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## **BUILD KING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00240)**

### **CONNECTED TRANSACTION**

On 25 April 2023, members of the Group (as sub-contractor) entered into the Supplementary Agreement with Faith Oriental (as main contractor) pursuant to which the duration of the Sub-contract was extended to 31 December 2025 and the scope of the Sub-contract Works was expanded to include certain additional works.

As at the date of this announcement, Wai Kee (which wholly-owns Faith Oriental) is a majority shareholder of the Company. Accordingly, Wai Kee and Faith Oriental are connected persons of the Company under the Listing Rules, and the Supplementary Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Supplementary Agreement exceed 5%, the transactions contemplated thereunder are subject to the reporting, 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 consider, and if thought fit, to approve the terms of the Supplementary Agreement. The Independent Board Committee 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, has been formed to advise the Independent Shareholders in respect of the terms of the Supplementary Agreement and the transactions contemplated thereunder. Ballas Capital Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same transactions.

A circular containing, among other things, (i) further information on the Supplementary Agreement; (ii) recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; (iv) a notice of the SGM; and (v) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 3 May 2023.

## BACKGROUND

On 31 March 2015, Faith Oriental has been awarded the Main Contract under which it is required to carry out design, construction, completion and maintenance works in relation to the rehabilitation of the Lam Tei Quarry over a period of approximately seven years from and including the date of possession of the site by Faith Oriental. The Main Contract grants Faith Oriental the rights and permission to process and sell surplus rock, overburden (being soft natural material or totally or partially decomposed rock) and rock products; to erect and/or install and operate processing plant, buildings and structures within the site to manufacture, to sell and export from the site ready-mixed concrete, precast concrete units, bituminous materials; to manufacture, store, sell and export emulsion matrix from the site; and with prior permission from the government-appointed supervising officer under the Main Contract to import rock, rock product, fill material and/or recycled aggregates.

On 21 July 2015, members of the Group (as sub-contractor) entered into the Sub-contract with Faith Oriental (as main contractor) to carry out the Sub-contract Works at Lam Tei Quarry for a period of approximately seven years which corresponds to the duration of the Main Contract.

On 18 October 2022, Faith Oriental (as contractor) entered into a supplementary agreement with the Government of Hong Kong Special Administrative Region pursuant to which, amongst other things, the duration of the Main Contract was extended to 31 December 2025.

In light of the extension of duration of the Main Contract and the progress of works undertaken by Faith Oriental under the Main Contract, on 25 April 2023, members of the Group (as sub-contractor) entered into the Supplementary Agreement with Faith Oriental (as main contractor) pursuant to which the duration of the Sub-contract was extended to 31 December 2025 and the scope of the Sub-contract Works was expanded to include the additional works described below.

## THE SUPPLEMENTARY AGREEMENT

**Date:** 25 April 2023 (which extended and supplemented the Sub-contract dated 21 July 2015)

**Parties:** Kaden-Titan JV as sub-contractor; and  
Faith Oriental as the main contractor.

**Sub-contract Works:** *Under the Sub-contract*

Pursuant to the Sub-contract, Kaden-Titan JV is required to undertake the following Sub-contract Works (subject to any variations authorised by Faith Oriental) over a term of approximately seven years from the date on which Kaden-Titan JV took possession of the site in accordance with the Sub-contract:

1. rock excavation and multi-transportation of rock material within the site area, all in accordance with the details of and requirements under the Main Contract or as directed by Faith Oriental save as expressly stated elsewhere in the Sub-Contract;

2. provision, servicing, removal upon Sub-contract Works completion, of temporary site accommodation, for Faith Oriental and the government-appointed supervising officer; and
3. (if required) temporary and permanent drainage, irrigation system and slope stabilization work according to the design to be provided by Faith Oriental.

As at 31 December 2022, approximately 90% of the total volume of rock has been excavated within the site and members of the Group have received approximately HK\$386,928,000 of the Sub-contract Price from Wai Kee Group and the remaining works mainly relate to works for landscaping, drainage, slope stabilization and hoarding.

The agreed Sub-contract Price for the above Sub-contract Works is HK\$532,635,000 (subject to adjustment in respect of the actual works completed on the site). Nonetheless, the Group estimates that the final Sub-contract Price for the original Sub-contract Works is expected to be lower than HK\$532,635,000 because the actual works performed by Kaden-Titan JV are less than estimated, which was contributed by lower actual quantity of rocks required for rock blasting and transportation work.

