
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Build King Holdings Limited (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

BALLAS
C A P I T A L

A letter from the Board (as defined herein) is set out on pages 4 to 13 of this circular. A letter of advice from the Independent Financial Adviser (as defined herein) to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 16 to 30 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular.

A notice convening the special general meeting of Build King Holdings Limited to be held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 15 December 2017 at 10:45 a.m. is set out on Appendix II to this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting if they so wish.

29 November 2017

CONTENT

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	14
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	16
APPENDIX I – GENERAL INFORMATION	31
APPENDIX II – NOTICE OF SPECIAL GENERAL MEETING	39

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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)
“Concrete”	ready mixed concrete
“Directors”	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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Company comprising all independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David, and Mrs. Ling Lee Ching Man, Eleanor, established to make recommendation to the Independent Shareholders in respect of (i) the terms and the proposed revised annual caps in relation to the transactions under the Supplemental Agreement; and (ii) the terms and the proposed annual caps in relation to transactions under the 2018 Framework Agreement

DEFINITIONS

“Independent Financial Adviser” or “Ballas Capital”	Ballas Capital Limited, a licensed corporation which is licensed to carry out type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the terms and the proposed revised annual cap in relation to the transactions under the Supplemental Agreement; and (ii) the terms and the proposed annual caps in relation to transactions under the 2018 Framework Agreement
“Independent Shareholders”	Shareholders other than Wai Kee and its associates (as defined in the Listing Rules)
“Latest Practicable Date”	24 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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 circular 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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened on Friday, 15 December 2017 at 10:45 a.m. for the purpose of considering, and if thought fit, approving (i) the terms and the proposed revised annual cap in relation to the transactions under the Supplemental Agreement; and (ii) the terms and the proposed annual caps in relation to transactions under the 2018 Framework Agreement

DEFINITIONS

“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
“Supplemental Agreement”	the supplemental agreement to the 2016 Framework Agreement dated 24 November 2017 entered into between the Company and Wai Kee to increase the annual cap for the year ending 31 December 2017 and to shorten the term of the 2016 Framework Agreement to two years from 1 January 2016 to 31 December 2017
“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
“2013 Framework Agreement”	the framework agreement dated 18 November 2013 entered into between the Company and Wai Kee in respect of the sale and purchase of Concrete from 1 January 2014 to 31 December 2016
“2016 Framework Agreement”	the framework agreement dated 7 June 2016 entered into between the Company and Wai Kee in respect of the sale and purchase of Concrete from 1 January 2016 to 31 December 2018
“2018 Framework Agreement”	the framework agreement dated 24 November 2017 entered into between the Company and Wai Kee in respect of the continuing sale and purchase of Concrete from 1 January 2018 to 31 December 2020
“%”	per cent

LETTER FROM THE BOARD



BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

Executive Directors:

Mr. Zen Wei Peu, Derek
*(Chairman, Chief Executive Officer and
Managing Director)*
Mr. Chang Kam Chuen, Desmond

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. David Howard Gem
Mr. Chan Chi Hung, Anthony

Principal Place of Business

in Hong Kong:
Units 601-605A, 6th Floor
Tower B, Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

Independent Non-executive Directors:

Dr. Chow Ming Kuen, Joseph
Mr. Ho Tai Wai, David
Mrs. Ling Lee Ching Man, Eleanor

29 November 2017

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement dated 24 November 2017 in relation to the Supplemental Agreement and the 2018 Framework Agreement.

LETTER FROM THE BOARD

On 7 June 2016, the Company entered into the 2016 Framework Agreement with Wai Kee for the purchase of Concrete from time to time for the period from 1 January 2016 to 31 December 2018 pursuant to the terms of the 2016 Framework Agreement. The 2016 Framework Agreement and the transactions thereunder and the respective annual caps were approved by the then Independent Shareholders at the Company's special general meeting held on 6 July 2016.

As set out in the circular of the Company dated 16 June 2016, the annual caps in respect of the sale and purchase of Concrete under the 2016 Framework Agreement for the three years ending 31 December 2018 were set at HK\$90 million, HK\$80 million and HK\$60 million, respectively.

As the Group expects the aggregate amounts of Concrete procured or to be procured from Wai Kee in the current year may exceed the existing 2017 annual cap of HK\$80 million, the Company entered into the Supplemental Agreement with Wai Kee, pursuant to which the parties agreed to increase the annual cap for the current year to HK\$100 million for the purchase of Concrete by the Company and to shorten the term of the 2016 Framework Agreement to two years from 1 January 2016 to 31 December 2017.

In addition, the Company entered into the 2018 Framework Agreement with Wai Kee for the purchase of Concrete from time to time for the period from 1 January 2018 to 31 December 2020, subject to the terms and conditions of the 2018 Framework Agreement.

The purpose of this circular is to provide you, among other things, (i) further information on the terms of the Supplemental Agreement (including the proposed revised annual cap for the year ending 31 December 2017) and the terms of the 2018 Framework Agreement (including the proposed annual caps); (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in connection with the terms of the Supplemental Agreement and the 2018 Framework Agreement; (iii) a letter from the Independent Financial Adviser, setting out its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the 2018 Framework Agreement; and (iv) the notice of the SGM.

