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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wai Kee Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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### WAI KEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

## CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE BUSINESS SERVICES AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Advisor to  
the Independent Board Committee and the Independent Shareholders**

**VEDA | CAPITAL**  
**智 略 資 本**

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A letter from the Board is set out on pages 3 to 11 of this circular. A letter of advice from the Independent Financial Adviser (as defined herein) to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 14 to 26 of this circular. A letter of the Independent Board Committee is set out on pages 12 to 13 of this circular.

A notice convening the special general meeting of Wai Kee Holdings Limited to be held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 December 2015 at 10:00 a.m. is set out in 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 Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, 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 at the meeting or any adjourned meeting if they so wish.

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## DEFINITIONS

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings.

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Build King Group”	Build King Holdings Limited, a subsidiary of the Company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 240), and its subsidiaries
“Business Services Agreement”	business services agreement dated 23 August 2013 between the Company and NWD in relation to the provision of the Services by the members of the Group to members of NWD Group
“Company”	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 610)
“connected person”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely, Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, established to make recommendation to the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions under the New Business Services Agreement
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and being an independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions under the New Business Services Agreement

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders other than NWD and its associates (as defined in the Listing Rules)
“Latest Practicable Date”	4 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Business Services Agreement”	the new business services agreement entered into between the Company and NWD on 4 December 2015 in relation to the provision of the Services by the members of the Group to members of NWD Group
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability the shares of which are listed on the Main Board of the Stock Exchange (stock code: 17)
“NWD Group”	NWD and its subsidiaries from time to time
“Services”	services covering construction, maintenance, and project management related services including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, port and infrastructure facilities, maintenance, construction and interior decoration and other related services which may from time to time be provided by the Group to NWD Group
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on Tuesday, 29 December 2015 at 10:00 a.m. at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approving the terms of and the proposed annual caps in relation to the transactions under the New Business Services Agreement
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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### WAI KEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

*Executive Directors:*

Mr. Zen Wei Pao, William (*Chairman*)  
Mr. Zen Wei Peu, Derek  
*(Vice Chairman and Chief Executive Officer)*  
Miss Chiu Wai Yee, Anriena

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Directors:*

Mr. Lam Wai Hon, Patrick  
Mr. Cheng Chi Ming, Brian  
Dr. Cheng Chi Pang, Leslie

*Principal Place of Business:*

Unit 1103, 11th Floor  
East Ocean Centre  
98 Granville Road, Tsimshatsui  
Kowloon  
Hong Kong

*Independent Non-executive Directors:*

Dr. Wong Che Ming, Steve  
Mr. Wan Siu Kau, Samuel  
Mr. Wong Man Chung, Francis

10 December 2015

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE BUSINESS SERVICES AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the announcement and circular of the Company dated 23 August 2013 and 29 August 2013, respectively, regarding, among others, the continuing connected transactions contemplated under the Business Services Agreement and the announcement dated 4 December 2015 in relation to the renewal of the Business Services Agreement (including the annual caps thereunder) with NWD.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with further information on the renewal of the Business Services Agreement and related information required under the Listing Rules.

### **BACKGROUND INFORMATION AND REASONS FOR AND BENEFITS OF THE RENEWAL OF THE BUSINESS SERVICES AGREEMENT**

Members of the Group (including Build King Group) have been exploring opportunities to tender for potential construction projects of NWD Group. During the term of the Business Services Agreement, members of the Group entered into transactions with members of NWD Group in respect of the Services contemplated under the Business Services Agreement. The Group and NWD Group wish to continue with the transactions in relation to the Services which may arise from time to time.

In light of the expiry of the current term of the Business Services Agreement on 22 August 2016 and to ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to renew the Business Services Agreement in order to facilitate the conduct of transactions of similar nature to those under the Business Services Agreement. The Company will seek prior Independent Shareholders' approval of all the existing and foreseeable continuing connected transactions entered or to be entered into between members of the Group and NWD Group and thereby aims to reduce the administrative burden on the Company to comply with the reporting and independent shareholders' approval requirements under the Listing Rules in relation to the execution or renewal of agreements in respect of the Services.

The terms of the New Business Services Agreement were arrived at after arm's length negotiations between the parties. Members of the Group will enter into separate agreement(s) with the members of NWD Group upon successful bidding or tender for each contract for provision of Services.

### **THE NEW BUSINESS SERVICES AGREEMENT**

The principal terms of the New Business Services Agreement are set out below:

**Date** : 4 December 2015

**Parties** : (1) the Company  
(2) NWD

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## LETTER FROM THE BOARD

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**Subject matter** : The New Business Services Agreement requires that all agreements in relation to the provision of Services by members of the Group to members of NWD Group are:

- (a) in writing and set out the terms and conditions on which the transactions contemplated thereunder shall be undertaken;
- (b) determined in the usual and ordinary course of business of the Group and NWD Group on normal commercial terms (as defined in the Listing Rules);
- (c) negotiated on an arm's length basis and at prices and terms at the prevailing market rates no less favourable to the Group than the prices and terms offered by the Group to independent third parties; and
- (d) in compliance with all applicable provisions of the Listing Rules, the New Business Services Agreement and the respective agreement(s) for provision of Services.

It applies to all agreements for Services subsisting on or entered into after the commencement of the term of the New Business Services Agreement.

