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## **BUILD KING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00240)**

### **CONTINUING CONNECTED TRANSACTIONS**

On 30 November 2022, the Company entered into the 2023 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 2023 to 31 December 2025 for the Group's construction projects.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Wai Kee (through its subsidiaries) is interested in 719,715,033 Shares, representing approximately 57.95% of the Company's issued share capital. As a majority shareholder of the Company, Wai Kee is therefore a connected person of the Company under the Listing Rules. Transactions contemplated under the 2023 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps for the transactions contemplated under the 2023 Framework Agreement exceeds 5%, the 2023 Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened at which an ordinary resolution will be proposed to approve the terms and the Proposed Annual Caps in relation to the transactions contemplated under the 2023 Framework Agreement. Wai Kee and its associates will abstain from voting at the SGM on the resolution to approve the terms and the Proposed Annual Caps in relation to the transactions contemplated under the 2023 Framework Agreement. Mr. Zen confirmed to the Company that he and his associates will also abstain from voting in the SGM.

#### **CIRCULAR**

A circular containing, among other things, (i) further information on the terms of the 2023 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 2023 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 2023 Framework Agreement; and (iv) the notice of the SGM is expected to be despatched to the Shareholders on or before 9 December 2022, as additional time is required by the Company to prepare and finalise certain information for inclusion in the Circular.

## THE 2023 FRAMEWORK AGREEMENT

On 30 November 2022, the Company entered into the 2023 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 2023 to 31 December 2025 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 2023 Framework Agreement.

The 2023 Framework Agreement is conditional upon approval by the Independent Shareholders pursuant to the Listing Rules. Subject to satisfaction of such condition, the 2023 Framework Agreement is for a term commencing from 1 January 2023 and ending on 31 December 2025, both dates inclusive. The 2023 Framework Agreement may be renewed upon expiry subject to the Company's compliance with the requirements of the applicable Listing Rules and other applicable laws and regulations at the relevant time, or alternatively, any waivers obtained from the strict compliance with such requirements.

The 2023 Framework Agreement may be terminated by either the Group or Wai Kee by giving three (3) months' prior written notice to the other party.

### ANNUAL CAPS

#### *Existing annual caps and historical figures*

The following table sets out the existing annual caps under the 2021 Framework Agreement and the expenses of the Group for the purchase of Concrete from Wai Kee during the year ended 31 December 2021 and the nine months ended 30 September 2022:

	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Existing annual caps	160,000	170,000	140,000
Expenses (in the case of 2022, from 1 January to 30 September only)	199,532 (Note)	109,516	N/A

*Note:* As disclosed in the Company's announcement dated 1 April 2022, the expenses for the purchase of the Concrete for FY2021 exceeded the annual cap by HK\$39.5 million (the "Excess Amount") under the 2021 Framework Agreement mainly because (i) the Group has contracted 3 new projects after the 2021 Framework Agreement which, unlike a more typical project that requires Concrete after around 12 months, had substantial Concrete demand towards the last quarter of FY2021; and (ii) one project that was a joint venture of the Company (such that its Concrete orders would not constitute continuing connected transactions) became a subsidiary of the Company in December 2021 during which month its Concrete orders accounted for approximately 16.7% of the Excess Amount over the 2021 Annual Cap.

#### *Proposed Annual Caps under the 2023 Framework Agreement*

Under the 2023 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 for the three years ending 31 December 2025 will not exceed the amounts set out below:

Period	Total value not exceeding HK\$'000 (Note)
1 January 2023 - 31 December 2023	380,000
1 January 2024 - 31 December 2024	370,000
1 January 2025 - 31 December 2025	430,000

*Note:* These figures represent the estimated maximum cap in respect of the sale and purchase of Concrete for the periods concerned under the 2023 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 civil and building projects on hand, the delivery of Concrete for existing projects may take place over a period of time that can range from one to five 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.

The Proposed Annual Caps under the 2023 Framework Agreement have been determined based on the following factors:

