
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, 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 subsidiary of Crosby

A letter from the Board is set out on pages 3 to 9 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 10 to 11 of this circular.

A notice convening the special general meeting of Build King Holdings Limited to be held at Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 23 December 2022 at 12:00 noon 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 17/F., Far East Finance Centre, 16 Harcourt Road, 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.

PRECAUTIONARY MEASURES AT THE SPECIAL GENERAL MEETING

Please refer to Appendix II (Notice of Special General Meeting) to this circular for measures being taken to safeguard the health and well-being of the Shareholders who are attending the SGM in person, including:

- body temperature check
- health declaration
- wearing surgical face mask
- access restriction for quarantine participants according to the Department of Health of Hong Kong
- any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic
- no refreshment

Any Shareholder who refuses to co-operate with the precautionary measures will not be admitted to the venue. For the health and well-being of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

6 December 2022

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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: 00240)
“Concrete”	ready mixed concrete
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“FY2021”	for the financial year ended 31 December 2021
“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
“Latest Practicable Date”	30 November 2022, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC”	the People’s Republic of China, which shall for the purposes of this circular 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 on Friday, 23 December 2022 at 12:00 noon 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

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
Mr. Lui Yau Chun, Paul
Mr. Tsui Wai Tim

Non-executive Directors:

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

Independent Non-executive Directors:

Mr. Ho Tai Wai, David
Mrs. Ling Lee Ching Man, Eleanor
Mr. Lo Yiu Ching, Dantes
Ms. Ng Cheuk Hei, Shirley

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

6 December 2022

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the announcement of the Company dated 30 November 2022, in respect of, among others, the continuing connected transactions contemplated under the 2023 Framework Agreement with Wai Kee.

The purpose of this circular is to provide you with, 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.

LETTER FROM THE BOARD

BACKGROUND AND 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.

LETTER FROM THE BOARD

2023 FRAMEWORK AGREEMENT

The principal terms of the 2023 Framework Agreement are set out below:

Date	:	30 November 2022
Parties	:	(1) the Company (2) Wai Kee
Subject matter	:	The Company (by itself or through its subsidiaries) may from time to time, but is not obliged to purchase Concrete during the period from 1 January 2023 to 31 December 2025 from Wai Kee (or its subsidiaries and/or associates) by entering into individual contracts.
Term	:	A term of three years starting from 1 January 2023 and ending on 31 December 2025 (both dates inclusive) (subject to the approval of the 2023 Framework Agreement to be granted by resolution of the Independent Shareholders at the SGM), unless terminated by either party by giving not less than three (3) months' prior written notice to the other party.
Conditions	:	The 2023 Framework Agreement is conditional on the Independent Shareholders having approved the transactions contemplated under the 2023 Framework Agreement at the SGM of the Company, upon which the 2021 Framework Agreement will cease to have effect in respect of transactions from 1 January 2023.

Purchase of Concrete

Existing annual caps and historical figures

The following table sets out the existing annual caps for the three years ending 31 December 2023 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:

	For the year ended 31 December		
	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.

LETTER FROM THE BOARD

Proposed Annual Caps under the 2023 Framework Agreement

Under the 2023 Framework Agreement, the Company 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 caps 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 building and civil 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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

Listing Rules Implications

As at the Latest Practicable Date, 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 or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the maximum 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 approximately 31.45 % of the issued share capital of Wai Kee as at the date of the 2023 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 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.

LETTER FROM THE BOARD

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.

SGM

It is proposed that the SGM be convened and held at 12:00 noon on Friday, 23 December 2022 at Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering, and, if thought fit, approve the terms of the 2023 Framework Agreement and the Proposed Annual Caps in relation to the transactions thereunder. A notice of the SGM is set out on pages 29 to 30 of this circular.

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 on that resolution in the SGM.

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 that the terms and the Proposed Annual Caps in relation to the transactions contemplated under the 2023 Framework Agreement are normal commercial terms and are fair and reasonable and entering into the 2023 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.

The Board recommends that all Independent Shareholders to vote in favour of the ordinary resolution to approve the transactions contemplated under the 2023 Framework Agreement and the Proposed Annual Caps 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 Proposed Annual Caps in relation to the transactions under the 2023 Framework Agreement as set out in this circular.



BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

6 December 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by Company to the Shareholders dated 6 December 2022 (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 Proposed Annual Caps in relation to the transactions under the 2023 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 12 to 23 of the Circular.

