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## **BUILD KING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00240)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Company has entered into a Framework Agreement with Wai Kee for the purchase of Concrete from time to time for a period from 1 January 2014 to 31 December 2016, subject to the terms and conditions of the Framework Agreement.

Wai Kee is a majority shareholder of the Company. Accordingly, Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The transaction under the Framework Agreement constitutes a continuing connected transaction for the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions under the Framework Agreement exceed 5%, the Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further details of the Framework Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 22 November 2013. Wai Kee and its associates will abstain from voting on the resolution to approve the Framework Agreement at the SGM.

### **THE FRAMEWORK AGREEMENT**

On 8 July 2011, the Company entered into the 2011 Framework Agreement with Wai Kee for the purchase of Concrete from time to time for the period from 1 June 2011 to 31 December 2013 pursuant to the terms of the 2011 Framework Agreement. The term of the 2011 Framework Agreement will soon expire. Accordingly, on 18 November 2013, the Company entered into the Framework Agreement with Wai Kee, whereby the Company (by itself or through its subsidiaries) may, but is not obliged to, purchase Concrete from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2014 to 31 December 2016 for the Group's construction projects.

The Group and Wai Kee (or its subsidiaries and/or associates) will enter into Individual Agreements for individual transactions during the term of the Framework Agreement, which shall contain details of transactions including but not limited to the rights, assumption and obligations of the parties, fees and expenses, requirements of manufacture, payment, delivery and indemnities. The terms of the Individual Agreements shall not conflict with the general principles set out in the Framework Agreement. Should there be any conflict, the parties shall discuss and agree such adjustments to the Individual Agreements so that the general principles in the Framework Agreement should prevail.

The parties agreed that the price, fee or any other consideration shall be determined with reference to the relevant market price on a fair and reasonable basis. As will be explained in greater detail below, the Group awards its contracts for Concrete through a tender/quotation by invitations process by which market price (being the price offered by independent suppliers in the market) for the relevant Concrete products can be ascertained.

The Framework Agreement is conditional upon approval by the Shareholders pursuant to the Listing Rules. Subject to satisfaction of such condition, the Framework Agreement is for a term commencing from 1 January 2014 and ending on 31 December 2016, both dates inclusive. The Framework Agreement may be renewed upon expiry subject to the Company's compliance with the Listing Rules.

The Framework Agreement may be terminated by either the Group or Wai Kee by giving prior written notice to the other party three (3) months in advance and the parties should decide on the terms and conditions of such termination by mutual agreement.

## **ANNUAL CAPS**

Under the Framework Agreement, the Group and Wai Kee agreed that the maximum aggregate value of the contract sum in respect of the sale and purchase of Concrete for the periods concerned under the Framework Agreement shall not exceed the amounts set out below.

| <b>Period</b>                     | <b>Total value not exceeding<br/>(HK\$'000)<br/>(Note)</b> |
|-----------------------------------|--|
| 1 January 2014 - 31 December 2014 | 32,000   |
| 1 January 2015 - 31 December 2015 | 50,000   |
| 1 January 2016 - 31 December 2016 | 43,000   |

*Note: These figures represent the estimated maximum cap in respect of the sale and purchase of Concrete for the periods concerned under the Framework Agreement. The actual amount of the purchases may be different.*

As Concrete supply contracts are awarded by the Group by reference to the requirements of its building/construction projects, the delivery of Concrete may take place over a period of time that can range from 1 year to 3 years, depending on the nature and progress of the building/construction project. Expenses for the purchase of Concrete are recognised in the financial statements of the Group on each delivery of Concrete. The above annual caps have been determined based on: (i) the average annual amounts of Concrete contracted for or committed by the Company from Wai Kee under contracts entered into pursuant to the 2011 Framework Agreement for the 7 months ended 31 December 2011 and the 2 years ended 31 December 2013 of approximately HK\$35 million and assuming substantially the same level of Concrete requirements for the Group's projects in the following years (by which Concrete supply contracts of HK\$34 million, HK\$35 million and HK\$36 million of Concrete for the financial years ending 31 December 2014, 2015 and 2016 respectively were projected) having regard to the possible new projects in Hong Kong that the Group may be or is likely to be awarded during the term of the Framework Agreement; (ii) the estimated expenses for Concrete required for projects already on hand that are to be delivered or recognised in the following years, mainly in the financial years ending 31 December 2014 and 2015, hence the lower in the annual cap amount for the financial year ending 31 December 2016; (iii) an assumption that on average 50% in value of all Concrete contracts awarded in a financial year will be delivered in that financial year with the balance deliverable in the next succeeding year, which assumption is based on the completion history of prior projects undertaken by the Group; and (iv) a 4% annual allowance for possible increases in price of Concrete, calculated by reference to the cost of material indices for portland cement and aggregate issued by the Census and Statistics Department of Hong Kong.

In general, after the Group is awarded a new construction project, the Group's purchasing department will invite tenders/quotations from a pre-approved list of Concrete suppliers providing them with the same specifications for Concrete and other requirements that may be relevant to the project. Wai Kee is a pre-approved Concrete supplier. The purchasing department will review all tender prices submitted and the relevant tender will be awarded to the lowest bidder. The senior management of the Group will also review all the tender prices submitted to ensure that whenever Wai Kee is awarded a contract, their price is the lowest bid. By way of example, the terms offered by the Company's independent Concrete suppliers for four construction projects in years 2011 and 2013 were more favourable to the Group than those offered by Wai Kee, therefore the Group purchased Concrete from its independent suppliers instead of Wai Kee for such projects.