In the event of any conflict between the terms of the New Business Services Agreement and the terms of any agreement for provision of Services, the terms of the New Business Services Agreement shall prevail.

**Payment terms** : The payment terms are not provided under the New Business Services Agreement and will be determined on a case-by-case basis and set out in the relevant agreements as contemplated under the New Business Services Agreement.

**Term** : An initial term of three years starting from 1 January 2016 (subject to the approval of the New Business Services Agreement to be granted by resolution of the Independent Shareholders at the SGM), unless terminated earlier in accordance with the terms and conditions thereunder.

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## LETTER FROM THE BOARD

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Subject to re-compliance with the requirements of the applicable Listing Rules and other applicable laws and regulations at the relevant time or, alternatively, any waivers obtained from the strict compliance with such requirements, upon expiry of the initial term or subsequent renewal term, the New Business Services Agreement is automatically renewed for a successive period of three (3) years thereafter (or such other period permitted under the Listing Rules) unless a party under the New Business Services Agreement gives a 30 days' prior written notice to the other party to terminate the New Business Services Agreement.

Notwithstanding the above, the New Business Services Agreement may be terminated at any time by the written agreement of the Company and NWD.

### **PRICING POLICY OF THE GROUP**

Generally speaking, consultancy or project management activities are charged as a percentage of the project cost, and main/sub-contractor activities would, depending on the requirements of the employer, be at a fixed sum with or without a variable element.

#### **General pricing policy**

In pricing each tender, regardless of the nature of services required and of whether the transaction is to be entered into with connected persons of the Group or independent third parties, the Group will:

- (a) estimate the potential costs of the construction or building works ("project costs") to which the services relate, which is the aggregate of the direct costs, including labour cost, plant and machinery cost, construction materials cost and sub-contractor fees, estimated by reference to the considerations such as the nature of the project (including the location and size of project, and whether it is main contractor or sub-contractor Services that is being required), timing for delivery of Services and late delivery penalty structure, likely technical issues that may require to be addressed, the pricing structure which would typically be specified in each tender invitation document (including lump sum or variable pricing/price adjustment structures), performance bond requirements, etc. (the "Specification Considerations"), availability to the Group the resources, including the staff/labour, specialist contractors, machinery resources and project cashflow (the "Resources Considerations"); and



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## LETTER FROM THE BOARD

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- (b) estimate a potential margin within the range of what the Group would in its experience in the industry charge for similar projects of similar specifications.

Where the Group is to provide main contractor or sub-contractor services, the tender price will represent the whole of the potential project costs. The tender price may be a fixed sum or variable charging formula or a combination of both, depending on the terms of the tender invitation. After having the potential project costs and the proposed tender price estimated by the Group, the senior management of the Group will review the potential project costs estimate (including any potential margin included in the estimate) and the proposed tender price, and determine whether or not the tender price (including the pricing structure) should be modified having regard to various factors including the specification of the project, the potential risks associated with the project (for example, projects requiring the Group to bear suppliers and sub-contractor costs are generally regarded as higher risks than those which do not), general business environment and the perceived competitiveness of the tender price. Generally, the Group's gross profit margin in its tenders for contracting services would at least be within the industry range of 3% to 7% (based on published information on industry projects).

Where the services required involve only consultancy or project management services for specified construction or building works, the tender price is broadly speaking determined as a percentage, typically between 3% and 4% (subject to negotiation) of the potential project costs depending on the complexity of the projects.

### **For tenders for Services to be rendered to NWD Group**

For tenders for Services to be rendered to NWD Group contemplated under the New Business Services Agreement, the senior management of the Group will also review the potential project costs estimate and the tender price to ensure that they are (i) arrived at through procedures consistent with that of tenders for contracts with other independent third parties; and (ii) on terms no less favourable to the Group than those that would have been offered at the time by the Group to other independent third parties on comparable circumstances.

Definitive contracts for Services will be entered into between relevant members of the Group and NWD Group in respect of tenders awarded to the Group based on a form of contract provided by NWD Group, and incorporating terms of the successful tenders.

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## LETTER FROM THE BOARD

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### HISTORICAL FIGURES

The following table sets out the respective aggregate value of the Services provided by members of the Group under the Business Services Agreement for the two years ended 31 December 2014 and the eight months ended 31 August 2015, their respective annual caps for the three years ending 31 December 2015, and the corresponding utilisation rates (calculated as the value of tenders awarded to the Group by NWD Group and recognised by the Group for the relevant financial year divided by the estimated annual cap for that year) of the existing annual caps:

	<b>Financial year ended</b>		<b>For the</b>
	<b>31 December</b>	<b>2014</b>	<b>eight months ended</b>
	<b>2013</b>		<b>31 August 2015</b>
			<b>(for actual amount</b>
			<b>only)/for the</b>
			<b>financial year ending</b>
			<b>31 December 2015</b>
			<b>(for annual cap only)</b>
Actual amount ( <i>HK\$ million</i> )	2.37	149.5	40.2
Historical annual caps ( <i>HK\$ million</i> )	130	390	340
Utilisation rates ( <i>notes</i> )	1.82%	38.33%	17.73%

*Notes:*

1. The utilisation rate for transactions for the eight months ended 31 August 2015 was calculated based on two-thirds of the annual cap set for the financial year ending 31 December 2015.
2. The low utilisation rates in 2013, 2014 and for the eight months ended 31 August 2015 were primarily due to the loss of tenders initially contemplated by the Group for the purpose of determining the annual caps for transactions under the Business Services Agreement and also the award of project management services contract for a project instead of main contractor work for which the contract sum would be significantly larger (since as main contractor, the Group will have to be responsible for costs of any sub contractors).

