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BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

CONTINUING CONNECTED TRANSACTIONS

THE FRAMEWORK AGREEMENT

On 7 June 2016, the Company entered into the 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. The proposed annual cap for the transactions contemplated under the Framework Agreement for each of the three years ending 31 December 2018 is HK\$90 million, HK\$80 million and HK\$60 million, respectively. During the term of the Framework Agreement, the Group and Wai Kee (or its subsidiaries and/or associates) will enter into Individual Agreement for individual transaction and the Individual Agreement shall 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.

LISTING RULES IMPLICATIONS

Wai Kee is a majority shareholder of the Company. As at the date of this announcement, Wai Kee (through its subsidiaries) was interested in 655,415,033 Shares, representing approximately 52.78% of the Company's issued share capital. Accordingly, Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Transactions under the Framework Agreement and the Individual 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 transactions under the Framework Agreement exceed 5%, the Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further details of the Framework Agreement; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) the notice convening the SGM, is expected to be despatched to the Shareholders on or before 17 June 2016. As Wai Kee is a party to the Framework Agreement, Wai Kee and its associates are required under the Listing Rules to abstain from voting at the SGM on the resolution for approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement. Mr. Zen (who, as at the date of this announcement, held 123,725,228 Shares (9.96%) in the Company and 185,557,078 shares (23.40%) in Wai Kee) confirmed to the Company that he will voluntarily abstain from voting in the SGM.

BACKGROUND

On 18 November 2013, the Company entered into the 2013 Framework Agreement with Wai Kee for the purchase of Concrete from time to time for the period from 1 January 2014 to 31 December 2016 pursuant to the terms of the 2013 Framework Agreement. The 2013 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 10 December 2013.

As set out in the circular of the Company dated 22 November 2013, the annual caps in respect of the sale and purchase of Concrete under the 2013 Framework Agreement for the three years ending 31 December 2016 were set at HK\$32 million, HK\$50 million and HK\$43 million, respectively. As the Group expects the aggregate amounts of Concrete procured or to be procured from Wai Kee in the current financial year to exceed the existing 2016 annual cap of HK\$43 million, the Company entered into the 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, subject to the terms and conditions of the Framework Agreement.

THE FRAMEWORK AGREEMENT

On 7 June 2016, the Company entered into the Framework Agreement with Wai Kee, whereby the Company (by itself or through its subsidiaries) may, but is not obliged to, purchase Concrete from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2016 to 31 December 2018 for the Group's construction projects.

During the term of the Framework Agreement, the Group and Wai Kee (or its subsidiaries and/or associates) will enter into Individual Agreement for individual transaction and the Individual Agreement shall 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 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 Framework Agreement should prevail.

The parties agreed that the price, fee or any other consideration shall be determined with reference to the relevant market price on a fair and reasonable basis. As will be explained in greater detail below, the Group awards its contracts for Concrete through a tender/quotation by invitations process by which market price (being the price offered by independent 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 Framework Agreement is conditional upon approval by the Independent Shareholders pursuant to the Listing Rules, whereupon the 2013 Framework Agreement will cease to have effect. Subject to satisfaction of such condition, the Framework Agreement is for a term commencing from 1 January 2016 and ending on 31 December 2018, both dates inclusive. The Framework Agreement may be renewed upon expiry subject to the Company's compliance with the Listing Rules.

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

ANNUAL CAPS IN RESPECT OF THE FRAMEWORK AGREEMENT

During the years 2014 and 2015 and the three months ended 31 March 2016, the expenses of the Group for the purchase of Concrete from Wai Kee pursuant to the 2013 Framework Agreement were as follows:

	2014 <i>(HK\$'000)</i>	2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>
Expenses for the purchase of Concrete pursuant to the 2013 Framework Agreement	16,666	36,341	17,888 <i>(Note 1)</i>
Annual cap in respect of the purchase of Concrete pursuant to the 2013 Framework Agreement	32,000	50,000	43,000

Notes:

- 1. This figure represents the actual expenses during the three months ended 31 March 2016.*
- 2. The main factor contributing to the differences between the actual expenses for the purchase of Concrete and the respective annual caps pursuant to the 2013 Framework Agreement was the delay in the construction schedule of certain projects, that resulted in a partial shift of Concrete usage from 2014 and 2015 to 2016.*

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

Period	Total value not exceeding <i>(HK\$'000)</i> <i>(Note)</i>
1 January 2016 - 31 December 2016	90,000
1 January 2017 - 31 December 2017	80,000
1 January 2018 - 31 December 2018	60,000

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

As Concrete supply contracts are awarded by the Group by reference to the requirements of its building/construction projects, the delivery of Concrete may take place over a period of time that can range from one year to four years, depending on the nature and progress of the building/construction projects. Expenses for the purchase of Concrete are recognised in the financial statements of the Group on each delivery of Concrete.

As disclosed in the 2015 Annual Report, on 30 November 2015, the Group entered into an agreement with SEC, the Group's joint venture partner for Leader JV pursuant to which SEC has withdrawn from the joint operation due to their financial difficulties. Leader JV is responsible for the Diamond Hill Project. As a result of such withdrawal, Leader JV became an indirect wholly-owned subsidiary of the Company. Prior to the withdrawal, purchases of Concrete from Wai Kee by Leader JV were not transactions of the Company, and accordingly, in determining the annual caps under the 2013 Framework Agreement, the Company had not taken into account the requirements of Leader JV for Concrete supply. Upon Leader JV becoming a subsidiary of the Company, its purchases of Concrete from Wai Kee constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Company currently estimates that the Concrete required for the Diamond Hill Project will be delivered and recognised in 2016 and 2017 respectively.

In addition, due to the delay in the construction schedule of certain projects already on hand, the Concrete usage from 2014 and 2015 partially shifted to 2016.

Based on the above, the Company has had to increase the annual caps for purchases of Concrete for 2016 beyond what was set out in the 2013 Framework Agreement.

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

- (i) the estimated expenses for Concrete required for the nine projects already on hand (including the Diamond Hill Project) that are to be delivered or recognised in 2016 and the following two years based on each of their current progress;
- (ii) to cater for requirements of new projects that the Group may be or is likely to be awarded during the term of the Framework Agreement, the Company took into account the average annual quantity and value of Concrete contracted for by the Company from Wai Kee under contracts over the three years ended 31 December 2015 (excluding the requirements of the Diamond Hill Project) and the average distribution of deliveries of Concrete required over the life of those projects (being approximately 10% for the first year, 35% for the second year and 35% for the third year and 20% for the fourth year), on the assumption that new projects will collectively have a similar level of Concrete consumption;
- (iii) the historical market price of Concrete and a 4% annual allowance for possible increases in price of Concrete after 2015, calculated by reference to the cost of material indices for portland cement and aggregate issued by the Census and Statistics Department of the Hong Kong Government. As far as the management of the Company is aware, portland cement is the most commonly used type of cement in Hong Kong for producing concrete and aggregates are small or crushed stones that are widely used for the same purpose. Accordingly, they consider it reasonable to make reference to such cost of material indices when determining the growth rate in the market price of Concrete. As with the 2013 Framework Agreement, the costs of material indices are used in estimating the growth rate in the market price of Concrete for the purposes of the proposed annual caps for the periods under the Framework Agreement ; and
- (iv) a buffer of 10% in respect of the annual amounts of Concrete during the term of the Framework Agreement estimated based on the above factors.

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. 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 that whenever Wai Kee is awarded a contract, their price is the lowest bid.

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

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

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED 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 Directors consider that by entering into the Framework Agreement, the Group will continue to be able to secure a steady and reliable supply of Concrete at prices no less favourable than those from other independent third parties.

The terms of the Framework Agreement were arrived at after arm's length negotiations between the parties. The Directors (excluding the Independent Non-executive Directors whose opinion will be given after receiving advice from the Independent Financial Adviser) are of the view that the terms of the Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms and the proposed annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the bye-laws of the Company, where a company in which a Director and/or his associate(s) (which has the meaning ascribed to it under the Listing Rules) holds 5% or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction and that Director shall not vote on any resolution of the Board approving any contract or arrangement or proposal concerning that transaction. On the date of the Board meeting approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement, Mr. Zen Wei Peu, Derek ("Mr. Zen") held 185,557,078 shares (23.40%) in Wai Kee. Therefore, Mr. Zen is deemed to have a material interest in the Framework Agreement and accordingly, he has abstained from voting in the Board resolution approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement.

LISTING RULES IMPLICATIONS

Wai Kee is a majority shareholder of the Company. As at the date of this announcement, Wai Kee (through its subsidiaries) was interested in 655,415,033 Shares, representing approximately 52.78% of the Company's issued share capital. Accordingly, Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Transactions under the Framework Agreement and the Individual 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 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.

SGM

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

A circular containing, among other things, (i) further details of the Framework Agreement; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) the notice convening the SGM, is expected to be despatched to the Shareholders on or before 17 June 2016. As Wai Kee is a party to the Framework Agreement, Wai Kee and its associates are required under the Listing Rules to abstain from voting at the SGM on the resolution for approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement. Mr. Zen (who, as at the date of this announcement, held 123,725,228 Shares (9.96%) in the Company and 185,557,078 shares (23.40%) in Wai Kee) confirmed to the Company that he will voluntarily abstain from voting in the SGM.

INFORMATION ON THE COMPANY AND WAI KEE

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

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

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)
“Concrete”	ready mixed concrete
“connected person”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement between the Company and Wai Kee dated 7 June 2016 in respect of the continuing sale and purchase of Concrete from 2016 to 2018
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Company comprising all independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. 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”	BOSC International Company Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement
“Independent Shareholders”	Shareholders other than Wai Kee and its associates (as defined in the Listing Rules)
“Individual Agreement”	individual agreement, contract or order for individual transaction during the term of the Framework Agreement

“Leader JV”	Leader Joint Venture, formerly known as Sembawang-Leader Joint Venture
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SEC”	Sembawang Engineers and Constructors Pte. Ltd.
“SGM”	the special general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving the terms of and the proposed annual caps in relation to the transactions under the Framework Agreement
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wai Kee”	Wai Kee Holdings Limited, a holding company of the Company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 610) and, where the context requires in connection with the supply of Concrete to the Group, its subsidiaries
“2013 Framework Agreement”	the framework agreement entered into between the Company and Wai Kee dated 18 November 2013 in respect of the continuing sale and purchase of Concrete from 2014 to 2016
“%”	per cent.

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

Hong Kong, 7 June 2016

At the date of this announcement, 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.