREEMENT**

### **INTRODUCTION**

Reference is made to the prospectus of the Company dated 30 September 2015 in relation to, amongst other things, the continuing connected transactions under the 2015 Master Supply Agreement. References are also made to the Company's announcement dated 28 April 2017 and the circular dated 15 June 2017 in relation to the revision of annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement (as supplemented by the Supplemental Agreement).

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The 2015 Master Supply Agreement was expired on 31 March 2018. As the Group intends to continue carrying out the transactions under the 2015 Master Supply Agreement in the ordinary and usual course of business of the Group, the Company (for itself and other group companies) entered into the 2018 Master Supply Agreement on 20 April 2018 with BuildMax (SZ) for a term of three years ending 31 March 2021.

The Proposed Annual Caps for the transactions under and contemplated under the 2018 Master Supply Agreement for the three years ending 31 March 2021 will not exceed HK\$24.0 million, HK\$27.0 million and HK\$30.0 million, respectively.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan. Shenzhen Hengyauyuan is a limited liability company established in the PRC, which is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties. Hillford is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is the project manager of the Group.

As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and controlling shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30 % equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the 2018 Master Supply Agreement for each of the three financial years ending 31 March 2021 will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the 2018 Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **GENERAL**

The EGM will be convened by the Company to seek the approval from the Independent Shareholder in respect of the 2018 Master Supply Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) by way of poll. Save for Mr. Lui, Mr. Wai and Mr. Yip and their respective associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution(s) to approve the 2018 Master Supply 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 2018 Master Supply Agreement and the transactions and matters contemplated thereunder and on how to vote. VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, amongst others, (i) details of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder; (ii) the advice and recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Supply Agreement and the Proposed Annual Caps thereunder; and (iv) the notice of EGM will be despatched to the Shareholders no later than 25 May 2018.

## **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the prospectus of the Company dated 30 September 2015 in relation to, amongst other things, the continuing connected transactions under the 2015 Master Supply Agreement. References are also made to the Company's announcement dated 28 April 2017 and the circular dated 15 June 2017 in relation to the revision of annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement (as supplemented by the Supplemental Agreement).

The 2015 Master Supply Agreement was expired on 31 March 2018. As the Group intends to continue carrying out the transactions under the 2015 Master Supply Agreement in the ordinary and usual course of business of the Group, the Company (for itself and other group companies) entered into the 2018 Master Supply Agreement on 20 April 2018 with BuildMax (SZ) for a term of three years ending 31 March 2021.

## **2018 MASTER SUPPLY AGREEMENT**

The major terms of the 2018 Master Supply Agreement are as follows:

### **Date**

20 April 2018

### **Parties**

- (i) The Company; and
- (ii) BuildMax (SZ)

### **Subject Matter**

Pursuant to the 2018 Master Supply Agreement, BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on a non-exclusive basis building material products, which have been processed,

fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order as may from time to time be offered by the Group and accepted by BuildMax (SZ).

### **Pricing basis**

The purchase price in each purchase order placed by the Group to BuildMax (SZ) include (i) the cost of the raw materials procured by BuildMax (SZ); and (ii) the fees charged by BuildMax (SZ) for the processing, fabricating or manufacturing of the building material products in accordance with the specifications provided by the Group. The purchase price shall be determined after arm's length negotiations between BuildMax (SZ) and the Group from time to time with reference to the then prevailing market price of similar products in the market and that in any event shall be no less favourable to the Group than that offered to Independent Third Parties by BuildMax (SZ).

### **Condition precedent**

The 2018 Master Supply Agreement is conditional upon approval by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules.

## **THE ANNUAL CAPS**

### **Historical figures**

The Board has been carefully monitoring the historical transaction amounts under the 2015 Master Supply Agreement. The table below sets out the annual cap for each of the three years ended 31 March 2018 under the 2015 Master Supply Agreement:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Annual cap under the 2015 Master Supply Agreement	15.0	15.0	25.0 <sup>(Note)</sup>
Historical transaction amounts under the 2015 Master Supply Agreement	13.5	10.3	20.4

*Note:* Pursuant to the Supplemental Agreement, the annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement had been revised to HK\$25.0 million.

For the three years ended 31 March 2018, the historical transaction amounts under the 2015 Master Supply Agreement were approximately HK\$13.5 million, HK\$10.3 million and HK\$20.4 million, respectively.