To the extent a joint venture (which is not a subsidiary of the Company) may be established between any Group member and an independent third party, and such joint venture purchases Concrete from Wai Kee from time to time, the amount of such purchases will not be included in the above annual caps as they will not constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Payments shall be made by the Group to Wai Kee (or its relevant subsidiary or associate) on a monthly basis within 30 days of receipt of invoice from Wai Kee (or its relevant subsidiary or associate) by cheque, bank draft or other method of bank transfer.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION**

A stable supply of Concrete is important to the Group's construction projects. The Concrete products that are offered by Wai Kee are mainly mixed concrete products of a comprehensive range. The Directors consider that by entering into the Framework Agreement, the Group will be able to secure a steady and reliable supply of Concrete at prices no less favourable than those from other independent third parties.

The terms of the Framework Agreement were arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement are on normal commercial terms, and that the terms and annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the bye-laws of the Company, where a company in which a Director and/or his associate(s) (which has the meaning ascribed to it under the Listing Rules) holds 5% or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction and that Director shall not vote on any resolution of the Board approving any contract or arrangement or proposal concerning that transaction. On the date of the Board meeting approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement, Mr. Zen Wei Peu, Derek ("Mr. Zen") held 185,557,078 shares (23.4%) in Wai Kee. Therefore, Mr. Zen is deemed to have a material interest in the Framework Agreement and accordingly, he has abstained from voting in the Board resolution approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement.

## **COMPLIANCE WITH LISTING RULES**

Wai Kee is a majority shareholder of the Company. As at the date of this announcement, Wai Kee (through its subsidiaries) was interested in 635,415,033 Shares, representing approximately 51.17% of the Company's issued share capital. Accordingly, Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Transactions under the Framework Agreement and the Individual Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions under the Framework Agreement exceed 5%, the Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Wai Kee is a party to the Framework Agreement, Wai Kee and its associates are required under the Listing Rules to abstain from voting at the SGM on the resolution for approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement. Mr. Zen (who, as at the date of this announcement, held 111,475,228 Shares (8.98%) in the Company and 185,557,078 shares (23.40%) in Wai Kee) confirmed to the Company that he will voluntarily abstain from voting in the SGM.

The SGM will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement. An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Framework Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 22 November 2013. Wai Kee and its associates will abstain from voting on the resolution to approve the Framework Agreement at the SGM.

## **GENERAL**

The Company is an investment holding company and its group companies are principally engaged in the undertaking of construction projects in Hong Kong, the PRC and the Middle East and are also engaged in environmental and waste management and marine engineering.

Wai Kee is an investment holding company and is principally engaged in civil engineering, toll road, property development, construction materials and quarrying.

## **DEFINITIONS**

In this announcement, the following terms have the meanings set forth opposite them:

|                       |   |
|-----------------------|---|
| “associate”           | has the meaning ascribed thereto under the Listing Rules  |
| “Board”               | the board of Directors  |
| “Company”             | Build King Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 240) |
| “Concrete”            | ready mixed concrete  |
| “Directors”           | the directors of the Company  |
| “Framework Agreement” | the framework agreement between the Company and Wai Kee dated 18 November 2013 in respect of the continuing sale and purchase of Concrete                               |
| “Group”               | the Company and its subsidiaries  |
| “HK\$”                | Hong Kong dollars   |

|                               |  |
|-------------------------------|--|
| “Hong Kong”                   | Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Board Committee” | the committee of the Company comprising all independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ng Chi Ming, James and Mr. Ho Tai Wai, David, established to make recommendation to the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement |
| “Independent Shareholders”    | Shareholders other than Wai Kee and its associates (as defined in the Listing Rules)   |
| “Individual Agreements”       | individual agreements, contracts or orders for individual transactions during the term of the Framework Agreement  |
| “Listing Rules”               | The Rules Governing the Listing of Securities on the Stock Exchange  |
| “Party”                       | the Company or Wai Kee   |
| “PRC”                         | the People’s Republic of China   |
| “SGM”                         | the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement  |
| “Shares”                      | ordinary share(s) of HK\$0.10 each in the share capital of the Company   |
| “Shareholders”                | the shareholders of the Company  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited  |
| “Wai Kee”                     | Wai Kee Holdings Limited, a holding company of the Company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 610) and, where the context requires in connection with the supply of Concrete to the Group, its subsidiaries   |
| “2011 Framework Agreement”    | the framework agreement entered into between the Company and Wai Kee dated 8 July 2011 in respect of the continuing sale and purchase of Concrete  |
| “%”                           | per cent.  |

By Order of the Board  
**Build King Holdings Limited**  
**Chang Kam Chuen, Desmond**  
*Company Secretary*

Hong Kong, 18 November 2013

*As at the date hereof, the Board comprises two executive Directors, namely Mr. Zen Wei Peu, Derek and Mr. Chang Kam Chuen, Desmond, three non-executive Directors, namely Mr. David Howard Gem, Dr. Cheng Chi Pang, Leslie and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ng Chi Ming, James and Mr. Ho Tai Wai, David.*