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 2023 Framework Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
For and on behalf of
Independent Board Committee of
Build King Holdings Limited
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley
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 Proposed Annual Caps in relation to the transactions under the 2023 Framework Agreement.

BALLAS

C A P I T A L

A subsidiary of Crosby

5/F, Capital Centre,
151 Gloucester Road,
Wanchai, Hong Kong

6 December 2022

*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 2023 Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) of the Company to the Shareholders dated 6 December 2022, 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.

On 11 November 2020, the Company entered into the 2021 Framework Agreement with Wai Kee in respect of the purchase of Concrete from Wai Kee (or its subsidiaries and/or associates) (the “**Concrete CCT**”) during the period from 1 January 2021 to 31 December 2023 for the Group’s construction projects. The 2021 Framework Agreement together with the proposed annual caps for the three years ending 31 December 2023 thereunder was approved by the Independent Shareholders on 30 December 2020. On 1 April 2022, the Company announced that annual cap for the year ended 31 December 2021 under the 2021 Framework Agreement has been exceeded due to the significant increase in purchase of Concrete from Wai Kee during the last quarter of 2021. To provide for increases in demand of Concrete for the Group for its projects based on the larger number of construction and building projects on hand and under tender/discussion, the Company and Wai Kee entered into the 2023 Framework Agreement in respect of the Concrete CCT with revised annual caps for the three years ending 31 December 2025.

As at the Latest Practicable Date, 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)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in respect of the maximum 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 the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 approximately 31.45% of the issued share capital of Wai Kee as at the date of the 2023 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 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.

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.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the 2023 Framework Agreement or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser in relation to the 2021 Framework Agreement as disclosed in the circular of the Company dated 4 December 2020; (ii) the appointment as the independent financial adviser in respect of the formation of a "joint venture" as announced by the Company on 6 October 2022; and (iii) this appointment as the independent financial adviser in relation to the Concrete CCT, we did not have any other relationship with or interests in the Company, the counterparties of the transactions contemplated under the 2023 Framework Agreement or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Accordingly, we consider we are eligible to give independent advice on the Concrete CCT.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have reviewed information on the Company, including but not limited to, the 2023 Framework Agreement, annual reports of the Company for each of the two years ended 31 December 2020 and 2021 ("FY2021"), the interim report of the Company for the six months ended 30 June 2022 ("6M2022") and other information contained 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the 2023 Framework Agreement, we have considered the following principal factors and reasons:

A. Background of and reasons for entering into the 2023 Framework Agreement

Information on the Group

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.

Information on Wai Kee

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.

Reasons for entering into the 2023 Framework Agreement

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 Company entered into the 2021 Framework Agreement with Wai Kee in respect of 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. The 2021 Framework Agreement together with the proposed annual caps for the three years ending 31 December 2023 thereunder was approved by the Independent Shareholders on 30 December 2020.

As disclosed in the announcement dated 1 April 2022 and the Letter from the Board, the transaction amount of the procurement of Concrete by the Group from Wai Kee for FY2021 exceeded the existing annual cap for FY2021 under the 2021 Framework Agreement. 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 existing annual cap in respect of the procurement of Concrete by the Group from Wai Kee for FY2023 under the 2021 Framework Agreement will not be sufficient for the Group's needs. Accordingly, on 30 November 2022, the Company and Wai Kee entered into the 2023 Framework Agreement in respect of the Concrete CCT with revised annual caps for the three years ending 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the long-established existing cooperation relationship between the Group and Wai Kee; (ii) the 2023 Framework Agreement is essential to maintaining business stability and ensuring operational efficiency for the Group and Wai Kee on a mutual basis, and the supply of Concrete by the Wai Kee Group to the Group under the 2023 Framework Agreement; (iii) management's expectation that the existing annual cap for FY2023 under the 2021 Framework Agreement may not be sufficient for the Group's needs; and (iv) our analysis and view on the major terms of the 2023 Framework Agreement (as explained further below), we concur with the view of the management of the Company that the entering into the 2023 Framework Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

B. Major terms of the 2023 Framework Agreement

The principal terms of the 2023 Framework Agreements are set out below:

Date:	30 November 2022
Parties:	(1) The Company (2) Wai Kee
Subject matter:	The Company (by itself or through its subsidiaries) may from time to time, but is not obliged to purchase Concrete during the period from 1 January 2023 to 31 December 2025 from Wai Kee (or its subsidiaries and/or associates) by entering into individual contracts.
Term:	A term of three years starting from 1 January 2023 and ending on 31 December 2025 (both dates inclusive), unless terminated by either party by giving not less than three (3) months' prior written notice to the other party.
Condition:	The 2023 Framework Agreement is conditional on approval by the Independent Shareholders, upon which the 2021 Framework Agreement will cease to have effect in respect of transactions from 1 January 2023.