### RENEWED ANNUAL CAPS

The Company proposes to seek approval from the Independent Shareholders for the renewed annual caps under the New Business Services Agreement for each financial year as follows:

	<b>Financial year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Annual cap ( <i>HK\$ million</i> )	510	260	260

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## LETTER FROM THE BOARD

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The renewed annual caps are determined by the Company based on:

- (i) estimated value of two on-going projects (one project management related contract and one construction project) which commenced during the term of the Business Services Agreement and one of which is expected to finish in the financial year ending 31 December 2016 and the other one is expected to finish in the financial year ending 31 December 2018;
- (ii) indications received from NWD Group for eight possible projects comprising variously two marine works, five construction works and one project management work at three sites in Hong Kong that may be open for tender. The marine works are expected to cover the two-year period ending 31 December 2017 and the project management work is expected to span throughout the three years ending 31 December 2018. Due to the complexity and specifications of different construction works projects, the expected project span of each construction works varies; three construction works are expected to cover the year ending 31 December 2016, one is expected to cover the two years ending 31 December 2017 and one is expected to span throughout the three years ending 31 December 2018;
- (iii) possible contract revenue estimated by the Group having regard to the Specification Considerations and the Resources Considerations based on the general nature of works that could be required for the relevant possible projects;
- (iv) prevailing market conditions, such as labour and construction material costs and perceived trends, construction industry condition and trends, which may impact the estimation of the Group on pricing;
- (v) a 50% discount of the aggregate contract revenue of the potential projects on the basis of a 50% probability in success or failure in its tenders. In this regard, while each tender is discrete and is awarded independent from other tenders, given the historical utilisation rate, the Company considered it is more appropriate to adopt an objective 50% probability rate for the purposes of determining the new annual cap; and
- (vi) the proposed annual cap for the year ending 31 December 2017 when determining the annual cap for the year ending 31 December 2018. Given the uncertainties and difficulties in ascertaining the type and value of the tenders that may become available for tender in the future, let alone the uncertain outcome of such tender, the Company considered that it is more appropriate to conservatively assume no growth in revenue for the year ending 31 December 2018 compared to the preceding year. The Company has assumed that over the next three financial years, in addition to ongoing projects and indicative possible projects referred to in paragraphs (i) and (ii) above, other projects will in the ordinary course become available for tender. If successful in tendering, such other projects can also contribute to the revenue of the Group in all or part of the three years ending 31 December 2018.

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## LETTER FROM THE BOARD

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Given the tender terms of a project are not yet available, the Group has assumed for the purpose of calculating the renewal annual caps that the estimated contract revenue of a project is evenly spread over its expected duration. In general, the Group will recognize revenue from agreements for Services, for which works are performed in stages during the duration of a project, using the percentage of completion method measured by reference to the value of work performed during the year.

If at any time, the Group estimates (based on projects in fact being undertaken or tendered for) that the relevant renewed annual cap would be exceeded, or where one or more projects' duration will extend beyond the term of the New Business Services Agreement, the Company will take steps as appropriate to ensure compliance with the requirements under the then applicable Listing Rules.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, NWD, through its subsidiary, held 213,868,000 Shares (representing approximately 26.97% of the Company's issued share capital). NWD is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules. The transactions under the New Business Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

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

### SGM

It is proposed that the SGM be convened and held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 December 2015 at 10:00 a.m. which to consider, and if thought fit, to approve the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement. A notice of the SGM is set out on pages 37 to 38 of this circular. In light of NWD's involvement in the transactions contemplated under the New Business Services Agreement, NWD and its associates will abstain from voting on the resolution to approve the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement at the SGM.

None of the Directors has a material interest in the transactions contemplated under the New Business Services Agreement. However, Mr. Lam Wai Hon, Patrick is a common director of the Company and a member of NWD Group and a shareholder holding approximately 0.04% of the issued share capital of that member of NWD Group and Mr. Cheng Chi Ming, Brian is a common director of the Company and a member of NWD Group. Both Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian have abstained from voting in the Board resolution approving the New Business Services Agreement. As at the Latest Practicable Date, Mr. Lam also held 300,000 Shares, representing approximately 0.04% of the total issued Share capital of the Company. He has confirmed to the Company that he will abstain from voting in the SGM.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely, Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, has been established to advise the Independent Shareholders in relation to the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement. Veda Capital Limited 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 above transactions and the proposed renewed annual caps.

### INFORMATION ON THE COMPANY AND NWD

The Company is an investment holding company and the principal activities of the Group include civil engineering, toll road, property development, construction materials and quarrying.

NWD is an investment holding company and the principal activities of NWD Group include property, infrastructure, hotel operation, department store operation, services, as well as telecommunications and technology businesses.

Your attention is also drawn to the additional information set out in the letter from the Independent Board Committee set out on pages 12 to 13, the letter from Veda Capital Limited set out on pages 14 to 26, and the appendices to this circular.

### RECOMMENDATION

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors (including the independent non-executive Directors) are of the opinion that the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement are on normal commercial terms and fair and reasonable and the entering of the New Business Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

Yours faithfully,  
For and on behalf of the Board  
**Zen Wei Pao, William**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 relation to the New Business Services Agreement, the transactions contemplated thereunder and the relevant renewed annual caps as set out in the Circular.



### WAI KEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

### CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE BUSINESS SERVICES AGREEMENT

10 December 2015

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular issued by Wai Kee Holdings Limited to the Shareholders dated 10 December 2015 (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 of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the terms of and the proposed renewal annual caps in relation to the transactions under the New Business Services Agreement as set out in the Circular. Veda Capital Limited 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 14 to 26 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

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 New Business Services Agreement.

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 terms of the New Business Services Agreement and the relevant renewed annual caps as set out in the Circular are fair and reasonable and that the continuing connected transactions contemplated under the New Business Services Agreement 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. We therefore recommend the Independent Shareholders to support and to vote in favour of the resolution to approve the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee of  
**Wai Kee Holdings Limited**  
**Wong Che Ming, Steve**  
**Wan Siu Kau, Samuel**  
**Wong Man Chung, Francis**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement, which has been prepared for the purpose of inclusion in this circular.

**VEDA | CAPITAL**  
**智 略 資 本**

**Veda Capital Limited**  
Room 1106, 11/F,  
Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

10 December 2015

*To the Independent Board Committee and the Independent Shareholders of  
Wai Kee Holdings Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE BUSINESS SERVICE AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular to the Shareholders dated 10 December 2015 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context require otherwise.

As set out in the Board Letter, in light of the expiry of the current term of the Business Services Agreement on 22 August 2016 and to ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to renew the Business Services Agreement in order to facilitate the conduct of transactions of similar nature to those under the Business Services Agreement with members of NWD Group.

As at the Latest Practicable Date, NWD, through its subsidiary, held 213,868,000 Shares (representing approximately 26.97% of the Company’s issued share capital). NWD is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules. The transactions under the New Business Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis, has been established to advise the Independent Shareholders in relation to the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Veda Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Veda Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated thereunder. We are not associated with the Company, NWD, their respective subsidiaries or associates or the respective substantial shareholders or associates of any of the aforementioned entities, and accordingly, are eligible to give independent advice and recommendations on the terms of the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In giving our recommendation to the Independent Board Committee and the Independent Shareholders on the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement, we have taken into consideration the following principal factors and reasons:

#### **I. Information on the Company and NWD**

The Company is an investment holding company and the principal activities of the Group include civil engineering, toll road, property development, construction materials and quarrying.

NWD is an investment holding company and the principal activities of NWD Group include property, infrastructure, hotel operation, department store operation, services, as well as telecommunications and technology businesses.

#### **II. New Business Service Agreement**

##### ***A. Reasons for and benefits of the renewal of the Business Service Agreement***

As set out in the Board Letter, members of the Group (including Build King Group) have been exploring opportunities to tender for potential construction projects of NWD Group. During the term of the Business Services Agreement, members of the Group entered into transactions with members of NWD Group in respect of the Services contemplated under the Business Services Agreement. The current term of the Business Services Agreement is due to expire on 22 August 2016 and the Group and NWD Group wish to continue with the transactions in relation to the Services which may arise from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the expiry of the current term of the Business Services Agreement and to ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to renew the Business Services Agreement in order to facilitate the conduct of transactions of similar nature to those under the Business Services Agreement. The Company is seeking prior Independent Shareholders' approval of all the existing and foreseeable continuing connected transactions entered or to be entered into between members of the Group and NWD Group and thereby aims to reduce the administrative burden on the Company to comply with the reporting and independent shareholders' approval requirements under the Listing Rules in relation to the execution or renewal of agreements in respect of the Services.

As noted from the latest financial report of the Company for the six months ended 30 June 2015 (the "IR 2015"), the Group recorded total revenue of approximately HK\$2,543.4 million for the six months ended 30 June 2015. The construction business segment (i.e. construction of civil engineering and building projects) of the Group (including Build King Group) generated approximately HK\$2,296.8 million for the six months ended 30 June 2015 which contributed approximately 90.1% of the Group's revenue. As further noted from the IR 2015 and as advised by the Company, the performance of the Group's construction division and construction materials division have considerably improved from the buoyant construction industry in Hong Kong and members of the Group are expected to continue to benefit from the government's land supply and housing policies which in turn, require more and better infrastructures.

Based on "Hong Kong Annual Digest of Statistics 2015" published by the Hong Kong Census and Statistics Department (the "CSD") (<http://censtatd.gov.hk/>) in October 2015, the gross value of construction works performed by building and civil engineering establishments (the "GV") recorded approximately HK\$199,737 million in 2014 representing an increase of approximately 13.12% as compared to HK\$176,575 million in 2013. In comparison to 2012, the GV for 2013 also demonstrated an increase of approximately 9.37% that there was only approximately HK\$161,449 million of GV recorded. Furthermore, as illustrated by CSD, the contribution of construction industry to the gross domestic product by economic activity (at current prices) has been increasing with the ratio increasing from 3.39%, 3.61% and 3.89% respectively from 2011 to 2013.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, the “Building and Construction Industry in Hong Kong” and “Engineering Industry in Hong Kong” released by Hong Kong Trade Development Council, (<http://research.hktdc.com/>) in 2015 state that in order to achieve the objective of promoting economic growth through infrastructural development, the Hong Kong government has been increasing its infrastructure investment over the past few years. The Hong Kong government released the 10 mega infrastructure projects and total estimated cost is up to US\$51,410 million. The overall gross value of construction works performed by main contractors in Hong Kong has been rising since 2009. A strong growth of approximately 7.1% in the value of transport sector drove up the construction activities by approximately 12.5% to HK\$198.6 billion in 2014. As the ten mega infrastructure projects are being rolled out in phases as scheduled, demand for construction and engineering services in Hong Kong are expected to remain high.

Having considered (i) the transactions contemplated under the New Business Services Agreement are in line with the existing business activities of the Group and provide business opportunities to the Group; (ii) the construction segment of the Group is a key revenue driver of the Group; (iii) the upward trend of the construction and engineering sector in Hong Kong based on CSD’s statistics; and (iv) the New Business Services Agreement serves as a continuation of the Business Services Agreement to facilitate the conduct of transactions of similar nature to those therein through reducing the administrative burden of the Group in respect of the Services, we are of the view that the entering of the New Business Services Agreement is in the ordinary and usual course of business of the Group as well as in the interests of the Company and the Independent Shareholders as a whole.

### ***B. Principal terms of the New Business Services Agreement***

As set out in the Board Letter, the New Business Services Agreement dated 4 December 2015 will extend the duration of the Business Services Agreement for an initial terms of three years starting from 1 January 2016 (subject to the approval of the New Business Services Agreement to be granted by resolution of the Independent Shareholders at the SGM), unless terminated earlier in accordance with the terms and conditions thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to the New Business Services Agreement, members of the Group will enter into separate agreement(s) with the members of NWD Group upon successful bidding or tender for each contract for provision of Services. The New Business Services Agreement requires that all agreements in relation to the provision of Services (subsisting on or entered into after the commencement of the term of the New Business Services Agreement) by members of the Group to members of NWD Group are:

- (a) in writing and set out the terms and conditions on which the transactions contemplated thereunder shall be undertaken;
- (b) determined in the usual and ordinary course of business of the Group and NWD Group on normal commercial terms (as defined in the Listing Rules);
- (c) negotiated on an arm's length basis and at prices and terms at the prevailing market rates no less favourable to the Group than the prices and terms offered by the Group to independent third parties; and
- (d) in compliance with all applicable provisions of the Listing Rules, the New Business Services Agreement and the respective agreement(s) for provision of Services.

In the event of any conflict between the terms of the New Business Services Agreement and the terms of any agreement for provision of Services, the terms of the New Business Services Agreement shall prevail.

As advised by the Company, the terms of the New Business Services Agreement were arrived at after arm's length negotiations between the parties. We have reviewed the Business Services Agreement and compared to the New Business Services Agreement and to our understanding, the major terms and pricing policies for the Services were similar in all material aspects.

### *Pricing policy of the Group*

As advised by the Company, generally speaking, consultancy or project management activities are charged as a percentage of the project cost, and main/sub-contractor activities would, depending on the requirements of the employer, be at a fixed sum with or without a variable element.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### General pricing policy

In pricing each tender, regardless of the nature of services required and of whether the transaction is to be entered into with connected persons of the Group or independent third parties, the Group will:

- (a) estimate the potential costs of the construction or building works (“**Project Costs**”) to which the services relate, which is the aggregate of the direct costs, including labour cost, plant and machinery cost, construction materials cost and sub-contractor fees, estimated by reference to the considerations such as the nature of the project (including the location and size of project, and whether it is main contractor or sub-contractor Services that is being required), timing for delivery of Services and late delivery penalty structure, likely technical issues that may require to be addressed, the pricing structure which would typically be specified in each tender invitation document (including lump sum or variable pricing/price adjustment structures), performance bond requirements, etc. (the “**Specification Considerations**”), availability to the Group the resources, including the staff/labour, specialist contractors, machinery resources and project cashflow (the “**Resources Considerations**”); and
- (b) estimate a potential margin within the range of what the Group would in its experience in the industry charge for similar projects of similar specifications.

As set out in the Board Letter, where the Group is to provide main contractor or sub-contractor services, the tender price will represent the whole of the potential Project Costs. The tender price may be a fixed sum or variable charging formula or a combination of both, depending on the terms of the tender invitation. After having the potential project costs and the proposed tender price estimated by the Group, the senior management of the Group will review the potential project costs estimate (including any potential margin included in the estimate) and the proposed tender price, and determine whether or not the tender price (including the pricing structure) should be modified having regard to various factors including the specification of the project, the potential risks associated with the project (for example, projects requiring the Group to bear suppliers and sub-contractor costs are generally regarded as higher risks than those which do not), general business environment and the perceived competitiveness of the tender price. Generally, the Group’s gross profit margin in its tenders for contracting services would at least be within the industry range of 3% to 7% (based on published information on industry projects) (the “**Contracting Services Range**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Company, the Company has made reference to four other companies with comparable natures and sizes and which are also listed on the Stock Exchange as references in determining the industry range for the gross profit margin. We have conducted research on the companies listed on the Stock Exchange which are principally engage in similar business of the Company i.e. civil engineering and building and construction and we have identified five companies including those advised by the Company and noted that the gross profit margin of those companies are within the range of 3% to 7%. Besides, we further collected and reviewed all the contracts between the Company and relevant members of NWD Group and we noted that the gross profit margins therein are not less than the industry range of 3% to 7%.

We have obtained and reviewed randomly selected samples of tender documents prepared by the Group for various construction projects offered by members of NWD Group and independent third parties respectively, and we noted that the margin charged in each of these tenders was within or above the Contracting Services Range. We observed that the tender price of each of the aforesaid tenders was determined based on the respective project costs plus a mark-up percentage that varies with, among others, the requirement of the tender invitation, the complexity and scale of the construction works, the resources that the Group had to input and the risk level of the projects etc. In short, a higher mark-up percentage was charged to those projects which required more commitment and resources regardless of the identity of the counterparties.

Where the services required involve only consultancy or project management services for specified construction or building works, the tender price is broadly speaking determined as a percentage, typically between 3% and 4% (subject to negotiation) (the “**Management Services Range**”) of the potential project costs depending on the complexity of the projects.

We have enquired with the management of the Company and are given to understand that the Company has only entered into one contract in relation to the provision of project management services to independent third party. We have obtained and reviewed the aforesaid contract and the randomly selected samples of tender documents prepared by the Group for consultancy or project management services projects offered by relevant members of NWD Group, and we noted that the tender price of each of the aforesaid tenders was determined based on the respective project costs with a mark-up percentage within the Management Services Range. We also observed that a higher percentage was charged to those projects which were more complicated or more risky, regardless of the identity of the counterparties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For tenders for Services to be rendered to NWD Group

For tenders for Services to be rendered to NWD Group contemplated under the New Business Services Agreement, the senior management of the Group will review the potential Project Costs estimate and the tender price to ensure that they are (i) arrived at through procedures consistent with that of tenders for contracts with other independent third parties; and (ii) on terms no less favourable to the Group than those that would have been offered at the time by the Group to other independent third parties on comparable circumstances.

Definitive contracts for Services will be entered into between relevant members of the Group and NWD Group in respect of tenders awarded to the Group based on a form of contract provided by NWD Group, and incorporating terms of the successful tenders.

We have reviewed the internal control procedures provided to us by the Company and noted that the Company will initially evaluate its resources and technical capabilities before deciding whether the Group will prepare for a tender. Regardless of whether or not the transactions constitute connected transactions of the Company, if the Group decides to prepare for a tender, an Estimating Department and the director of such department will assess the relevant methods and costs in the tender. The terms of the tender will then be determined by a panel of senior management including but not limited to the operation directors and/or vice chairman of the Group in a tendering meeting to evaluate whether the proposed tender is reliable and assessable before the submission of the tender. In this connection, we have reviewed the tender documents prepared by the Group for projects of independent third parties and NWD Group respectively. We observed no material differences in terms of documentation and basis upon which they were prepared and noted that all of which are consistent with the requirements under the relevant internal control procedures.

As advised by the Company, the senior management of the Group who review and modify the estimated potential Project Costs comprise of the directors of the subsidiaries of the Group (the “**Senior Management**”) namely, among others, Build King Holdings Limited, Kaden Construction Limited and Leader Civil Engineering Corporation Limited and the details, qualifications and experiences of them are disclosed in the annual report of the Group for the year ended 31 December 2014. We consider that the Senior Management possesses experience and qualification in the engineering and building construction and/or civil and marine engineering industry based on the public information of the Senior Management and we are given to understand that not less than two members of the Senior Management will be assigned (taking into account the nature of the project and relevant field of experiences of the Senior Management) among the Senior Management and are responsible to review the Project Cost of a particular project.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the provision of the Services is in the ordinary and usual course of business of the Group, on normal commercial terms and negotiated on an arm's length basis; (ii) the tender contracts for construction work for both NWD Group and other independent parties prepared by the Group are based on the same criteria and assessment; (iii) the Project Costs are determined based on the Specification Considerations and Resources Considerations which are commercially justifiable and commonly considered; (iv) the senior management of the Group will review the potential Project Costs estimate and the tender price to ensure that they are arrived at through procedures consistent with that of tenders for contracts with other independent third parties and on terms no less favourable to the Group than those that would have been offered at the time by the Group to other independent third parties on comparable circumstances; (v) the qualification and experience of the senior management of the Group who review, and modify (if required), the estimated potential Project Costs; and (vi) the award of the contracts for Services is also to be based on tendering procedures applicable to other tenderers and bidders, and we are of the view that the terms of the New Business Services Agreement are on normal commercial terms and that such terms are fair and reasonable as well as in the interests of the Company and the Independent Shareholders as a whole.

### ***C. Annual caps for the New Business Services Agreement***

The Company proposes to seek approval from the Independent Shareholders for the renewed annual caps under the New Business Service Agreement for each financial year (the “**Annual Caps**”) as follows:

	<b>Financial year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Annual Caps ( <i>HK\$ million</i> )	510	260	260

Details of the basis to determine the Annual Caps are set out under the section headed “RENEWED ANNUAL CAPS” in the Board Letter.

As advised by the Company, during the term of the Business Services Agreement, members of NWD Group have commenced two on-going projects with the Group in Hong Kong (the “**On-going Projects**”) requiring the Services which are expected to finish in the financial years ending 31 December 2016 and 31 December 2018 respectively. The total contract revenue for the On-going Projects for the financial year ending 31 December 2016 is estimated to be approximately HK\$23.5 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company also received indications from NWD Group for eight possible projects (the “**Possible Projects**”) at three sites in Hong Kong in which Services may be required and which may become available for tender during the term of the New Business Services Agreement. We are given to understand by the Company that the Group wish to participate in these tenders as and when the tendering process is open. As advised by the Company, the Possible Projects comprise (i) two marine works which are expected to cover the two years period ending 31 December 2017; (ii) one project management work which is expected to span throughout the three years ending 31 December 2018; and (iii) five construction works which are expected to span throughout the three years ending 31 December 2018.

The Company has provided to us a worksheet (the “**Worksheet**”) comprising, among other things, summary of the transactions under the Business Services Agreement with NWD Group showing the details of the On-going Projects, the types of the Possible Projects currently known or expected, the project contract revenue assuming that the Group will tender and estimate of how long the project will take to execute etc. for the term under the New Business Services Agreement. We understand that the number of Possible Projects and the contract revenue of the Possible Projects are projections estimated by the Company based on the previous projects and On-going Projects, the experience of the relevant Senior Management, the estimated term of the Possible Projects and the construction market information currently available to the Senior Management etc. and we noted that the Worksheet has been reviewed and approved by three members of the Senior Management. We have reviewed the Worksheet and noted that the calculation of the annual caps as provided by the Company for each of the financial years ending 31 December 2016, 2017 and 2018 in the Worksheet is mainly the sum of the estimated contract revenue of each Possible Project in the relevant financial year estimated regarding to the Specification Considerations and Resources Considerations based on the general nature of works and after taking into account the Discount (as defined below).

The Services and work required for the Possible Projects as noted from the Board Letter comprising marine works, foundation works and/or project management works which are in line with the principal business of the Group. The sum of the total contract revenue for the Possible Projects for each of the financial years ending 31 December 2016, 2017 and 2018 are estimated to be approximately HK\$969 million, approximately HK\$507 million and approximately HK\$31 million respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, as mentioned in the Board Letter, for the Possible Projects, the Company will apply a 50% discount (the “Discount”) to the aggregate contract revenue of the Possible Projects on the basis of a 50% probability in success or failure in its tender. In fact, as set out in the Board Letter, the Group recorded utilisation rates (as compared the actual transactions amount to the historical annual caps under the Business Services Agreement) ranged from approximately 1.82% to 38.33% for the two financial years ended 31 December 2013 and 2014 and for the eight months ended 31 August 2015 (for actual amount only)/for the financial year ending 31 December 2015 (for annual cap only). Such low utilisation rates in 2013, 2014 and for the eight months ending 31 August 2015 were primarily due to the loss of tenders initially contemplated by the Group for the purpose of determining the annual caps for transactions under the Business Services Agreement and also the award of project management services contract for a project instead of main contractor work for which the contract sum would be significantly larger. Based on the above said utilisation rates of the Group in the past years and given that each tender is discrete and awarded independent from other tenders and the results of tenders submitted by the Group to be uncertain, we consider the Discount to be applied by the Group on the basis that there is a 50% chance in success or failure in its tender for the purposes of determining the Annual Caps to be prudent and commercially justifiable.

Further set out in the Board Letter, given the tender terms of a project are not yet available, the Group has assumed for the purpose of calculating the Annual Caps that the estimated contract revenue of a project is evenly spread over its expected duration. In general, the Group will recognize revenue from agreements for Services, for which works are performed in stages during the duration of a project, using the percentage of completion method measured by reference to the value of work performed during the year. If at any time, the Group estimates (based on projects in fact being undertaken or tendered for) that the relevant Annual Caps would be exceeded, or where one or more projects’ duration will extend beyond the term of the New Business Services Agreement, the Company will take steps as appropriate to ensure compliance with the requirements under the then applicable Listing Rules.

As a result of the above reasons, the Company proposed the Annual Caps for the financial years ending (i) 31 December 2016 to be HK\$510.0 million after considering the estimated contract revenue of the On-going Projects of approximately HK\$23.5 million and Possible Projects of approximately HK\$484.5 million (after applying the Discount); (ii) 31 December 2017 to be HK\$260.0 million after considering the estimated contract revenues of the Possible Projects of approximately HK\$253.5 million (after applying the Discount); and (iii) 31 December 2018 to be the same as the proposed Annual Cap as the financial year ending 31 December 2017.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite that the sum of the total contract revenue for the Possible Projects for the financial year ending 31 December 2018 is estimated to be approximately HK\$31 million, having considered (i) the Annual Caps are principally estimated based on the current best available resources by the Company; (ii) the results of each tenders submitted by the Company are discrete and can be beyond the control and expectation of the Company; (iii) the difficulty in anticipating the extent of complexity and specifications of different construction works projects which may affect the terms and costs of the construction work projects which is a major component in the Annual Cap; and (iv) the Possible Projects are those projects known to the Group now or projected based on the current market information and the Company's current resources but there could be other projects in future if successfully tendered which are unexpected; and (v) the Annual Cap for the year ending 31 December 2018 resembles the Annual Cap for the year ending 31 December 2017 (which is expected to be calculated with relatively more information and less uncertainties than that for 2018), we consider the Annual Cap for the year ending 31 December 2018 to be conservatively calculated by the Company and is accordingly justifiable.