THE SUPPLEMENTAL AGREEMENT AND THE 2018 FRAMEWORK AGREEMENT

Supplemental Agreement

On 24 November 2017, the Company entered into the Supplemental Agreement with Wai Kee to increase the annual cap to HK\$100 million for the purchase of Concrete by the Company from Wai Kee for the year ending 31 December 2017 and to shorten the term of the 2016 Framework Agreement to two years from 1 January 2016 to 31 December 2017.

LETTER FROM THE BOARD

Save for the increase in the annual cap for the year ending 31 December 2017 and the shortening of the term, there is no other change to the terms and conditions set out in the 2016 Framework Agreement, details of which are set out in the circular of the Company dated 16 June 2016.

2018 Framework Agreement

On 24 November 2017, the Company entered into the 2018 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 2018 to 31 December 2020 for the Group's construction projects.

The Group and Wai Kee (or its subsidiaries and/or associates) will enter into individual agreement for each individual transaction during the term of the 2018 Framework Agreement, which will contain details of the transaction 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 agreement shall not conflict with the general principles set out in the 2018 Framework Agreement. Should there be any conflict, the parties shall discuss and agree such adjustments to the individual agreement so that the general principles in the 2018 Framework Agreement should prevail.

The parties agreed that the price, fee or any other consideration will 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 third party suppliers for products of the same or substantially similar kind in ordinary business and within the same territory in the market) for the relevant Concrete products can be ascertained.

The 2018 Framework Agreement is conditional upon approval by the Independent Shareholders pursuant to the Listing Rules. Subject to satisfaction of such condition, the 2018 Framework Agreement is for a term commencing from 1 January 2018 and ending on 31 December 2020, both dates inclusive. The 2018 Framework Agreement may be renewed upon expiry subject to the Company's compliance with the Listing Rules.

The 2018 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.

LETTER FROM THE BOARD

ANNUAL CAPS IN RESPECT OF THE SUPPLEMENTAL AGREEMENT AND THE 2018 FRAMEWORK AGREEMENT

Historical and existing annual caps and historical figures

The following table sets out the historical and existing annual caps under the 2013 Framework Agreement (in respect of annual caps for 2014 and 2015) and 2016 Framework Agreement (in respect of annual caps for 2016 to 2018) and the expenses of the Group for the purchase of Concrete from Wai Kee during the three years ended 31 December 2016 and the nine months ended 30 September 2017:

	2014	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual caps	32,000	50,000	90,000 <i>(Note 1)</i>	80,000	60,000
Expenses for the purchase of Concrete	16,666	36,341	89,352	72,740 <i>(Note 2)</i>	N/A

Notes:

1. The annual cap for the year 2016 was increased from HK\$43,000,000 to HK\$90,000,000 pursuant to the 2016 Framework Agreement due to a partial shift of Concrete usage from 2014 and 2015 to 2016.
2. This figure represents the actual expenses for the nine months ended 30 September 2017. The main factors contributing to the higher consumption of Concrete as compared to the original budget are the significant addition of variation works for certain projects and the partial shift of Concrete usage from 2016 to 2017 attributable to the delay in the construction schedule of certain projects.

LETTER FROM THE BOARD

Annual caps under the Supplemental Agreement and the 2018 Framework Agreement

Under the Supplemental Agreement and the 2018 Framework Agreement, the Group and Wai Kee agreed that the maximum aggregate values of the contract sum in respect of the sale and purchase of Concrete will not exceed the amounts set out below.

Period	Total value not exceeding <i>HK\$'000</i> <i>(Note)</i>
1 January 2017 – 31 December 2017	100,000
1 January 2018 – 31 December 2018	105,000
1 January 2019 – 31 December 2019	190,000
1 January 2020 – 31 December 2020	195,000

Note: These figures represent the estimated maximum cap in respect of the sale and purchase of Concrete for the periods concerned under the Supplemental Agreement and the 2018 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 and civil projects, the delivery of Concrete may take place over a period of time that can range from one year to four years, depending on the nature and progress of the projects. Expenses for the purchase of Concrete are recognised in the financial statements of the Group on each delivery of Concrete.

As the Group has already utilised approximately 90% of the existing 2017 annual cap for the first nine months of the year, the Directors believe that the existing annual cap for the purchase of Concrete in 2017 may not be sufficient for the Group's expected demand for Concrete in the remaining three months for the existing projects. Therefore, the Company has to increase the annual cap for purchase of Concrete for 2017 in order to cater for the demand for Concrete. As at the Latest Practicable Date, the existing annual cap for 2017 in respect of the transactions between the Company and Wai Kee for purchase of Concrete has not been exceeded.

LETTER FROM THE BOARD

The annual caps under the 2018 Framework Agreement have been determined based on the following factors:

- (i) the estimated expenses for Concrete required for the ten projects on hand that is expected to be delivered or recognised during the term of the 2018 Framework Agreement based on each of their current progress. In determining the annual cap for 2018, the Group has taken into account usage of Concrete for the existing projects and the potential projects to be awarded in 2018;
- (ii) the estimated contract sum and project span of potential building and civil projects that the Group may be or is likely to be awarded during the term of the 2018 Framework Agreement, based on the available information on upcoming tenders. As disclosed in the announcement of the Company dated 24 November 2017 and the circular of the Company dated 29 November 2017, the Company may participate in the tenders for contracts to act as main contractor for the construction work of Road King's property development projects in Hong Kong. Assuming the Company is awarded all construction contracts by Road King, the estimated contract sum for the years ended 31 December 2020 will increase significantly as compared to the past;
- (iii) the assumption that the ratio of Concrete consumption to contract sum of new projects collectively will be comparable to average Concrete consumption to contract sum ratio of the Group's existing building and civil projects (being, 2% of the contract sum for building projects and 4% of the contract sum for civil projects); and
- (iv) a buffer of 10% in respect of the annual amounts of Concrete estimated to be purchased during the term of the 2018 Framework Agreement.

