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BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

CONNECTED TRANSACTION

On 14 March 2017, Build King Construction, a wholly-owned subsidiary of the Company, entered into the Articles of Agreement with Power Truth Development, a wholly-owned subsidiary of Road King, pursuant to which Power Truth Development appointed Build King Construction as a contractor to perform site formation and substructure works under the Project.

As at the date of this announcement, the Company is a non-wholly owned subsidiary of Wai Kee and Power Truth Development is an associate of Wai Kee. Accordingly, Wai Kee and Power Truth Development are connected persons of the Company under the Listing Rules, the transactions contemplated under the Articles of Agreement constitutes a connected transaction of the Company.

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

The SGM will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the terms of the Articles of Agreement. The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor, has been formed to advise the Independent Shareholders in respect of the terms of the Articles of Agreement and the transactions contemplated thereto. Veda Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same transactions.

A circular containing, among other things, (i) further details of the Articles of Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Articles of Agreement; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection thereto; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 24 March 2017. Wai Kee and its associates will abstain from voting on the resolutions to approve the Articles of Agreement at the SGM as required under the Listing Rules.

BACKGROUND

In August 2016, Road King Group, for the first time, acquired a piece of land in Yuen Long District, Hong Kong with a total planned construction floor area of approximately 34,000 sqm. for residential development at a total consideration of approximately HK\$988.9 million. Road King Group then provided the scope of works and invited the Group to submit a quotation for the execution and completion of the site formation and substructure works under the Project.

THE ARTICLES OF AGREEMENT

On 14 March 2017, Build King Construction, a wholly-owned subsidiary of the Company, entered into the Articles of Agreement with Power Truth Development, a wholly-owned subsidiary of Road King, pursuant to which Power Truth Development appointed Build King Construction as a contractor to perform site formation and substructure works under the Project. The principal terms of the Articles of Agreement are set out below:

- Date: 14 March 2017
- Parties: Build King Construction, a wholly-owned subsidiary of the Company
Power Truth Development, a wholly-owned subsidiary of Road King and an associate of Wai Kee
- Scope of work: Build King Construction is required to undertake, including but without limitation, the following work (subject to any variations authorised by Power Truth Development) for the Project:
1. site formation works within the site area including hoarding and/or fencing, land survey, earthworks and site levelling;
 2. substructure works including piling works and underground drainage works; and
 3. miscellaneous works such as taking out and maintaining insurance, site cleaning and tidiness, temporary utilities works and systems, provision of site security and temporary site accommodation.
- Term: The term of the Articles of Agreement is 20 calendar months from the commencement date of work. The commencement date of work shall be subject to notice of commencement given by Power Truth Development. In any event, the commencement date will be within this year.

Price and basis of pricing:

Subject to adjustments in respect of any authorised variations to specific construction works as stated in the Articles of Agreement, the maximum price is expected to be approximately HK\$149.4 million. As the price includes all contingent and/or provisional contract amounts which may or may not materialise, the actual revenue to be derived from the Articles of Agreement by the Group may equal to or fall short of the price.

Monthly payments under the Articles of Agreement are to be made by Power Truth Development to Build King Construction based on the progress of works properly executed as certified by the quantity surveyor appointed by Power Truth Development and subject to retention of 5% of price as stipulated in the conditions of Articles of Agreement.

The price submitted by the Group is determined with reference to (i) the size of the construction site, which is approximately the same size of the land in Yuen Long; (ii) the current estimated cost of the construction works assessed by our internal tendering team, including but not limited to the estimated costs of labour and professional staff, subcontractors' fees, temporary and permanent materials, plant and equipment required to undertake the works, the estimated costs of provision, servicing and removal of the temporary site accommodation and other costs such as insurance costs; (iii) the complexity, the method and program to be used for the construction works; (iv) the risks and benefits in performing the Articles of Agreement; and (v) the overall profit margin that could be achieved for other recent similar projects undertaken by the Group for independent third party employers.

As the scope of work for different projects are rarely identical, in determining the price under the Articles of Agreement, the Group has considered, when pricing each component task comprised in the scope of work, pricing adopted for similar work for independent third party employers. From amongst tenders submitted by the Group since 1 January 2016, 7 tenders to a total of 6 independent third party employers included each component task in the scope of work.

In determining the gross profit margin under the Articles of Agreement, the Group has considered 5 additional tenders submitted by the Group since November 2015 on top of the 7 tenders mentioned above. The estimated gross profit margins of those tenders ranged from approximately 4% to 10% and the gross profit margin under the Articles of Agreement is within such range.

