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BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT

On 24 November 2017, the Company and Road King entered into the Framework Agreement in respect of the engagement of member of the Group, subject to successful tender, as the main contractor for the construction works of the Road King Group's present and future property development projects in Hong Kong.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is a non-wholly owned subsidiary of Wai Kee. As at the date of this announcement, Wai Kee (through its subsidiaries) is interested in 690,525,033 Shares, representing approximately 55.60% of the Company's issued share capital, and is interested in 311,320,428 shares of Road King, representing approximately 41.61% of the issued share capital of Road King. Accordingly, Wai Kee and Road King are connected persons of the Company under the Listing Rules, the transactions contemplated under the Framework Agreement 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 annual caps for 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.

CIRCULAR

A circular which contains, among other things, further details of the transactions contemplated under the Framework Agreement, the letters from the Independent Board Committee and the Independent Financial Adviser together with a notice of the SGM to be convened by the Company to approve the transactions contemplated under the Framework Agreement, is expected to be despatched to the Shareholders on or about 29 November 2017.

BACKGROUND INFORMATION AND REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FRAMEWORK AGREEMENT

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

Road King is principally engaged in investment in, and development, operation and management of, property development in the PRC and more recently in Hong Kong, with a focus in residential developments, and is evaluating increased investment in commercial development properties. The Road King Group also invests in and manages, through joint ventures, expressways in the PRC and possibly elsewhere in South East Asia should suitable opportunities arise.

The Company notes that the Road King Group has been building up its property development portfolio in Hong Kong and will invite contractors to submit tender for contracts for its construction work from time to time. As part of the ordinary course of business of the Group, the Group may participate in future tenders of the Road King Group for main contract(s) in respect of the construction works for the Road King Group's property development projects in Hong Kong. To ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to enter into the Framework Agreement and seek approval from the Independent Shareholders for the Framework Agreement in order to facilitate the conduct of transactions should the Group be awarded new contracts by the Road King Group.

The terms of the Framework Agreement were arrived at after arm's length negotiations between the parties. Members of the Group will enter into separate construction contracts with the members of the Road King Group upon successful tender for each project.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below:

- | | | |
|-----------------------|---|---|
| Date | : | 24 November 2017 |
| Parties | : | (1) the Company
(2) Road King |
| Subject matter | : | The Road King Group may from time to time invite relevant member(s) of the Group to submit tender to act as the main contractor for the construction works of the Road King Group's present and future property development projects in Hong Kong. Subject to successful tender, the Road King Group will enter into construction contract(s) with the relevant member(s) of the Group, which will be:

(a) in writing and in accordance with the terms and conditions set out in the tender;

(b) determined in the usual and ordinary course of business of the Group and the Road King Group on normal commercial terms (as defined in the Listing Rules); and |

- (c) in compliance with all applicable provisions of the Listing Rules, the Framework Agreement and the respective construction contracts for the engagement of members of the Group as main contractor(s) in respect of the existing and potential development projects of the Road King Group.

Term : An initial term of three years starting from 1 January 2018 (subject to the approval of the Framework Agreement to be granted by resolution of the Independent Shareholders at the SGM), unless terminated earlier in accordance with the terms and conditions thereunder.

Subject to compliance with the requirements of the applicable Listing Rules and other applicable laws and regulations at the relevant time or, alternatively, any waivers obtained from the strict compliance with such requirements, upon the expiry of the initial term or subsequent renewal term, the Framework Agreement is automatically renewed for a successive period of three (3) years thereafter (or such other period permitted under the Listing Rules) unless a party under the Framework Agreement gives a 30 days' prior written notice to the other party to terminate the Framework Agreement.

Notwithstanding the above, the Framework Agreement may be terminated at any time by the written agreement of the Company and Road King.

Conditions : The Framework Agreement is conditional on:

- (i) the Independent Shareholders of Road King having approved the transactions contemplated under the Framework Agreement at the special general meeting of Road King in accordance with the Listing Rules; and
- (ii) the Independent Shareholders having approved the transactions contemplated under the Framework Agreement at the SGM in accordance with the Listing Rules.

PRICING BASIS OF THE GROUP'S SUBMISSION OF TENDER

The Group will need to go through tender process before being appointed as a main contractor in respect of the Road King Group's property development projects in Hong Kong. After receipt of tender invitation, the Group will collect and check tender documents and drawings. If the Group decides to proceed with the tender after reviewing tender documents, a tendering team, which comprises staff from estimating department (responsible for cost estimation and dealing with issues in relation to construction contracts), engineering department (responsible for handling design, drawings and technical aspects) and project management department (responsible for overall planning and execution of project), will be set up to handle the tender and prepare cost estimate of the construction works. The team members of the tendering team are mostly engineers or quantity surveyors with over ten years of experience in their relevant expertise area.