Shareholders should note that the proposed annual caps represent the best estimates by the Group based on the information currently available (including Concrete to be consumed in each existing project, project span and prevailing market conditions). The estimated amount of potential construction contracts that the Group may or is likely to be awarded should not be construed as the actual amount of construction projects that the Group may be awarded. Therefore, the estimated amount of Concrete consumption for the Group's potential projects in Hong Kong should not be construed as the actual amount of Concrete that members of the Group may purchase from Wai Kee during the three 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 purchase of Concrete from Wai Kee. The Group may or may not require Wai Kee to provide quotations for Concrete supply in relation to the Group's building and civil projects in Hong Kong, or if Wai Kee or its subsidiaries is being appointed, to supply Concrete up to the level of the proposed annual caps.

LETTER FROM THE BOARD

In general, after the Group is awarded a new construction project, the Group will source supplies in accordance with its internal procedures on selection of Concrete suppliers and procurement. The Group's purchasing department will invite tenders/quotations from a pre-approved list of Concrete suppliers (including Wai Kee and other independent Concrete suppliers) providing them with the same specifications for Concrete and other requirements that may be relevant to the project. The Group will generally invite tenders/quotations from at least three independent suppliers for a new construction project. In the event that the Group receives less than three quotations from the suppliers, the Group will review the quotations and compare with the tender budget prices submitted by independent subcontractors to the Group in respect of Concrete at the tender stage and Concrete prices offered by other independent Concrete suppliers in respect of other projects in which the Group is involved. After receipt of quotations, the purchasing department will then review all quotations submitted and the relevant contract will be awarded to the lowest bidder. The senior management of the Group will also review all the quotations submitted to ensure the above procedures are being adhered to.

Each delivery of Concrete to a project site will be recorded by project administrative staff in the procurement system. To monitor compliance with the annual caps, the finance department of the Group will prepare monthly reports to senior management of the Group of a year-to-date Concrete delivery based on data extracted from the procurement system and compare against the approved annual caps. The senior management of the Group will determine if the relevant annual caps would be exceeded based on the sum and the progress of each project and the estimated Concrete required for the projects.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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 existing annual cap for the year ended 31 December 2017 has been utilised as to approximately 90% for the first nine months of 2017. Based on the progress of the projects on hand, it is expected that such annual cap may be exceeded before 31 December 2017. In order to avoid any delay of the construction projects, the Company considers that there is an imperative need to revise the existing annual caps. In addition, taking into account the Concrete consumption of existing projects and the forecast Concrete consumption of future projects, the Company believes that the Group will continue to purchase a substantial volume of Concrete from 2018 to 2020. The Company considers that it would be unduly burdensome and impracticable for, and would add unnecessary administrative cost to, the Company to obtain the Independent Shareholders' approval for the subsequent annual cap on a yearly basis. Therefore, the Company seeks the Independent Shareholders' approval for the terms and the revised annual cap for the year ending 31 December 2017 under the Supplemental Agreement and the terms and the annual caps for the three years ending 31 December 2020 under the 2018 Framework Agreement in compliance with the Listing Rule requirements.

LETTER FROM THE BOARD

The terms of the Supplemental Agreement and the 2018 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 Supplemental Agreement and the 2018 Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms and the proposed revised annual caps in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to transactions under the 2018 Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Wai Kee is a majority shareholder of the Company. As at the Latest Practicable Date, Wai Kee (through its subsidiaries) was interested in 690,525,033 Shares, representing approximately 55.60% 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 Supplemental Agreement and the 2018 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 revised 2017 annual cap for the transactions under the Supplemental Agreement and the annual caps for the transactions under the 2018 Framework Agreement exceed 5%, the Supplemental Agreement and the 2018 Framework Agreement are 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. Zen**"), an executive Director, is also an executive director of Wai Kee. Mr. Zen held (i) 123,725,228 Shares, representing 9.96% of the Company's issued share capital; and (ii) 185,557,078 shares in Wai Kee, representing 23.40% of the issued share capital in Wai Kee as at the date of the Supplemental Agreement and the 2018 Framework Agreement and as at the Latest Practicable Date. Accordingly, Mr. Zen has abstained from voting on the Board resolutions approving the terms and proposed revised annual cap of the Supplemental Agreement and the terms and proposed annual caps of the 2018 Framework Agreement, as required by the Bye-laws of the Company, on the basis that Mr. Zen, as a Director, is deemed to have a material interest in those transactions under the Bye-laws of the Company.

LETTER FROM THE BOARD

SGM

It is proposed that the SGM be convened and held at 10:45 a.m. on Friday, 15 December 2017 at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong for the purpose of considering, and, if thought fit, approving the terms and the proposed revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement. A notice of the SGM is set out on pages 39 to 40 of this circular.