**Under the Supplementary Agreement**

Pursuant to the Supplementary Agreement, Kaden-Titan JV is required to undertake the following additional works (subject to any variations authorised by Faith Oriental) in addition to the Sub-contract Works:

1. Multi-transportation of imported rock materials within the site area during the extended period in accordance with the details and requirements of the extended Main Contract or as directed by Faith Oriental save as expressly stated elsewhere in the Sub-Contract; and
2. servicing temporary site accommodation for Faith Oriental and the government-appointed supervising officer during the extended period.

All works under both the Sub-contract and the Supplementary Agreement are to be performed in compliance with the works programme specified by Faith Oriental and in any event within the milestone dates for completion of works specified in the extended Main Contract.

**Sub-contract Price:**

The parties agreed an additional Sub-contract Price of HK\$161,415,640 for the additional works under the Supplementary Agreement (subject to adjustment in respect of the actual works completed on the site).

Approximately HK\$98,126,640 and HK\$63,289,000 of the additional Sub-contract Price are for the earthworks and preliminaries respectively.

The additional Sub-contract Price has been determined based on the Group's pricing policy for construction projects or other projects involving the delivery of services similar to the additional works taking into account factors such as:

- (i) the Group's estimation of the volume of imported rock materials that would be required to be handled at the site;
- (ii) the estimated costs of labour and professional staff, temporary materials, sub-contractors, plant and equipment required to undertake the works and other costs such as insurance costs, utilities, transportation costs and costs for maintenance of site safety;
- (iii) the estimated costs of servicing and maintaining temporary site accommodation for the government-appointed supervising officer based on specifications under the extended Main Contract, and for Faith Oriental based on operations undertaken pursuant to the Main Contract;
- (iv) the estimated costs of servicing and maintaining site vehicle for Faith Oriental and the government-appointed supervising officer; and
- (v) historical costs of providing those services during the term of the Sub-contract, the overall profit margin that could be achieved being higher than other contracts undertaken by the Group for independent third party employers/main contractors due to the efficiencies of the Group's team having developed close working relationship with Faith Oriental during the Sub-contract that allows for more effective cost control compared to new projects.

To ensure that the Group's margins for sub-contracting projects are determined appropriately, the Group has internal control procedures in place whereby the details of works, estimation of costs and margins are reviewed by at least two directors of the sub-contracting entity. For sub-contracting projects with contract sum of over HK\$10 million (as in the case of the additional works under the Supplementary Agreement), approval from the Chairman of the Group is also required. The requisite review of the Supplementary Agreement has been done by two directors of each of Kaden and Titan who do not have any material interests in the transactions contemplated under the Supplementary Agreement, and the Chairman's approval for the Supplementary Agreement was obtained accordingly. Separately, as disclosed below, the Chairman, Mr. Zen Wei Peu, Derek ("Mr. Zen"), has abstained from voting on the Board resolution approving the Supplementary Agreement because of his shareholding in Wai Kee.

**Payment:** Monthly payments for all works under both the Sub-contract and the Supplementary Agreement are to be made by reference to monthly statements of value of work properly done, all materials delivered to the site for incorporation in the works and if allowable under the Main Contract, the value of off-site materials for incorporation in such works at the date of the relevant statement.

The statements of value of work properly done is prepared based on the records kept on the site of the volume of rock material processed. Each truckload of rock material will be weighed in at a weighbridge on the site witnessed by representatives of both the Group and Wai Kee Group and recorded accordingly. These records are also subject to review by the government-appointed supervising officer.

Revenue in the Group's financial statements is recognised by using the output method, measured by reference to the value of work performed during the relevant period in accordance with the Hong Kong Financial Reporting Standards.

**Conditions Precedent:** The obligations of the parties under the Supplementary Agreement are conditional upon approval by the Independent Shareholders pursuant to the Listing Rules.

**Duration:** The term for the delivery of the works under the Sub-contract and the Supplementary Agreement expires on 31 December 2025.

## **REASONS FOR AND BENEFITS OF THE SUPPLEMENTARY AGREEMENT**

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. Kaden-Titan JV is a joint venture between Kaden and Titan, each a wholly-owned subsidiary of the Company. Kaden-Titan JV is a joint venture set up by Kaden and Titan solely for the project at Lam Tei Quarry. The principal business of Kaden is to undertake civil engineering and building construction projects and that of Titan is to undertake piling, foundation and earth works.