- (i) the estimated expenses for Concrete required for the 15 civil and 18 building projects awarded to the Group that are expected to be delivered or recognised during the term of the 2023 Framework Agreement, based on each of their current progress and expected project span;
- (ii) the estimated contract sum for the potential civil and building projects that may be awarded to the Group taking into account the projects under tenders or discussion and the improved prospects brought by infrastructure initiatives and projects announced by Hong Kong government and the estimated expenses for Concrete required for potential projects that are expected to be delivered or recognised during the term of the 2023 Framework Agreement based on the expected project span generally for civil and building projects (being, three years for civil projects and two years for building projects). For the purposes of determining the Proposed Annual Caps, the Group took into account potential civil and building projects under tenders or discussion which the Group believed to have high chance to be awarded with an expected aggregate contract sum of over HK\$6,100 million, HK\$7,950 million and HK\$8,650 million for the three years ending 31 December 2025, respectively;
- (iii) the assumption that the ratio of Concrete consumption to contract sum of new projects collectively will be comparable to the average Concrete consumption to contract sum ratio of the Group's existing civil and building projects (being, approximately 4.4% of the contract sum for civil projects and approximately 2.1% of the contract sum for building projects); and
- (iv) a buffer of approximately 10% in respect of the annual amounts of Concrete estimated to be purchased during the term of the 2023 Framework Agreement.

The significant increase of the proposed annual cap for the year ending 31 December 2023 under the 2023 Framework Agreement (which is based on contracts on hand and for potential projects) relative to the annual cap for that year under the 2021 Framework Agreement (which was based on projects on hand in December 2020 and the flat projection on project requirements for the rest of the term of that agreement) is attributable to overall improved market conditions and prospects since December 2020. In contrast with nearly zero revenue growth in the year ended 31 December 2020, the Group reported for the year ended 31 December 2021 an increase in turnover by 31% and for the six months ended 30 June 2022 a 25% increase in turnover, supported both by large projects that have advanced and new projects awarded to the Group. Specifically, there has been (a) a significant increase in the number and mix of the projects of the Group (compared to only 11 civil and 12 building projects in December 2020) with the civil projects the majority of which are infrastructure related generally having a higher concrete consumption rate, the forecast concrete demand of which under paragraph (i) above already accounts for approximately 42% of the annual cap for that year under the 2023 Framework Agreement or approximately 87% of the annual cap for that year under the 2021 Framework Agreement) and (b) higher average Concrete consumption rates (compared to approximately 2.8% of the contract sum for civil projects and approximately 1.7% of the contract sum for building projects in December 2021).

Concrete consumption by the Group is dictated by the development stage of its employers' projects which is invariably non-linear. For example, more concrete is typically used towards the latter part of the construction of a building or a road and larger projects may take longer time to build out before material concrete supply is required. Accordingly, the "lower" annualised consumption for the year ended 31 December 2022 (based on actual consumption for the nine months ended 30 September 2022) compared to the consumption in the year ended 31 December 2021 cannot properly be taken to be indicative of reduced concrete requirements of the Group on a forward looking basis for the term of the 2023 Framework Agreement, based on the Group's actual and projected project commitments.

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, the construction contracts that may be awarded to the Group, the Concrete consumption to contract sum ratio, project span and prevailing market conditions). 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 supply any particular amount of Concrete or at all.

## **INTERNAL CONTROL**

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 the tender budget prices submitted by independent subcontractors to the Group in respect of Concrete at the tender stage with 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 verified, approved and recorded by project administrative staff in the procurement system. To monitor compliance with the annual caps, (i) each project site is to deliver, by the end of each year, an annual forecast of Concrete requirements for the next year, with updates (and forward forecast to year end of the next year) in April and August of the next year and undertake special reporting for any material increase of Concrete requirements that is less typical of civil or building project cycle; (ii) the Group's finance department will require Wai Kee to provide its record of monthly Concrete order and delivery data of the Group's projects so that it can monitor volume pending project site verification, approval and recording process described above; (iii) the Group's finance department is to ascertain the forecast Concrete demand for the financial year of any project joint venture that is to become a subsidiary of the Company during the year and any new projects awarded to the Group during the year; and (iv) 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 the same against the approved annual caps. The senior management of the Group will determine if the relevant annual caps will 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

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 the principal activities of its group companies include property development and investment, toll road, investment and asset management, construction, sewage treatment and steam fuel, construction materials and quarrying.

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 Company entered into the 2021 Framework Agreement with Wai Kee in respect of, among others, the purchase of Concrete from Wai Kee (or its subsidiaries and/or associates) during the period from 1 January 2021 to 31 December 2023 for the Group's construction projects. Taking into account the number of existing civil and building projects of the Group on hand and potential projects under tender/discussions and their requirements for Concrete, the Company believes that the Group requires additional Concrete for the three financial years ending 31 December 2025, which accounted for the Proposed Annual Caps for the corresponding periods under the 2023 Framework Agreement.

The Company considers that it will be unduly burdensome and impracticable for, and will add unnecessary administrative cost to, the Company to obtain the Independent Shareholders' approval each time the Company purchases Concrete from Wai Kee in excess of the de minimis requirements under Chapter 14A of the Listing Rules. Therefore, the Company seeks the Independent Shareholders' approval for the terms and the Proposed Annual Caps under the 2023 Framework Agreement pursuant to Rule 14A.36 of the Listing Rules.