As Wai Kee is a party to the Supplemental Agreement and the 2018 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 and the proposed revised annual caps in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement. Mr. Zen confirmed to the Company that he and his associates will voluntarily abstain from voting in the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, 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 revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement. The recommendations of the Independent Board Committee, based on the advice of the Independent Financial Adviser, are set out in its letter on pages 14 to 15 of this circular.

Ballas Capital has also 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 and the revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement. The advice of the Independent Financial Adviser is set out in its letter on pages 16 to 30 of this circular.

LETTER FROM THE BOARD

GENERAL

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.

Wai Kee is an investment holding company and is principally engaged in construction, toll road and property development, construction materials and quarrying and it has been investing in property funds which in turn indirectly invest in property developments in the United States.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser and the information set out in the appendices to this circular.

RECOMMENDATION

The Directors (including the Independent Non-executive Directors) consider the terms and the revised annual cap in relation to the transactions under the Supplemental Framework Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement are on normal commercial terms and are fair and reasonable and the entering of the Supplemental Agreement and the 2018 Framework Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole, and accordingly, the Board recommends that all Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the terms and the revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement as set out in the Circular.



BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

29 November 2017

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by Company to the Shareholders dated 29 November 2017 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise you on the terms and the revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement and to advise you as to whether the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole.

Ballas Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 16 to 30 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Supplemental Agreement and the 2018 Framework Agreement.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the continuing connected transactions contemplated under the terms of the Supplemental Agreement and the 2018 Framework Agreement (including the relevant annual caps) as set out in the Circular to be fair and reasonable so far as the interests of the Independent Shareholders are concerned, on normal commercial terms and in the ordinary and usual course of business of the Group and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support and to vote in favour of the resolution to approve the terms and the revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Build King Holdings Limited
Chow Ming Kuen, Joseph
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms and the revised annual cap in relation to the transactions under the Supplemental Agreement and the terms and the proposed annual caps in relation to the transactions under the 2018 Framework Agreement.

BALLAS
C A P I T A L

Unit 1802, 18/F,
1 Duddell Street, Central
Hong Kong

29 November 2017

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the 2018 Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of Build King Holdings Limited (the “**Company**”) to the Shareholders dated 29 November 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As the Group expects the aggregate amounts of Concrete procured and to be procured from Wai Kee in the current financial year to exceed the existing 2017 annual cap of HK\$80 million under the 2016 Framework Agreement, on 24 November 2017, the Company entered into the Supplemental Agreement with Wai Kee, pursuant to which the parties agreed to increase the annual cap for the current financial year to HK\$100 million for the purchase of Concrete by the Company and to shorten the term of the 2016 Framework Agreement to two years from 1 January 2016 to 31 December 2017. In addition, the Company also entered into the 2018 Framework Agreement with Wai Kee for the purchase of Concrete from time to time for the period from 1 January 2018 to 31 December 2020, subject to the terms and conditions of the 2018 Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Wai Kee (through its subsidiaries) was interested in 690,525,033 Shares, representing approximately 55.60% of the Company's issued share capital. Accordingly, Wai Kee is a substantial Shareholder and therefore a connected person of the Company under the Listing Rules, and the entering into of the Supplemental Agreement and the 2018 Framework Agreement with Wai Kee and the transactions contemplated thereunder constitute continuing connected transactions of the Company (the "**Continuing Connected Transactions**") under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Continuing Connected Transactions exceed 5%, the Supplemental Agreement and the 2018 Framework Agreement are subject to the reporting, annual review, announcement and the Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, 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 revised annual cap in relation to the Supplemental Agreement and the terms and the annual caps in relation to the 2018 Framework Agreement.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in Appendix I to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Wai Kee or any of their respective subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Supplemental Agreement and the 2018 Framework Agreement, we have considered the following principal factors and reasons:

A. Background of and reasons for entering into the Supplemental Agreement and the 2018 Framework Agreement

The Group is principally engaged in the undertaking of construction projects in Hong Kong and the PRC, and is also engaged in environmental and waste management and marine engineering. Wai Kee and its subsidiaries are principally engaged in construction, toll road and property development, construction materials and quarrying. According to the Company's annual report for the year ended 31 December 2016, the Group's revenue amounted to approximately HK\$3,237.3 million, HK\$4,571.6 million and HK\$4,871.5 million for the three years ended 31 December 2014, 2015 and 2016, respectively, and such revenue mainly represented income from construction contracts during the relevant years.

As stated in the Letter from the Board, 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 existing annual cap for the year ending 31 December 2017 has been utilised as to approximately 90% for the first nine months of 2017. Based on the progress of the projects on hand of the Group, it is expected that such annual cap may be exceeded before 31 December 2017. In order to avoid any delay of the Group's construction projects, the Company considers that there is an imperative need to revise the existing annual caps. In addition, taking into account the Concrete consumption of existing projects and the forecast Concrete consumption of future projects, the Company believes that the Group will continue to purchase a substantial volume of Concrete from 2018 to 2020. The Company therefore considers that by entering into the Supplemental Agreement and the 2018 Framework Agreement, the Group is able to avoid potential delays of its construction projects during the remaining time in 2017 and will continue to be able to secure a steady and reliable supply of Concrete from Wai Kee at prices no less favourable than those from other independent third parties in the coming years.