Pursuant to the 2023 Framework Agreement, the Group and the Wai Kee Group will enter into individual agreement for each individual transaction under the term of the 2023 Framework Agreement.

Pricing Policy

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. In particular,

1. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Group will generally invite tenders/quotations from at least three independent suppliers for a new construction project.
3. 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.
4. 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.

We have randomly selected, obtained and reviewed: (i) 6 sets of Concrete procurement contracts entered into between the Company and Wai Kee (the “**Sample Contracts**”) during FY2021 and the nine months ended 30 September 2022 (the “**9M2022**”) (the “**Review Period**”); (ii) 6 sets of Concrete price quotation records in relation to the relevant Sample Contracts during the Review Period (the “**Price Quotations**”); and (iii) 2 sets of Concrete contracts entered into between the Company and independent suppliers together with the relevant quotation records during the Review Period (the “**Independent Contracts**”). Based on our review of the Sample Contracts, the Price Quotations and the Independent Contracts, we noted that (i) the unit price offered by Wai Kee was at a level no less favourable to the Company than the unit price offered by the independent third parties; and (ii) the pricing principle adopted by the Group in respect of the purchases from Wai Kee was consistent with that applied to independent suppliers. The management of the Company further advises that the practice of inviting at least three suppliers to provide quotation in respect of new construction projects is a common practice in the industry. Given the above, 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 and we consider the pricing principle as stipulated in the 2023 Framework Agreement, which is the same as the pricing principle stipulated in the 2021 Framework Agreement, to be fair and reasonable.

Internal control procedures

As set out in the Letter from the Board, each delivery of Concrete to a project site will be verified, approved and recorded by project administrative staff in the procurement system. The Group has established an internal guideline to monitor compliance with the annual caps. The measures include the following:

- (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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

Based on the above, the management of the Company considers, and we concur, that the Group has in place internal procedures to monitor compliance with the annual cap requirements under the 2023 Framework Agreement.

C. The annual caps

Existing annual caps and historical figures

As stated in the Letter from the Board, the table below sets out: (i) the historical actual transaction amounts of the 2021 Framework Agreement for FY2021 and 9M2022; (ii) the existing annual caps of the 2021 Framework Agreement for each of three years ending 31 December 2023; and (iii) the respective utilisation rates of the existing annual caps of the 2021 Framework Agreement for each of FY2021 and 9M2022.

	For the year ended/ending 31 December		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Existing annual caps	160,000	170,000	140,000
Historical actual transaction amounts (in the case of 2022, from 1 January to 30 September only)	199,532	109,516	N/A
Utilisation rates	124.7%	64.4%	N/A

As illustrated above, the historical actual transaction amounts for the procurement of Concrete by the Group to Wai Kee for FY2021 exceeded the existing FY2021 annual cap by approximately HK\$39.5 million, representing approximately 124.7% of the existing FY2021 annual cap under 2021 Framework Agreement due to (i) the significant increase of purchases of Concrete from the Wai Kee Group in respect of 3 new atypical projects in the last quarter of 2021; and (ii) the purchases of Concrete by a joint venture of the Company which became a subsidiary of the Company in December 2021.

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The historical actual transaction amount of the procurement of Concrete for 9M2022 amounted to approximately HK\$109.5 million, representing approximately 64.4% of the existing annual cap of HK\$170.0 million for the year ending 31 December 2022 (“FY2022”). Should the historical actual transaction amount of the procurement of Concrete for 9M2022 be annualised, the projected transaction amount of the procurement of Concrete for FY2022 would amount to approximately HK\$146.0 million, representing approximately 85.9% of the existing annual cap of for FY2022. Considering the projected requirements for Concrete based on the existing number of civil and building projects of the Group on hand and potential projects under tender/discussions (as discussed further below), the Group expects that the existing annual cap for the year ending 31 December 2023 under the 2021 Framework Agreement is not sufficient. As such, the Company and Wai Kee entered into the 2023 Framework Agreement in respect of the Concrete CCT and the Proposed Annual Caps thereunder for the three years ending 31 December 2025.