The decrease in transaction amounts under the 2015 Master Supply Agreement for the year ended 31 March 2017 as compared to that of for the year ended 31 March 2016 was mainly 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 Company during the year, whereas the increase in transaction amounts from approximately HK\$10.3 million for the year ended 31 March 2017 to approximately HK\$20.4 million for the year ended 31 March 2018 under the 2015 Master Supply Agreement was mainly due to the larger quantities of materials procured from BuildMax (SZ) for the two projects in relation to structural steelwork and noise barriers undertaken by the Group during the year ended 31 March 2018.

### **The Proposed Annual Caps**

	<b>For the year ending 31 March</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Proposed Annual Cap under the 2018 Master Supply Agreement	24.0	27.0	30.0

The Directors estimate that the aggregated purchase amount of building material products by the Group from BuildMax (SZ) under the 2018 Master Supply Agreement for each of the three year ending 31 March 2021 will not exceed HK\$24.0 million, HK\$27.0 million and HK\$30.0 million, respectively.

The Proposed Annual Caps under the 2018 Master Supply Agreement are determined with reference to: (i) the historical transaction amounts for the purchase of building material products by the Group from BuildMax (SZ) for the three years ended 31 March 2018; (ii) the forecasted purchase amounts for the building material products estimated based on the Group's projects on hand as at 28 February 2018; (iii) the projected proportion of purchase from BuildMax (SZ) estimates based on the historical proportion of purchase from BuildMax (SZ) by the Group under the 2015 Master Supply Agreement; and (iv) a flexibility buffer on the Proposed Annual Caps for the three years ending 31 March 2021 to accommodate any unpredictable increase in material costs or unexpected increase in number of projects undertaken by the Group in the future.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SUPPLY AGREEMENT**

During the past year, the Group has been focusing on cultivating potential new business opportunities and tendering projects in both private and public sectors. As at the 28 February 2018, the Group had a total of 42 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced, with an aggregate awarded contract sum of approximately HK\$1,108.6 million, of which the aggregate outstanding awarded contract sum as at the 28 February 2018 amounted to approximately HK\$464.1 million.

Having considered (i) the Group's backlog of design and build projects as at 28 February 2018; and (ii) the anticipated increase in demand by the Group for the building material products, the Directors believe that the entering into of the Master Supply Agreement is in the interest of the Company and its Shareholders as a whole, as the Group can continue to secure the stable supply of building material products from BuildMax (SZ) for the Group's businesses at the rates no less favourable than that offered to the Independent Third Parties by BuildMax (SZ) and therefore can maintain the market competitiveness of the Group.

The Directors (excluding independent non-executive Directors whose views will be given after taking into account the advice of Independent Financial Adviser) are of opinion that the entering into the 2018 Master Supply Agreement and the transactions contemplated thereunder are in the ordinary and usual course of the Group's business, on normal commercial terms and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as far as the Company and the Shareholders are concerned.

## **INTERNAL CONTROL MEASURES**

To ensure the purchase price and payment terms of building material products offered by BuildMax (SZ) under the 2018 Master Supply Agreement are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than available from the independent third parties, and the annual caps under the Continuing Connected Transactions will not exceeded, the Group will adopt the following internal control measures:

- (i) the management of the Group is required to obtain, review and compare the quotations (e.g. purchase price and payment terms) from independent third party suppliers in respect of the supply of same products as required by the Group's internal control procedures in relation to continuing connected transactions. As a general practice, the Group will obtain quotations from at least two suppliers for comparison. Following the receipt of quotations, the Group will compare the terms

of quotations and determine the selection of suppliers by taking into account factors such as price quotations, quality of building material products and ability of the supplier in meeting delivery time schedules. The Group usually purchases building material products from the supplier with the lowest fee quotation if the quality of building material products supplied, delivery time schedule and payment terms offered by different suppliers are similar. However, the Group may also consider other non-monetary factors, including quality of building material products supplied, delivery time schedule and payment terms of different suppliers in determining its purchase decisions. The financial controller of the Group would review the price and approve the purchase orders for the relevant products;

- (ii) the Company will closely monitor the transaction amounts in relation to the transactions under the 2018 Master Supply Agreement to ensure that the Proposed Annual Caps will not be exceeded;
- (iii) the independent non-executive Directors will review and confirm whether the transactions contemplated under the 2018 Master Supply Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (v) the Company will continue to engage the independent auditors to review the transactions under the 2018 Master Supply Agreement in compliance with the annual reporting and review requirements under the Listing Rules.