Having considered the above and our analysis and view on the major terms of the Supplemental Agreement and the 2018 Framework Agreement (as explained further below), we concur with the view of the management of the Company that the entering into of the Supplemental Agreement and the 2018 Framework Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. Major terms of the Supplemental Agreement and the 2018 Framework Agreement

Supplemental Agreement

Save for the increase in the annual cap for the year ending 31 December 2017 from HK\$80 million to HK\$100 million, and the shortening of the term of the 2016 Framework Agreement, there is no other change to the terms and conditions set out in the 2016 Framework Agreement, details of which are set out in the circular of the Company dated 16 June 2016.

The 2016 Framework Agreement was already approved by the then Independent Shareholders at the Company's special general meeting held on 6 July 2016.

2018 Framework Agreement

(i) Individual agreement

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 2018 to 31 December 2020 for the Group's construction projects.

As stated in the Letter from the Board, the Group and Wai Kee (or its subsidiaries and/or associates) will enter into individual agreement for each individual transaction during the term of the 2018 Framework Agreement, which shall contain details of the transaction including, but not limited to, the rights, assumption and obligation of the parties, fees and expenses, requirements of manufacture, payment, delivery and indemnities. The terms of the individual agreement shall not conflict with the general principles set out in the 2018 Framework Agreement. Should there be any conflict, the parties shall discuss and agree such adjustments to the individual agreement so that the general principles in the 2018 Framework Agreement should prevail.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Pricing principle*

The parties agreed that the price, fee or any other consideration will be determined with reference to the relevant market price on a fair and reasonable basis. The Group awards its contracts for Concrete through a tender/quotation by invitations process by which market price (being the price offered by independent third party suppliers for products of the same or substantially similar kind in ordinary business and within the same territory in the market) for the relevant Concrete products can be ascertained.

As stated in the Letter from the Board, in general, after the Group is awarded a new construction project, the Group will source supplies in accordance with its internal procedures on selection of Concrete suppliers and procurement. The Group's purchasing department will invite tenders/quotations from a pre-approved list of Concrete suppliers (including Wai Kee and other independent Concrete suppliers) providing them with the same specifications for Concrete and other requirements that may be relevant to the project. As advised by management of the Company, the Group will generally invite tenders/quotations from at least three independent suppliers for a new construction project (the "**Independent Quotations**"). In the event that the Group receives less than three quotations from the suppliers, the Group will review the quotations and compare with the tender budget prices submitted by independent subcontractors to the Group in respect of Concrete at the tender stage and Concrete prices offered by other independent Concrete suppliers in respect of other projects in which the Group is involved. After receipt of quotations, the purchasing department will then 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 the above procedures are being adhered to.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have selected samples from the Company's projects on hand where they have Concrete contracted from Wai Kee during the year ended 31 December 2016 and up to 30 September 2017 on a sampling basis (the "Sample Contracts"). Our basis of selection was to select the purchase transactions that were higher in value (i.e. over HK\$1 million), as these transactions would add up to contribute a significant portion of approximately 70% of the Group's purchases from Wai Kee during the year ended 31 December 2016 and up to 30 September 2017. We consider such coverage to be sufficient for ensuring the aforesaid internal procedures were in place during the term of the 2016 Framework Agreement. Among all the projects awarded to Wai Kee during the term of the 2016 Framework Agreement, for our work performed, we have reviewed the documents provided by the Company relating to the quotations submitted by the concrete suppliers (including, among others, Wai Kee) for the Sample Contracts. For the documents we have reviewed, we note that the Company followed the aforementioned internal procedures (i.e. inviting at least three independent suppliers to submit the Independent Quotations) and the relevant contracts were awarded to the lowest bidder. In addition, we have discussed with management of the Company and they have advised us that their practice of inviting at least three independent suppliers for Independent Quotations for new construction projects is consistent with other projects awarded to the Group and such practice is also common in the industry. As such, we concur with the view of the management that the Group has policy in place to enable it to select suppliers on a fair and reasonable basis. Given the above, we consider the pricing principle as stipulated in the 2018 Framework Agreement, which is the same as the pricing principle stipulated in the 2016 Framework Agreement, to be fair and reasonable.

(iii) Termination

The 2018 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, in particular that (i) the Group adheres to a set of internal procedures which allow them to purchase Concrete at the lowest price from suppliers who have been invited to the tender; (ii) the Supplemental Agreement and the 2018 Framework Agreement do not restrict the Group from purchasing Concrete from its independent third parties; (iii) in respect of the Supplemental Agreement, save for the increase in the annual cap for the year ending 31 December 2017 to cater for the Group's demand for Concrete during the remainder of 2017 for the Existing Projects (as defined below) and the shortening of the term of the 2016 Framework Agreement, there is no other change to the terms and conditions set out in the 2016 Framework Agreement, which was already approved by the then Independent Shareholders at the Company's special general meeting held on 6 July 2016; and (iv) the major terms of the 2018 Framework Agreement, in particular the pricing principles, are fair and reasonable, we concur with the view of the management of the Company that the terms of the Supplemental Agreement and the 2018 Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Group and the Independent Shareholders as a whole.