General pricing policy

In pricing each tender, regardless of the nature of services required and of whether the transaction is to be entered into with connected persons of the Group or independent third parties, the Group will:

- (a) estimate the potential costs of the construction works (“**project costs**”) to which the project relates, which is the aggregate of the direct costs, including labour cost, plant and machinery cost, construction materials cost and sub-contractor fees, estimated by reference to the considerations such as the nature of the project (including the location and size of project), complexity, method and program to be used for the construction works, possible technical issues that may need to be addressed, timing for delivery and late delivery penalty structure, the pricing structure which would typically be specified in each tender invitation document (including lump sum or variable pricing/price adjustment structures), performance bond requirements, and availability of the resources to the Group, including the staff/labour, specialist contractors, machinery resources and project cashflow; and
- (b) estimate a potential profit margin within the range of what the Group would in its experience in the industry charge for projects of similar specifications for independent third party employers.

The tender price is expected to comprise the construction costs for the entire project. The tender price may be a fixed sum or variable charging formula or a combination of both, depending on the terms of the tender invitation. The estimating manager, as a member of the tendering team, will prepare a cost estimate of the construction works according to the requirements of the tender documents. Tender progress meetings with the tendering team may be conducted throughout the estimating process when required. After having the potential project costs and the proposed tender price estimated, a management meeting will be held to provide senior management with cost estimation and other related documents. The senior management of the Group, comprising one director from civil and building divisions, one director in charge of business development, one director in charge of contract administration and management, and the chairman of the Board, will review the potential project costs estimate, any potential margin and the proposed tender price, and determine whether or not the tender price (including the pricing structure) should be modified having regard to various factors including the specification of the project, the potential risks associated with the project, general business environment and the perceived competitiveness of the tender price and, with respect to projects of the Road King Group, whether the tender prices are comparable to those offered to independent third party employers. In determining the profit margin of potential projects, the Company will consider factors including, but not limited to, the existing workload and the capacity of the Group, future price trend of various components of project costs, competitiveness of tender price, reliability and reputation of the potential clients and strategic importance of the tender to the future growth of the Group. Generally, the Group’s gross profit margin in its tenders for building construction projects would be within the range of 2% to 7% (depending on the complexity of the construction projects).

ANNUAL CAPS

The parties acknowledge that if the annual value to be recognised under the contracts entered into between the Road King Group and the Group pursuant to the Framework Agreement in respect of each of the financial years specified below exceed the amounts specified below that year in the row headed “Annual Cap”, either or both parties may be required to seek additional shareholders’ approval under the Listing Rules and shall use all reasonable endeavours to seek such approval in a timely manner:

	Financial year ending 31 December		
	2018	2019	2020
Annual Cap	HK\$650 million*	HK\$2,460 million*	HK\$2,880 million

* *It includes contract value for advanced works pursuant to the Articles of Agreement dated 14 March 2017 entered into between Power Truth Development Limited, a wholly-owned subsidiary of Road King, and Build King Construction Limited, a wholly-owned subsidiary of the Company (approximately HK\$105 million and HK\$5 million respectively for the financial years ending 31 December 2018 and 2019 respectively), which is the subject of the Company’s circular dated 22 March 2017.*

The annual caps are determined by reference to:

- (i) the gross floor area of each of the two existing projects of the Road King Group to be constructed, the type of works to be involved in each project and the estimated total construction costs of the two existing projects of the Road King Group in respect of the potential works incurred during the period from 1 January 2018 to 31 December 2020 taking into consideration the prevailing market conditions which in turn affect the development schedule of each project. The type of works to be involved in each project include but not limited to site formation and foundation works, reinforced concrete construction for buildings and associated building services;
- (ii) estimated schedule for construction works of the two existing projects of the Road King Group (one commenced in 2017, major construction work of which is expected to be carried out in 2019 and is expected to complete in the financial year ending 2020 and while the other one is expected to commence in early 2018, major construction work of which is expected to be carried out in 2019 and 2020 and is expected to complete in the financial year ending 2022);
- (iii) the estimated construction costs and project span of potential development projects in Hong Kong that the Road King Group may acquire during the three financial years ending 31 December 2020, based on the available information on upcoming land sales in Hong Kong; and
- (iv) while each tender is discrete and is to be awarded independent from other tenders, Road King and the Company consider that it is more appropriate to assume that all construction contracts are to be awarded to the Group for the purposes of determining annual caps for Listing Rules compliance purposes.