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

The Group is principally engaged in the building construction businesses. It mainly operates through two business segments: (i) the structural engineering works segment is mainly engaged in the provision of structural engineering works for the public and private sectors in Hong Kong as a subcontractor; and (ii) the trading of building material products segment is mainly engaged in the sales of building material products in Hong Kong, the PRC and overseas countries.

BuildMax (SZ) is a sino-foreign equity joint venture enterprise established in the PRC which is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to the Group in Hong Kong and to customers in the PRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BuildMax (SZ) is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyaoyuan. Shenzhen Hengyaoyuan is a limited liability company established in the PRC, which is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties. Hillford is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is the project manager of the Group.

As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and controlling shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30 % equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) (other than the profit ratio) for the transactions contemplated under the 2018 Master Supply Agreement for each of the three financial years ending 31 March 2021 will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the 2018 Master Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

## **EGM**

The EGM will be convened by the Company to seek the approval from the Independent Shareholder in respect of the 2018 Master Supply Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) by way of poll. Save for Mr. Lui, Mr. Wai and Mr. Yip and their respective associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution(s) to approve the 2018 Master Supply 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 2018 Master Supply Agreement and the transactions and matters contemplated thereunder and on how to vote. VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## **GENERAL**

A circular containing, among others, (i) details of the 2018 Master Supply Agreement and the transactions contemplated thereunder; (ii) the advice and recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Master Supply agreement and the Proposed Annual Caps ; and (iv) the notice of EGM will be despatched to the Shareholders on or 25 May 2018.

## **DEFINITIONS**

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

“2015 Master Supply Agreement”	the master supply agreement dated 15 September 2015 entered into between the Company and BuildMax (SZ) in relation to the purchase of building material products processed, fabricated or manufactured by BuildMax (SZ) on a non-exclusive basis for the three years ended 31 March 2018;
“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 a non-exclusive basis for the three years ending 31 March 2021;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“BuildMax (SZ)”	BuildMax Technology (Shenzhen) Limited, a sino-foreign equity joint venture enterprise incorporated in the PRC, which is owned as to 75% by Hillford and 25.0% by Shenzhen Hengyayuan, an independent third party;

“Company”	KPa-BM Holdings Limited, a company incorporated in Cayman Islands and the Shares of which are traded on the Main Board of the Stock Exchange;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the 2018 Master Supply 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 for the Independent Shareholders to consider and approve by poll, amongst other things, the 2018 Master Supply Agreement and the transactions contemplated thereunder;
“Group”	the Company together with its subsidiaries;
“Hillford”	Hillford Trading Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 26.7% by Mr. Lui, 26.7% by Mr. Wai, 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors;
“Independent Financial Adviser”	VMS Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions;

“Independent Shareholders”	Shareholder of the Company, other than Mr. Lui, Mr. Wai and Mr. Yip and their respective associates;
“independent third party(ies)”	person(s) or company(ies) and whose ultimate beneficial owner who/which is/are independent of the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and any of their respective associates as defined in the Listing Rules;
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange;
“Mr. Lui”	Mr. Lui Bun Yuen, Danny, an executive Director and one of the controlling shareholders of the Company;
“Mr. Wai”	Mr. Wai Yat Kin, an executive Director, the chief executive officer and one of the controlling shareholders of the Company;
“Mr. Yip”	Mr. Yip Pak Hung, an executive Director, the chairman of the Board and one of the controlling shareholders of the Company;
“PRC”	the People’s Republic of China;
“Proposed Annual Cap”	the proposed annual cap for the purchase of building material products by the Group from BuildMax (SZ) for the each year ending 31 March 2021 under the 2018 Master Supply Agreement;
“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;

“Supplemental Agreement” the supplemental agreement dated 28 April 2017 entered into between the Company and BuildMax (SZ) in relation to the revision of annual cap for the year ended 31 March 2018 under the 2015 Master Supply Agreement;

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

“%” per cent.

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

Hong Kong, 20 April 2018

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

\* *For identification purposes only*