The Proposed Annual Caps under the 2023 Framework Agreement

The table below sets out the Proposed Annual Caps for each of three years ending 31 December 2025 under the 2023 Framework Agreement.

Period	Total value not exceeding HK\$'000 (Note)
Year ending 31 December 2023 (“FY2023”)	380,000
Year ending 31 December 2024 (“FY2024”)	370,000
Year ending 31 December 2025 (“FY2025”)	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 set out in the Letter from the Board, the Proposed Annual Caps 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;

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- (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 building and civil 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.

As set out in the Letter from the Board, 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 6M2022 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). As further stated in the Letter from the Board, 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 ending 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.

In assessing the fairness and reasonableness of the annual caps under the 2023 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 2023 Framework Agreement have primarily taken into account the Group's demand for Concrete from (i) the existing projects on hand of the Group (the "**Existing Projects**"); and (ii) the possible new projects in Hong Kong that the Group may be awarded during the term of the 2023 Framework Agreement (the "**Potential Projects**").

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The table below sets out the Proposed Annual Caps under the 2023 Framework Agreement by the Existing Projects and the Potential Projects:

	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing projects	148,096	77,809	90,654
Potential projects	<u>197,100</u>	<u>254,350</u>	<u>294,350</u>
	345,196	332,159	385,004
Buffer (10%)	<u>34,520</u>	<u>33,216</u>	<u>38,500</u>
Estimated amounts (<i>Note</i>)	379,716	365,375	423,504
Proposed Annual Caps	380,000	370,000	430,000

Note: The estimated amounts are rounded up to arrive at the annual caps.

Existing Projects

In respect of the estimated Concrete demand for the Existing Projects, we understand from management of the Company that they have considered the 33 Existing Projects on hand (including civil and building projects) regarding their Concrete demand that are estimated in accordance with the planned construction progress during the term of the 2023 Framework Agreement. We have obtained and reviewed the projection of the expected Concrete consumption for each of the Existing Projects in each of FY2023, FY2024 and FY2025 and note that:

- (i) the projected Concrete consumption for the Existing Projects under the Proposed Annual Caps is estimated as the aggregate amount of the expected Concrete consumption under the Existing Projects in respective years based on the expected project span;
- (ii) the total estimated annual contract turnover of 33 Existing Projects on hand (comprising 15 civil and 18 building projects) is approximately HK\$5,171 million, HK\$1,363 million and HK\$975 million for FY2023, FY2024 and FY2025, respectively;
- (iii) the purchase of Concrete relating to the Existing Projects accounts for approximately 39.0%, 21.0% and 21.1% of the Proposed Annual Cap for FY2023, FY2024 and FY2025 under the 2023 Framework Agreement, respectively; and
- (iv) the contribution of the Existing Projects to the Proposed Annual Caps are expected to decrease after FY2023 as most of the Existing Projects are expected to be completed in 2024.

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Potential Projects

In respect of the anticipated Concrete demand for the Potential Projects, we understand from management of the Company that the Potential Projects mainly comprise 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. We have obtained and reviewed:

- (i) a list of the 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 FY2023, FY2024 and FY2025, respectively; and
- (ii) the calculation of the Concrete consumption for the Potential Projects during the period of the Proposed Annual Caps and we have made further enquiry to the management of the Company and understand that:
 - (a) the 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) which is consistent with the general duration of the historical projects; and
 - (b) the Concrete consumption to the projected contract sum of the Potential Projects is assumed to be 4.4% of the contract sum for the potential civil projects and approximately 2.1% of the contract sum for the potential building projects (the “**Concrete Consumption Ratio**”) which is determined with the reference to the average the historical Concrete Consumption Ratio (being historical Concrete consumption to respective contract sum of the Group’s existing building and civil projects), including those Concrete purchased from Wai Kee and independent suppliers.

We note that the purchase of Concrete relating to the Potential Projects accounts for approximately 51.9%, 68.7% and 68.5% of the Proposed Annual Caps for FY2023, FY2024 and FY2025 under the 2023 Framework Agreement, respectively.

We understand from the management of the Company that the significant increase of the Proposed Annual Caps compared to the actual historical transaction amount for FY2021 and the approved annual cap for FY2022 is mainly attributable to the following factors:

- (i) the overall improved market conditions and prospects since December 2020 which leads to an increased number of projects on hand and the projects expected to be awarded during the term of the 2023 Framework Agreement (relative to only 23 projects on hand together with a flat projection on potential projects during the 2021 Framework Agreement);

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- (ii) the increasing trend of the Group's revenue with a turnover growth of approximately 31% and 25% for FY2021 and 6M2022, respectively, compared to nearly zero revenue growth for FY2020;
- (iii) a higher Concrete Consumption Ratio compared to approximately 2.8% for potential civil projects and approximately 1.7% for the potential building projects under the 2021 Framework Agreement which is mainly due to the fact that the majority of the civil projects mainly are infrastructure related which generally have a higher concrete consumption rate; and
- (iv) the Group will continue to seek and tender for potential projects as it sees fit during the term of the 2023 Framework Agreement.

Haven taking into account the above and our review of the underlying calculations of the Proposed Annual Caps provided by the Company, we concur with the view of the management of the Company that the Proposed Annual Caps under the 2023 Framework Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

D. Requirements by the Listing Rules regarding the Concrete CCT

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the 2023 Framework Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Concrete CCT 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 Company 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 Concrete CCT:
 - has not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the Concrete CCT involved 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 Concrete CCT; and
 - have exceeded the annual caps.

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- (c) the Company must allow, and ensure that the relevant counter parties to the Concrete CCT allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Concrete CCT; and
- (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 review and reporting requirements attached to the transaction contemplated thereunder the 2023 Framework Agreement, 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 transaction contemplated thereunder the 2023 Framework Agreement and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the transaction contemplated thereunder the 2023 Framework Agreement and safeguard the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the 2023 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 Company and the Shareholders as a whole, and the terms thereof as well as the respective annual caps are fair and reasonable so far as the Company and the 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 2023 Framework Agreement.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Colin Lee**
Managing Director *Director*

Note: Ms. Heidi Cheng has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003 and Mr. Colin Lee has been a licensed representative of Type 6 (advising on corporate finance) regulated activities from 2013 to 2018 and since 2020.

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
Lui Yau Chun, Paul	Personal	1,683,092	–	0.14
Tsui Wai Tim	Personal	1,150,000	–	0.09
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	249,424,078	–	31.45
		Securities interest	45,567,000	–	5.75
	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
Lui Yau Chun, Paul	Wai Kee	Personal	200,000	–	0.03

Note:

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 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 (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	719,715,033	57.95	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	719,715,033	57.95	–	–
Wai Kee (Note 4)	Corporate	719,715,033	57.95	–	–

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was treated as a controlling shareholder).

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, 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 CHANGE

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 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

Below is the qualification 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 2021, 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 ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.buildking.hk) for a period of 14 days from the date of this circular:

- (a) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 23 of this circular; and
- (b) the 2023 Framework Agreement.

**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 Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 23 December 2022 at 12:00 noon to transact the following businesses:

ORDINARY RESOLUTION**THAT:**

- (a) the terms and the proposed annual caps in relation to the transactions under a framework agreement dated 30 November 2022 (the “**2023 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 2023 Framework Agreement and otherwise in connection with the implementation of the transactions contemplated thereunder.

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

Hong Kong, 6 December 2022

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. For determining the entitlement to attend and vote at the Special General Meeting of the Company (“SGM”) to be held on Friday, 23 December 2022, the register of members of the Company will be closed from Thursday, 22 December 2022 to Friday, 23 December 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Wednesday, 21 December 2022.
2. 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.
3. 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.
4. 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 17/F., Far East Finance Centre, 16 Harcourt Road, 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.
5. 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.
6. 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, then 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.
7. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of the Shareholders (or their proxies) who are attending the SGM in person, including body temperature check, health declaration, wearing surgical face mask, access restriction for quarantine participants according to the Department of Health of Hong Kong, plus safe distancing measures for queue management and seating at the meeting venue. To reduce close contact between attendees at the SGM, no refreshment will be served at the meeting venue. Any person who refuses to co-operate with the above precautionary measures, or with a body temperature above the reference range quoted by the Department of Health of Hong Kong from time to time, or exhibiting flu-like symptoms, will not be admitted to the meeting venue.