C. The annual caps

Historical and existing annual caps and historical figures

The following table sets out the historical and existing annual caps under the 2016 Framework Agreement (in respect of annual caps for 2016 to 2018) and the expenses of the Group for the purchase of Concrete from Wai Kee during the year ended 31 December 2016 and the nine months ended 30 September 2017:

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Annual caps	90,000	80,000	60,000
Expenses for the purchase of Concrete	89,352	72,740 <i>(Note)</i>	N/A
Utilisation rate	99.3%	90.9%	N/A

Note: This figure represents the actual expenses for the nine months ended 30 September 2017. The main factors contributing to the higher consumption of Concrete as compared to the original budget are the significant addition of variation works for certain projects and the partial shift of Concrete usage from 2016 to 2017 attributable to the delay in the construction schedule of certain projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Annual caps under the Supplemental Agreement and the 2018 Framework Agreement

Under the Supplemental Agreement and the 2018 Framework Agreement, the Group and Wai Kee agreed that the maximum aggregate values of the contract sum in respect of the sale and purchase of Concrete will not exceed the amounts set out below.

Period	Total value not exceeding <i>HK\$'000</i> <i>(Note)</i>
1 January 2017 – 31 December 2017	100,000
1 January 2018 – 31 December 2018	105,000
1 January 2019 – 31 December 2019	190,000
1 January 2020 – 31 December 2020	195,000

Note: These figures represent the estimated maximum cap in respect of the sale and purchase of Concrete for the periods concerned under the Supplemental Agreement and the 2018 Framework Agreement. The actual amount of the purchases may be different.

With respect to the Supplemental Agreement, as the Group has already utilised approximately 90% of the existing 2017 annual cap under the 2016 Framework Agreement for the first nine months of the current financial year, the Directors believe that the existing annual cap for the purchase of Concrete in 2017 may not be sufficient for the Group's expected demand for Concrete in the remaining three months for the Existing Projects (as defined below). Therefore, the Company has to increase the annual cap for 2017 in order to cater for the demand for Concrete for the remainder of 2017.

With respect to the 2018 Framework Agreement, as set out in the Letter from the Board, the annual caps have been determined based on the following factors:

- (i) the estimated expenses for Concrete required for the ten projects on hand that is expected to be delivered or recognised during the term of the 2018 Framework Agreement based on each of their current progress;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the estimated contract sum and project span of potential building and civil projects that the Group may be or is likely to be awarded during the term of the 2018 Framework Agreement, based on the available information on upcoming tenders. As disclosed in the circular of the Company dated 29 November 2017, the Company may participate in the tenders for contracts to act as main contractor for the construction work of Road King's property development projects in Hong Kong. Assuming the Company is awarded all construction contracts by Road King, the estimated contract sum for the years ending 31 December 2020 will increase significantly as compared to the past;
- (iii) the assumption that the ratio of Concrete consumption to contract sum of new projects collectively will be similar to average Concrete consumption to contract sum ratio of the Group's existing building and civil projects; and
- (iv) a buffer of 10% in respect of the annual amounts of Concrete estimated to be purchased during the term of the 2018 Framework Agreement to cater for unexpected price increase in concrete price and other unforeseen factors.

In assessing the fairness and reasonableness of the annual caps under the Supplemental Agreement, we have reviewed and discussed with management of the Company about the underlying calculation. Based on our review of the underlying calculation, in particular given the existing construction projects on hand of the Group (the "**Existing Projects**") and the fact that the Group has already utilised approximately 90% of the annual caps under the 2016 Framework Agreement in the first nine months of 2017, we consider it fair and reasonable that the Group would need to increase its annual cap from HK\$80 million to HK\$100 million to cater for the Group's demand for Concrete during the remainder of 2017 for the Existing Projects, in particular for two existing construction projects on hand relating to the expansion of the United Christian Hospital in Kwun Tong (the "**UCH Project**") and the extension of the Diamond Hill mass transit railway station (the "**Diamond Hill Project**"). We have obtained and reviewed schedules provided by management of the Company in relation to the estimated Concrete consumption of these two construction projects and note that these two construction projects make up a significant portion of the annual caps for 2017 under the Supplemental Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the annual caps under the 2018 Framework Agreement, we have reviewed and discussed with management of the Company about the underlying calculation. Based on our review of the underlying calculation, we understand that the annual caps under the 2018 Framework Agreement have primarily taken into account the Group's demand for Concrete from (i) the Existing Projects; and (ii) the possible new projects in Hong Kong that the Group may be or is likely to be awarded during the term of the 2018 Framework Agreement (the "**New Projects**"). We consider the annual cap for 2018 to be sufficient as we note that the expected Concrete usage for the Existing Projects contribute to approximately 15.0% of the annual cap for 2018, which leaves approximately 85.0% of the annual cap for 2018 to be utilised for the New Projects.

The table below sets out the annual caps under the 2018 Framework Agreement by the Existing Projects and the New Projects:

	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing Projects	15,800	7,600	11,000
New Projects			
– Building Projects	19,000	105,000	86,000
– Civil Projects	60,000	60,000	80,000
Buffer (10%)	10,200	17,400	18,000
Annual caps	105,000	190,000	195,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Existing Projects

The purchase of Concrete relating to the Existing Projects accounts for approximately 5%-15% of the annual caps under the 2018 Framework Agreement, respectively.