Conditions Precedent:	The obligations of the parties under the Articles of Agreement shall be conditional upon the approval by the Independent Shareholders of the transactions contemplated under the Articles of Agreement pursuant to the Listing Rules having been obtained.
Performance Bond:	Performance of Build King Construction's obligations under the Articles of Agreement is secured by a surety bond issued for a sum not greater than 5% of the price.
Others:	The parties will enter into a detailed building contract in the form set out in the Hong Kong Special Administrative Region – Standard Form of Building Contract Private Edition (2005 Edition), which is widely used in the industry. It will contain details of the transaction including but not limited to the rights and obligations of the parties, payment of contract sum, completion, rectification of defects and indemnities to Power Truth Development. The terms of the detailed building contract shall not conflict with the general principles set out in the Articles of Agreement. Should there be any conflict, the parties shall discuss and agree such adjustments to the detailed building contract so that the general principles in the Articles of Agreement should prevail.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are the undertaking of construction projects in Hong Kong, the PRC and the Middle East and environmental and waste management and marine engineering.

Build King Construction, as a wholly-owned subsidiary of the Company, is a company incorporated under the laws of the United Kingdom with limited liability. It is principally engaged in undertaking all types of construction works in the private and public sectors in Hong Kong.

Road King

Road King is an investment holding company. The principal activities of Road King and its subsidiaries, including Power Truth Development, are investment in development, operation and management of toll roads, expressways and property development projects in the PRC.

Wai Kee

Wai Kee (the holding company of the Company) is an investment holding company and is principally engaged in construction, toll road, property development, construction materials and quarrying. The Company is a non-wholly owned subsidiary of Wai Kee and Power Truth Development is an associate of Wai Kee.

REASONS FOR THE CONNECTED TRANSACTION

The Group has vast experience and track record of carrying out the construction works required under the Articles of Agreement. As the activities under the Articles of Agreement form an integral part of the core business of the Group, the Directors consider that the opportunity to engage in such activities by utilising its existing strengths on normal commercial terms can contribute to the financial performance of the Group.

The terms of the Articles of Agreement were arrived at after arm's length negotiations between the parties. Taking into account the above, the Directors (excluding the independent non-executive Directors whose opinion will be given after receiving advice from the Independent Financial Adviser) are of the view that the transactions contemplated under the Articles of Agreement are on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms of the Articles of Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Company is a non-wholly owned subsidiary of Wai Kee and Power Truth Development is an associate of Wai Kee. As at the date of this announcement, Wai Kee (through its subsidiaries) was interested in 655,415,033 Shares, representing approximately 52.78% of the Company's issued share capital, and approximately 41.35% of the issued share capital of Road King. Accordingly, Wai Kee and Power Truth Development are connected persons of the Company under the Listing Rules, the transactions contemplated under the Articles of Agreement constitute a connected transaction of the Company under the Listing Rules.

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

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 the Articles of Agreement. The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor, has been formed to advise the Independent Shareholders in respect of the terms of the Articles of Agreement and the transactions contemplated thereto. Dr. Chow Ming Kuen, Joseph is not included as a member of the Independent Board Committee as he is also an independent non-executive Director of Road King, the holding company of Power Truth Development. Veda Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same transactions.

A circular containing, among other things, (i) further details of the Articles of Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Articles of Agreement; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection thereto; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 24 March 2017.

As Power Truth Development, an associate of Wai Kee, is a party to the Articles of 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 Articles of Agreement. Mr. Zen, the Chairman and an executive Director held (i) 123,725,228 Shares representing 9.96% of the Company's issued share capital; (ii) 185,557,078 shares in Wai Kee representing 23.40% of the issued share capital of Wai Kee; and (iii) 14,497,000 shares in Road King, representing 1.96% of the issued share capital of Road King as at the date of the Articles of Agreement and as at the date of this announcement. Accordingly, Mr. Zen has abstained from voting on the Board resolutions approving the terms of the Articles of Agreement, as required by the Bye-laws of the Company, on the basis that Mr. Zen, as a director of the Company, is deemed to have a material interest in those transactions under the Bye-laws of the Company. In addition, Mr. Zen has confirmed to the Company that he and his associates will also voluntarily abstain from voting at the SGM.

DEFINITIONS

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

“Articles of Agreement”	the Articles of Agreement between Build King Construction and Power Truth Development dated 14 March 2017
“Board”	the board of Directors
“Build King Construction”	Build King Construction Limited, a company incorporated in the United Kingdom with limited liability and a wholly-owned subsidiary of the Company
“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)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the committee of the Company comprising independent non-executive Directors, namely Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor, established to make recommendation to the Independent Shareholders in respect of the terms of the Articles of Agreement
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Articles of Agreement
“Independent Shareholders”	Shareholders other than Wai Kee and its associates (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zen”	Mr. Zen Wei Peu, Derek, the Chairman and an executive Director of the Company
“Power Truth Development”	Power Truth Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Road King
“PRC”	the People’s Republic of China, which shall for the purposes of this announcement does not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Project”	the residential development project at Lot No. 1066 in Demarcation District No. 103, Au Tau, Yuen Long, New Territories, Hong Kong
“Road King”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1098) and an associate of Wai Kee
“Road King Group”	Road King and its subsidiaries
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the terms of the Articles of 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)
“%”	per cent.

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

Hong Kong, 14 March 2017

As at the date hereof, the Board comprises two executive Directors, namely Mr. Zen Wei Peu, Derek and Mr. Chang Kam Chuen, Desmond, two non-executive Directors, namely Mr. David Howard Gem and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor.