

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **ROAD KING INFRASTRUCTURE LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1098)**

### **CONNECTED TRANSACTION**

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

As at the date of this announcement, Wai Kee is the substantial shareholder of the Company and Build King Construction is a wholly-owned subsidiary of Build King, which is in turn a non-wholly owned subsidiary of Wai Kee. Accordingly, Build King Construction is a connected person of the Company under the Listing Rules, the transactions under the Articles of Agreement constitute a connected transaction of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Articles of Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Articles of Agreement are subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **BACKGROUND**

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

## THE ARTICLES OF AGREEMENT

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

- Date: 14 March 2017
- Parties: Power Truth Development, an indirect wholly-owned subsidiary of the Company
- Build King Construction, a wholly-owned subsidiary of the Build King
- Scope of work: Build King Construction is required to undertake, including but without limitation, the following work (subject to any variations authorised by Power Truth Development) for the Project:
1. site formation works within the site area including hoarding and/or fencing, land survey, earthworks and site levelling;
  2. substructure works including excavation and lateral support, piling works and underground drainage works; and
  3. miscellaneous works such as taking out and maintaining insurance, site cleaning and tidiness, temporary utilities works and systems, provision of site security and temporary site accommodation.
- Term: The term of the Articles of Agreement is 20 calendar months from the commencement date of work. The commencement date of work shall be subject to notice of commencement given by Power Truth Development. In any event, the commencement date will be within this year.
- Price and basis of pricing: Subject to adjustments in respect of any authorised variations to specific construction works as stated in the Articles of Agreement, the maximum price is expected to be approximately HK\$149.4 million. As the price includes all contingent and/or provisional contract amounts which may or may not materialise, the actual cost for the Articles of Agreement by the Group may equal to or lower than the price stated.
- Monthly payments under the Articles of Agreement are to be made by Power Truth Development to Build King Construction based on the progress of works properly executed as certified by the quantity surveyor appointed by Power Truth Development and subject to retention of 5% of price as stipulated in the conditions of the Articles of Agreement.

Based on the experience of the Group's management in the property development and civil engineering industries, after having considered the scope of work, specification, the cost estimate breakdown that has been submitted by Build King Construction and the confirmation by an independent quantity surveyor appointed by the Group on the quotation submitted by Build King Construction, the pricing under the Articles of Agreement is considered reasonable.

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

## **INFORMATION ON THE PARTIES**

### *The Company and the Group*

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

### *Build King*

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

### *Wai Kee*

Wai Kee, as the substantial shareholder of the Company, is an investment holding company and is principally engaged in construction, toll roads, property development, construction materials and quarrying.

## **REASONS FOR THE CONNECTED TRANSACTION**

It is the first time for the Group to start its property development business in Hong Kong. As foundation construction is a highly technical industry and requires specialised expertise and Build King Group has required licences, vast experiences and track record of carrying out the construction works required under the Articles of Agreement in Hong Kong, the Directors consider that the engagement of Build King Construction could capitalise on the experiences and expertise of Build King Group in the Hong Kong construction industry. Also, as the Company and Build King Group have a common substantial shareholder, the joint efforts of the parties would be in the common interests of the Company and Build King.

The terms of the Articles of Agreement were arrived at after arm's length negotiations between the parties. Taking into account the above, the Directors (including the Independent Non-executive Directors and excluding the Directors who abstained from voting at the Board meeting) are of the view that the transactions under the Articles of Agreement are on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms of the Articles of Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Wai Kee is the substantial shareholder of the Company and Build King Construction is a wholly-owned subsidiary of Build King, which is in turn a non-wholly owned subsidiary of Wai Kee. As at the date of this announcement, Wai Kee (through its subsidiaries) was interested in 306,034,428 Shares, representing approximately 41.35% of the Company's issued share capital, and was interested in 655,415,033 shares of Build King, representing approximately 52.78% of Build King. Accordingly, Build King Construction is a connected person of the Company under the Listing Rules, the transactions contemplated under the Articles of Agreement constitute a connected transaction of the Company under the Listing Rules.

Mr. William Zen, the chairman of the Board and an Executive Director, is also the chairman of the board of directors and an executive director of Wai Kee. Mr. William Zen held 192,381,843 shares in Wai Kee, representing 24.26% of the issued share capital in Wai Kee as at date of the Articles of Agreement and as at the date of this announcement. Mr. Derek Zen, an Executive Director, is also an executive director of Wai Kee and Build King. Mr. Derek Zen held (i) 14,497,000 Shares, representing 1.96% of the Company's issued share capital; (ii) 123,725,228 shares of Build King, representing 9.96% of Build King's issued share capital; and (iii) 185,557,078 shares in Wai Kee, representing 23.40% of the issued share capital in Wai Kee as at date of the Articles of Agreement and as at the date of this announcement. Accordingly, Mr. William Zen and Mr. Derek Zen have abstained from voting on the Board resolutions approving the terms of the Articles of Agreement, as required by the Bye-laws of the Company, on the basis that Mr. William Zen and Mr. Derek Zen, as Directors, are deemed to have a material interest in those transactions under the Bye-laws of the Company.

Dr. Chow Ming Kuen, Joseph, the Independent Non-executive Director, is also the independent non-executive director of Build King, to avoid potential conflict of interest, also abstained from voting on the Board resolutions approving the terms of the Articles of Agreement.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Articles of Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Articles of Agreement are subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Articles of Agreement”	the Articles of Agreement between Power Truth Development and Build King Construction dated 14 March 2017
“Board”	the board of Directors
“Build King”	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) and a non-wholly owned subsidiary of Wai Kee
“Build King Construction”	Build King Construction Limited, a company incorporated in the United Kingdom with limited liability and a wholly-owned subsidiary of Build King
“Build King Group”	Build King and its subsidiaries
“Company”	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)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollar”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Derek Zen”	Mr. Zen Wei Peu, Derek, an Executive Director of the Company
“Mr. William Zen”	Mr. Zen Wei Pao, William, the chairman of the Board and an Executive Director of the Company
“Power Truth Development”	Power Truth Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China, which shall for the purposes of this announcement does not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Project”	the residential development project at Lot No. 1066 in Demarcation District No. 103, Au Tau, Yuen Long, New Territories, Hong Kong
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wai Kee”	Wai Kee Holdings Limited, the substantial shareholder of the Company, incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 610)
“%”	per cent.

By Order of the Board  
**Road King Infrastructure Limited**  
**Zen Wei Pao, William**  
*Chairman*

Hong Kong, 14 March 2017

*As at the date of this announcement, the Board comprises Messrs. Zen Wei Pao, William, Zen Wei Peu, Derek, Ko Yuk Bing and Fong Shiu Leung, Keter as Executive Directors, Messrs. Lam Wai Hon, Patrick, Mou Yong and Dong Fang as Non-executive Directors and Mr. Lau Sai Yung, Dr. Chow Ming Kuen, Joseph, Mr. Tse Chee On, Raymond, Mr. Wong Wai Ho and Mr. Zhang Yongliang as Independent Non-executive Directors.*