In respect of the estimated Concrete demand for the Existing Projects, we understand from management of the Company that they have considered the Company's ten construction projects on hand (this excludes the Diamond Hill Project as the Group does not expect to purchase additional Concrete for this project after 2017 and therefore is not expected to have any contribution towards the annual caps under the 2018 Framework Agreement), eight of which have already commenced and are expected to be completed during the term of the 2018 Framework Agreement and the remaining two will commence in 2018 and are expected to be completed during the term of the 2018 Framework Agreement. The UCH Project is one of the relatively larger Existing Projects. Based on its construction plans and expected delivery schedules provided by management of the Company, the UCH Project is expected to be completed in 2020, which means the Group will continue to purchase Concrete for the UCH Project throughout the entire term of the 2018 Framework Agreement. We understand from the Company that a significant portion of the Existing Projects making up the annual caps under the 2018 Framework Agreement will come from demand for Concrete for the UCH Project.

In addition to the UCH Project, we also understand that the Company has recently secured the tenders for several construction projects for certain private buildings and hospitals which will commence in 2018 and are expected to make contributions to the Existing Projects which make up the annual caps under the 2018 Framework Agreement.

New Projects

The purchase of Concrete relating to the New Projects account for approximately 75%-85% of the annual caps under the 2018 Framework Agreement, respectively. As such, the annual caps under the 2018 Framework Agreement are mostly projected by the New Projects.

In respect of the anticipated Concrete demand for the New Projects, we understand from management of the Company that the New Projects mainly comprise (i) potential tenders for contracts to act as main contractor for building/residential projects in Hong Kong (the "**Building Projects**"); and (ii) potential civil projects that the Group may be awarded during the term of the 2018 Framework Agreement (the "**Civil Projects**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Building Projects

In relation to the Building Projects, we understand from management of the Company that the Group intends to tender for main contractor works mainly for Road King's property development projects in Hong Kong. We have reviewed the latest published financial reports of Road King (the "**RK Financial Reports**") and note that Road King acquired several new real estate projects in 2017, including sites in Yuen Long, Wong Chuk Hang and Tuen Mun in Hong Kong (the "**Three RK Projects**"), where Road King has plans to develop residential projects. As stated in the RK Financial Reports, the construction of the residential projects in Yuen Long, Wong Chuk Hang and Tuen Mun are expected to commence in 2018 and are scheduled by Road King to be completed by 2020, 2022 and 2022, respectively. As discussed with management of the Company, the Company may participate in the tenders to act as the main contractor for the Three RK Projects, and if the Company is awarded these contracts, the majority of the Concrete purchase for these projects will take place during the term of the 2018 Framework Agreement, with most of the purchase occurring in 2019 as Concrete is normally purchased and used up in the first one-third of a project period as advised by management of the Company. In addition to the Three RK Projects, the Company also expects to tender for the contract works of other potential new residential development projects of Road King (the "**Other Potential RK Projects**"), and the majority of the Concrete purchase for the Other Potential RK Projects is expected to take place in 2019, 2020 and onwards. As stated above, as most of the Concrete purchase for the aforesaid projects will take place in 2019 and 2020, the annual caps for 2019 and 2020 under the 2018 Framework Agreement are substantially higher than that for 2017 to cater for the possible tenders for the residential development projects of Road King.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Civil Projects

In relation to the Civil Projects, we have reviewed the underlying calculation from the Company and note that the Concrete purchase for the Civil Projects is expected to reach approximately HK\$60 million, HK\$60 million and HK\$80 million for 2018, 2019 and 2020, respectively. For the year ended 31 December 2016, we have obtained the income breakdown from the Company and noted that income generated from civil projects amounted to approximately HK\$4,400 million, and the average Concrete consumption to contract sum ratio for civil projects was approximately 4%. As stated in the Company's annual report for the year ended 31 December 2016, as the management of the Company foresees that the future of civil projects will be challenging due to less civil projects available for tender in the short term, the estimated annual caps for the Civil Projects of HK\$60 million for 2018 and 2019 under the 2018 Framework Agreement are at a relatively lower level as compared to the past. Nonetheless, we have discussed with management of the Company to understand that the Group has recently submitted tenders for a few civil projects, which include, among others, construction works for the existing Hong Kong airport terminals and a highway project in Kowloon. We have obtained from the Company the relevant supporting documents for these tenders. If these tenders are successful, the relevant construction works will commence and hence the need to purchase Concrete will take place starting from 2018. We also understand from management of the Company that civil projects may gradually recover and pick up again in late 2019 with structural works on new reclamations at the airport and potential new lines of the mass transit railway in Hong Kong. Hence, we concur with the Company that the annual caps for the Civil Projects will experience a reasonable growth in the year of 2020.

Based on the various factors described above and our review of the underlying calculations from the Company, we concur with the view of the management of the Company that the annual caps under the Supplemental Agreement and the 2018 Framework Agreement are fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole. However, as the annual caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2020, we express no opinion as to how closely the actual volume of the sale and purchase of Concrete pursuant to the Supplemental Agreement and the 2018 Framework Agreement shall correspond to the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. Requirements by the Listing Rules regarding the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Supplemental Agreement and the 2018 Framework Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that they have been entered into:
- in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that that the Continuing Connected Transactions:
- has not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) governing the Continuing Connected Transactions; and
 - have exceeded the annual caps.
- (c) the Company must allow, and ensure that the relevant counter parties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Supplemental Agreement and the 2018 Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Independent Shareholders as a whole, and the terms thereof as well as the respective annual caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the terms of and the annual caps in relation to the transactions under the Supplemental Agreement and the 2018 Framework Agreement.

