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## **BUILD KING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00240)**

### **DISCLOSEABLE TRANSACTION**

On 17 December 2018, Hsin Chong and BK Construction entered into the Supplemental Agreement, pursuant to which BK Construction will take over Hsin Chong's interest in the 65:35 contractual Joint Venture formed between Hsin Chong and BK Construction.

As one or more of the applicable percentage ratios for the Transaction under Rule 14.07 of the Listing Rules exceeds 5% but all applicable percentage ratios are below 25%, the Transaction constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **THE SUPPLEMENTAL AGREEMENT**

Date: 17 December 2018

Parties (1) Hsin Chong; and  
(2) BK Construction

Hsin Chong is a company incorporated in Hong Kong with limited liability. Hsin Chong is a wholly-owned subsidiary of Hsin Chong Group, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 404). Hsin Chong Group and its subsidiaries are principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, each of Hsin Chong, Hsin Chong Group and Hsin Chong Group's controlling shareholders is independent of and not connected with the Company or any of its connected persons.

## **Subject matter**

Pursuant to the JV Agreement, Hsin Chong and BK Construction entered into a contractual 65:35 Joint Venture in November 2013 in respect of, amongst others, preparation of tender and undertaking the Project. The Joint Venture was awarded the Contract in respect of the Project and the Contract was entered into between the Hong Kong Government, Hsin Chong and BK Construction in June 2016.

Pursuant to the Supplemental Agreement, BK Construction agreed to take over all Hsin Chong's rights and interests over the Joint Venture, the Contract and the Project. Immediately after the execution of the Supplemental Agreement, Hsin Chong will cease to have any rights or interest in the Joint Venture, the Contract or the Project, save and except for the rights arising under the Supplemental Agreement. Upon BK Construction taking over Hsin Chong's rights and interests over the Joint Venture, the Joint Venture will be solely controlled by BK Construction and the accounts of the Joint Venture will be consolidated into the Company's consolidated accounts.

Subject to the approval from the Hong Kong Government, the Contract will be novated from the Joint Venture to BK Construction. Hsin Chong will also enter into the relevant novation, agreement, assignment or other documents in respect of the Project as BK Construction may require.

## **Consideration**

BK Construction will pay an aggregate amount of up to HK\$53,600,000 to Hsin Chong in respect of the Transaction in the following manner:

- (i) after Hsin Chong has executed all documents required to change the signatory of the bank accounts of the Joint Venture to BK Construction, BK Construction will extend a interest-free loan of HK\$20,000,000 to Hsin Chong for a period of 21 days. After the 21-day interest free period, the loan will carry interest at a rate 3% above the Best Lending Rate of The Hongkong and Shanghai Banking Corporation Limited from time to time;
- (ii) upon execution of all the novation, agreement, assignment or other document mentioned in the paragraph headed "Subject Matter" above (the "**Relevant Documents**"), the loan in the amount of HK\$20,000,000 extended pursuant to paragraph (i) will be discharged; and
- (iii) upon getting the approval from the Hong Kong Government and novating the Contract to BK Construction, and within 21 (twenty one) days of the execution of the Relevant Documents, the balance of HK\$33,600,000 will be paid to Hsin Chong.

## **INFORMATION OF THE JOINT VENTURE**

The unaudited consolidated net assets value of the Joint Venture as at 30 June 2018 was approximately HK\$111,000. The unaudited net profit before and after taxation of the Joint Venture for the year ended 31 December 2016 was nil and the unaudited net profit before and after taxation of the Joint Venture for the year ended 31 December 2017 was HK\$47,000.

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

The Company is an investment holding company and its group companies 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.

The amount payable to Hsin Chong under the Supplemental Agreement was arrived at after arm's length negotiations between the parties and taking into account the work progress of the Project and revenue that would be brought to the Company by the Project. As Hsin Chong Group is in financial distress, the Board considers that the Supplemental Agreement is a good opportunity for the Group to take over Hsin Chong's interest in the Joint Venture to minimise the risk of Hsin Chong being a major partner of the Joint Venture and have full liberty to exercise control over the Project and to manage and run the Project in a more efficient way. The Board considers the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios for the Transaction under Rule 14.07 of the Listing Rules exceeds 5% but all applicable percentage ratios are below 25%, the Transaction constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“BK Construction”	Build King Construction Limited, 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)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Contract”	the contract entered into between the Hong Kong Government and the Joint Venture in respect of the Project
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hsin Chong”	Hsin Chong Construction Company Limited, a company incorporated in Hong Kong with limited liability

“Hsin Chong Group”	Hsin Chong Group Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 404)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture”	an unincorporated joint venture named Hsin Chong-Build King JV established pursuant to the JV Agreement
“JV Agreement”	the joint venture agreement dated 21 November 2013 entered into between BK Construction and Hsin Chong in relation to the formation of the Joint Venture
“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
“Project”	the design and construction of Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the JV Agreement dated 17 December 2018 entered into between Hsin Chong and BK Construction
“Transaction”	the transactions contemplated under the Supplemental Agreement
“%”	per cent

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

Hong Kong, 17 December 2018

*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 Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor and Mr. Lo Yiu Ching, Dantes.*