Shareholders should note that the proposed annual caps represent the best estimates by the Road King Group and the Group based on the information currently available (including works to be involved in each project, development schedule and prevailing market conditions) and, in particular, the estimated amount of construction contracts for the Road King Group's existing and potential property development projects in Hong Kong and should not be construed as the actual amount of construction projects that members of the Group may be awarded during the three financial years ending 31 December 2020. The proposed annual caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance. The Road King Group may or may not invite members of the Group to submit tender as main contractor(s) in relation to the Road King Group's development projects in Hong Kong, or if members of the Group are being appointed, to take up construction projects up to the level of the proposed annual caps.

The payment terms will be set out in the tender documents. Typically for construction projects in Hong Kong, payments are made to the contractor by way of progress payment on a monthly basis with reference to the value of works done. The external quantity surveyor or the external architect appointed by the developer or employer will assess and verify the works done and approve interim payment application made by the contractor.

To monitor the annual caps, commercial department of the Group, which consists of in-house quantity surveyors, will compare monthly actual turnover against project forecast and report to the finance department. Finance department of the Group will consolidate the relevant projects under the continuing connected transactions and compare the actual turnover against project forecast and approved annual caps for the remaining period in the year and report to the senior management. If the Group estimates (based on projects in fact being undertaken or tendered for) that the relevant annual caps would be exceeded, or where one or more projects' duration will extend beyond the term of the Framework Agreement, the Company will take steps as appropriate to ensure compliance with the requirements under the then applicable Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is a non-wholly owned subsidiary of Wai Kee. As at the date of this announcement, Wai Kee (through its subsidiaries) is interested in 690,525,033 Shares, representing approximately 55.60% of the Company's issued share capital, and is interested in 311,320,428 shares of Road King, representing approximately 41.61% of the issued share capital of Road King. Accordingly, Wai Kee and Road King are connected persons of the Company under the Listing Rules, the transactions contemplated under the Framework Agreement 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 annual caps for 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.

Mr. Zen Wei Peu, Derek (“**Mr. Derek Zen**”), an executive Director, is also an executive director of Wai Kee and Road King. Mr. Derek Zen held (i) 123,725,228 Shares, representing 9.96% of the Company’s issued share capital; (ii) 18,595,000 shares (of which 1,000,000 shares are held by his spouse) in Road King, representing 2.49% of the Road King’s issued share capital; and (iii) 185,557,078 shares in Wai Kee, representing 23.40% of the issued share capital in Wai Kee as at the date of the Framework Agreement and as at the date of this announcement. Accordingly, Mr. Derek Zen has abstained from voting on the Board resolutions approving the terms and proposed annual caps of the Framework Agreement, as required by the Bye-laws of the Company, on the basis that Mr. Derek Zen, as a Director, is deemed to have a material interest in those transactions under the Bye-laws of the Company.

Dr. Chow Ming Kuen, Joseph, the Independent Non-executive Director, is also the independent non-executive director of Road King. To avoid potential conflict of interest, Dr. Chow also abstained from voting on the Board resolutions approving the terms and proposed annual caps of the Framework Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 and the proposed annual caps in relation to the transactions under the Framework Agreement. 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.

Veda Capital Limited has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions contemplated under the Framework Agreement.

CIRCULAR

A circular which contains, among other things, further details of the transactions contemplated under the Framework Agreement, the letters from the Independent Board Committee and the Independent Financial Adviser together with a notice of the SGM to be convened by the Company to approve the transactions contemplated under the Framework Agreement, is expected to be despatched to the Shareholders on or about 29 November 2017.

DEFINITIONS

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

“associates”	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)

“connected person”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Framework Agreement”	framework agreement dated 24 November 2017 between Road King and the Company in relation to the engagement of members of the Group as main contractor(s) (subject to successful tender) in respect of the existing and potential development projects of the Road King Group in Hong Kong for the three financial years ending 31 December 2020
“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 and the proposed annual caps in relation to the transactions under the Framework Agreement
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation which is licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and proposed annual caps in relation to the transactions under the Framework Agreement
“Independent Shareholders”	the Shareholders other than Wai Kee and its associates (as defined in the Listing Rules)
“Independent Shareholders of Road King”	the shareholders of Road King, 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
“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

“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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the terms of the Framework Agreement and the transactions contemplated thereunder
“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
Chang Kam Chuen, Desmond
Company Secretary

Hong Kong, 24 November 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.