The terms of the 2023 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 2023 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 Annual Caps in relation to transactions under the 2023 Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Wai Kee (through its subsidiaries) is interested in 719,715,033 Shares, representing approximately 57.95% of the Company's issued share capital. As a majority shareholder of the Company, Wai Kee is therefore a connected person of the Company under the Listing Rules. Transactions contemplated under the 2023 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps for the transactions contemplated under the 2023 Framework Agreement exceeds 5%, the 2023 Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zen Wei Peu, Derek ("**Mr. Zen**"), an executive Director, is also an executive director of Wai Kee. Mr. Zen (i) held 123,725,228 Shares, representing approximately 9.96 % of the Company's issued share capital; and (ii) held 249,424,078 shares in Wai Kee, representing a total of approximately 31.45 % of the issued share capital of Wai Kee as at the date of this announcement. Accordingly, Mr. Zen has abstained from voting on the Board resolutions approving the terms and Proposed Annual Caps of the 2023 Framework Agreement 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.

## **SGM**

The SGM will be convened at which an ordinary resolution will be proposed to approve the terms of the 2023 Framework Agreement and the Proposed Annual Caps in relation to the transactions thereunder.

As Wai Kee is a party to the 2023 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 Proposed Annual Caps in relation to the transactions contemplated under the 2023 Framework Agreement. Mr. Zen confirmed to the Company that he and his associates will also abstain from voting in the SGM.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor, Mr. Lo Yiu Ching, Dantes and Ms. Ng Cheuk Hei, Shirley, has been formed to advise the Independent Shareholders in respect of the terms and the Proposed Annual Caps in relation to the transactions contemplated under the 2023 Framework Agreement.

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 Proposed Annual Caps in relation to the transactions contemplated under the 2023 Framework Agreement.

## **CIRCULAR**

A circular containing, among other things, (i) further information on the terms of the 2023 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 2023 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 2023 Framework Agreement; and (iv) the notice of the SGM is expected to be despatched to the Shareholders on or before 9 December 2022, as additional time is required by the Company to prepare and finalise certain information for inclusion in the Circular.

## **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: 00240)
“Concrete”	ready mixed concrete
“Directors”	the directors of the Company
“FY2021”	the financial year ended 31 December 2021

“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 Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor, Mr. Lo Yiu Ching, Dantes and Ms. Ng Cheuk Hei, Shirley, established to make recommendation to the Independent Shareholders in respect of the Proposed Annual Caps and the terms in relation to transactions contemplated under the 2023 Framework Agreement
“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 the Proposed Annual Caps and the terms in relation to transactions contemplated under the 2023 Framework Agreement
“Independent Shareholders”	Shareholders other than Wai Kee and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which shall for the purposes of this announcement not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Proposed Annual Caps”	the proposed annual caps for the continuing sale and purchase of Concrete from 1 January 2023 to 31 December 2025 under the 2023 Framework Agreement
“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 for the purpose of considering, and if thought fit, approving the Proposed Annual Caps and the terms in relation to transactions contemplated under the 2023 Framework Agreement
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Wai Kee”	Wai Kee Holdings Limited, a holding company of the Company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00610) and, where the context requires (in connection with the supply of Concrete to the Group), its subsidiaries
“2021 Annual Cap”	the annual cap for the continuing sale and purchase of Concrete from 1 January 2021 to 31 December 2021 under the 2021 Framework Agreement, being HK\$160 million
“2021 Framework Agreement”	the framework agreement dated 11 November 2020 entered into between the Company and Wai Kee in respect of the continuing sale and purchase of Concrete from 1 January 2021 to 31 December 2023
“2023 Framework Agreement”	the framework agreement dated 30 November 2022 entered into between the Company and Wai Kee in respect of the continuing sale and purchase of Concrete from 1 January 2023 to 31 December 2025
“%”	per cent

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

Hong Kong, 30 November 2022

*As at the date hereof, the Board comprises four executive directors, namely Mr. Zen Wei Peu, Derek, Mr. Chang Kam Chuen, Desmond, Mr. Lui Yau Chun, Paul and Mr. Tsui Wai Tim, two non-executive directors, namely Mr. David Howard Gem and Mr. Chan Chi Hung, Anthony, and four independent non-executive directors, namely Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor, Mr. Lo Yiu Ching, Dantes and Ms. Ng Cheuk Hei, Shirley.*