Yours faithfully,

For and on behalf of

Ballas Capital Limited

Heidi Cheng

Aaron Ko

Managing Director

Assistant Director

Note: Ms. Heidi Cheng has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Mr. Aaron Ko has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2010.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(I) Interests and short positions of the Directors and chief executive in the Company and its associated corporations**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(A) The Company*Interests in Shares*

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long position (Note)	Short position	
Zen Wei Peu, Derek	Personal	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
David Howard Gem	Personal	900,000	–	0.07

Note:

Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bond(s)).

(B) Associated corporations*Interests in shares*

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding (%)
			Long position (Note 1)	Short position	
Zen Wei Peu, Derek	Wai Kee	Personal	185,557,078	–	23.40
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

(II) Substantial Shareholders' Interests

(A) Interests in the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (“Substantial Shareholders”) (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of Shares held and Percentage of shareholding			
		Long position (Note (1))		Short position	
		Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited (“Top Horizon”) (Note (2))	Beneficial owner	690,525,033	55.60	–	–
Wai Kee (Zens) Holding Limited (“Wai Kee (Zens)”) (Note (3))	Corporate	690,525,033	55.60	–	–
Wai Kee (Note (4))	Corporate	690,525,033	55.60	–	–

Notes:

1. Long position in the Shares.
2. Top Horizon is a direct wholly-owned subsidiary of Wai Kee (Zens).
3. Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon.
4. Wai Kee (Zens) is a direct wholly-owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in Wai Kee (Zens).

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position with such company
Zen Wei Peu, Derek	Top Horizon	Director
	Wai Kee (Zens)	Director
	Wai Kee	Vice Chairman, Chief Executive Officer and Executive Director

(B) Interests in other members of the Group

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company and save as disclosed in this circular, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of subsidiary	Name of shareholder	Percentage of interest held (%)
Archibuild Limited	Cheng Lai Heung	26.66
	Lai Yiu Wah	13.34
Build King Interior & Construction Limited	Kwan Chuen Kin	30.00
Cheuk Wah Construction Engineering Limited	Goldky Industries Limited	40.00

Name of subsidiary	Name of shareholder	Percentage of interest held (%)
EaSTAR Construction Engineering Limited	Fulight Engineering Limited	20.00
Huge Host Engineering Limited	Downer Mining (Asia) Limited	30.00
W K Aviation Engineering Company Limited	Kencana Capital Ventures Sdn. Bhd.	30.00

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competed or was likely to compete, directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS WITH DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

Save for (i) the 2016 Framework Agreement dated 7 June 2016 between the Company and Wai Kee (in which Mr. Zen held shares as disclosed in paragraph 2(I)(B) above) in respect of the continuing sale and purchase of Concrete from 2016 to 2018, pursuant to which the Company may purchase ready mixed concrete from Wai Kee (the details of the agreement are set out in the circular issued by the Company dated 16 June 2016); and (ii) the framework agreement dated 24 November 2017 between the Company and Road King (in which Mr. Zen held 18,595,000 shares (of which 1,000,000 shares are held by his spouse) as at the Latest Practicable Date, representing 2.49% of Road King's issued share capital) in respect of the engagement of members of the Group as main contractor(s) (subject to successful tender) in relation to the existing and potential development projects of Road King in Hong Kong for the three financial years ending 31 December 2020, since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, none of the Directors was interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since the date of the latest published audited accounts of the Company.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Ballas Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter as set out in this circular and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, directly or indirectly, in any member of the Group nor have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which have been, since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong from the date of this circular up to and including 15 December 2017:

- (a) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 30 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (c) the 2013 Framework Agreement;
- (d) the 2016 Framework Agreement;
- (e) the Supplemental Agreement;
- (f) the 2018 Framework Agreement; and
- (g) this circular.

**BUILD KING HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Special General Meeting of Build King Holdings Limited (the “**Company**”) will be held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 15 December 2017 at 10:45 a.m. to transact the following businesses:

ORDINARY RESOLUTION

“THAT:

- (a) the terms and the revised annual cap in relation to the transactions under the supplemental agreement dated 24 November 2017 (the “**Supplemental Agreement**”) and the terms and the proposed annual caps in relation to the transactions under the framework agreement dated 24 November 2017 (the “**2018 Framework Agreement**”) entered into between Build King Holdings Limited (the “**Company**”) and Wai Kee Holdings Limited in respect of the continuing sale and purchase of ready mixed concrete be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such things and exercise all powers which they consider necessary, desirable or expedient in connection with the Supplemental Agreement and the 2018 Framework Agreement and otherwise in connection with the implementation of the transactions contemplated thereunder including without limitation to the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements.”

By Order of the Board
Chang Kam Chuen, Desmond
Company Secretary

Hong Kong, 29 November 2017

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:

Units 601-605A, 6th Floor
Tower B, Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of such member. Votes may be given either personally or by proxy or by a duly authorized corporate representative. A member may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same.
3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority shall be delivered to the Company's branch share registrar, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.