Wai Kee (the holding company of the Company) is an investment holding company and its group companies are principally engaged in property development and investment, toll road, investment and asset management, construction, sewage treatment and steam fuel, construction materials and quarrying. Faith Oriental is a wholly-owned subsidiary of Wai Kee. Its principal business is investment holding, quarrying, manufacturing, trading and delivery of construction materials.

Given that the additional works under the Supplementary Agreement (which mainly related to the transportation of rock materials and servicing temporary site accommodation for Faith Oriental) are part of the Group's core construction business activities and are effectively a continuation of the Sub-contract Works undertaken by the Group since 2015 on the same site largely co-terminus with the extension of the Main Contract, the Directors are of the view that it is desirable to enter into the Supplementary Agreement and to generate more revenue for the Group from performing the additional works.

Taking into account the scope of work and the basis of the Sub-contract Price described above, the Directors (excluding the independent non-executive Directors whose views will be formed after considering the advice of the Independent Financial Adviser) are of the view that the terms of the Supplementary Agreement are fair and reasonable 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.

## **LISTING RULES IMPLICATIONS**

Wai Kee is a majority shareholder of the Company. As at the date of this announcement, Wai Kee (through its subsidiaries) is interested in 724,435,033 Shares, representing approximately 58.33% of the Shares in issue. Accordingly, Wai Kee is a substantial shareholder of the Company and therefore a connected person 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 transactions contemplated under the Supplementary Agreement exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Faith Oriental, a wholly-owned subsidiary of Wai Kee, is a party to the Sub-Contract, Wai Kee and its associates are required under the Listing Rules to abstain from voting at the SGM on the resolution for approving the Supplementary Agreement. Mr. Zen, the Chairman and an executive Director held (i) 119,775,228 Shares representing 9.64% of the Company's issued share capital; and (ii) 249,424,078 shares in Wai Kee representing 31.45% of the issued share capital in Wai Kee as at the date of the Supplementary Agreement and as at the date of this announcement. Accordingly, Mr. Zen has abstained from voting on the Board resolution approving the Supplementary Agreement, as required by the bye-laws of the Company, on the basis that Mr. Zen, as a director of the Company, is deemed to have a material interest in those transactions under the bye-laws of the Company. In addition, Mr. Zen has confirmed to the Company that he and his associates will also voluntarily abstain from voting at the SGM.

## **SGM**

The SGM will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the terms of the Supplementary Agreement. The Independent Board Committee 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, has been formed to advise the Independent Shareholders in respect of the terms of the Supplementary Agreement and the transactions contemplated thereunder. Ballas Capital Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same transactions.

A circular containing, among other things, (i) further information on the Supplementary Agreement; (ii) recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; (iv) a notice of the SGM; and (v) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 3 May 2023.

## DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Build King Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 240)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Faith Oriental”	Faith Oriental Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wai Kee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“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 terms of the Supplementary Agreement
“Independent Financial Adviser”	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 terms of the Supplementary Agreement
“Independent Shareholders”	Shareholders other than Wai Kee and its associates
“Kaden”	Build King Construction Limited (formerly known as Kaden Construction Limited), a company incorporated in the United Kingdom with limited liability and a wholly-owned subsidiary of the Company
“Kaden-Titan JV”	a joint venture between Kaden and Titan

“Lam Tei Quarry”	a quarry located in Lam Tei, Tuen Mun, New Territories, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Contract”	Contract No. GE/2014/01 for the rehabilitation of Lam Tei Quarry - Extended Works between the Government of Hong Kong, as employer, and Faith Oriental as contractor
“PRC”	The People’s Republic of China
“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 terms of the Supplementary Agreement
“Shareholders”	the shareholders of the Company
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contract”	the sub-contract between Kaden-Titan JV and Faith Oriental dated 21 July 2015 regarding the carrying out of the Sub-contract Works
“Sub-contract Price”	a sub-contract price of HK\$532,635,000 agreed by the parties under the Sub-contract
“Sub-contract Works”	the sub-contract works described under the section headed “THE SUPPLEMENTARY AGREEMENT” in this announcement
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Supplementary Agreement”	the supplementary agreement between Kaden-Titan JV and Faith Oriental dated 25 April 2023 pursuant to which the Sub-contract was extended and supplemented
“Titan”	Titan Foundation Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company



“Wai Kee”	Wai Kee Holdings Limited, a holding company of the Company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 610)
“Wai Kee Group”	Wai Kee and its subsidiaries (other than members of the Group)

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

Hong Kong, 25 April 2023

*As at the date of this announcement, 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.*