In view of the above-mentioned, we considered the Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

### III. Recommendation

Having considered the above principal factors and reasons, we are of the view that the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering of the New Business Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution for approving the terms of and the proposed renewed annual caps in relation to the transactions under the New Business Services Agreement to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Hans Wong**                      **Julisa Fong**  
*Chairman*                              *Managing Director*

#### Notes:

Mr. Hans Wong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 21 years of experience in investment banking and corporate finance.

Ms. Julisa Fong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 19 years of experience in investment banking and corporate finance.

## 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) Directors' Interests

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or 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	Short position	
Zen Wei Pao, William	Personal	192,381,843	–	24.26
Zen Wei Peu, Derek	Personal	185,557,078	–	23.40
Lam Wai Hon, Patrick	Personal	300,000	–	0.04
Wong Che Ming, Steve	Personal	900,000	–	0.11

##### *Note:*

Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

**(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	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 <i>(note 1)</i>	–	0.11 <i>(note 3)</i>
	Road King Infrastructure Limited	Personal	304,000 <i>(note 1)</i>	–	0.04
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(note 1)</i>	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	–	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,725,228 <i>(note 1)</i>	–	9.96
	Road King Infrastructure Limited	Personal	14,528,000 <i>(note 1)</i>	–	1.96
			1,500,000 <i>(note 2)</i>		0.20
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 <i>(note 1)</i>	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	–	37.50
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000 <i>(note 1)</i>	–	0.09
	Road King Infrastructure Limited	Personal	205,000 <i>(note 1)</i>	–	0.03
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	186,666 <i>(note 1)</i>	–	0.02
	Road King Infrastructure Limited	Personal	100,000 <i>(note 1)</i>	–	0.01
		Personal	50,000 <i>(note 2)</i>	–	0.01
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	1,170,000 <i>(note 1)</i>	–	0.09
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448 <i>(note 1)</i>	–	0.03

*Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of Road King Infrastructure Limited pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, and the particulars of which are set out in this section below in further detail.
3. As at the Latest Practicable Date, the number of total issued share of Build King Holdings Limited was 1,241,877,992 shares. Accordingly the percentage has been adjusted.

*Interest in underlying shares – share options*

Name of Director	Date of grant	Exercise period	Exercise price HK\$	Number of share options held
Zen Wei Peu, Derek	28 May 2013	29 May 2013 to 28 May 2018	7.13	1,500,000
Lam Wai Hon, Patrick	28 May 2013	29 May 2013 to 28 May 2018	7.13	50,000

*Interests in debentures*

Name of Director	Name of company	Capacity/ Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	Road King Infrastructure Finance (2012) Limited ( <i>note 1</i> )	Personal	US\$350 million 9.875% Guaranteed Senior Notes due 2017	US\$4,300,000 ( <i>note 2</i> )
	RKI Finance (2013) Limited ( <i>note 1</i> )	Personal	RMB2,200 million 6% Guaranteed Senior Notes due 2016	RMB14,500,000 ( <i>notes 2 and 3</i> )

*Notes:*

1. These companies are wholly owned subsidiaries of Road King Infrastructure Limited.
2. Long position.
3. The principal amount of RMB14,500,000 of the RMB2,200 million 6% Guaranteed Senior Notes due 2016 is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

Save as disclosed above, 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 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or 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.

## (II) Substantial Shareholders' Interests

### (A) 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 (“Substantial Shareholders”) (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		Percentage of the issued ordinary share capital (%)
		Long position (note 1)	Short position	
Cheng Yu Tung Family (Holdings) Limited (note 2)	Corporate	213,868,000	–	26.97
Cheng Yu Tung Family (Holdings II) Limited (note 3)	Corporate	213,868,000	–	26.97
Chow Tai Fook Capital Limited (note 4)	Corporate	213,868,000	–	26.97
Chow Tai Fook (Holding) Limited (note 5)	Corporate	213,868,000	–	26.97



Name of Substantial Shareholder	Capacity/ Nature of interest	Number of Shares held		Percentage of the issued ordinary share capital (%)
		Long position (note 1)	Short position	
Chow Tai Fook Enterprises Limited (note 6)	Corporate	213,868,000	–	26.97
New World Development Company Limited (note 7)	Corporate	213,868,000	–	26.97
NWS Holdings Limited (note 8)	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the Cayman Islands) (note 9)	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the British Virgin Islands) (note 10)	Corporate	213,868,000	–	26.97
Vast Earn Group Limited (note 11)	Beneficial owner	213,868,000	–	26.97

## Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
3. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
4. Chow Tai Fook Capital Limited is deemed to be interested in the Shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.
5. Chow Tai Fook (Holding) Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.

6. Chow Tai Fook Enterprises Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
7. New World Development Company Limited is deemed to be interested in the Shares through its interests in its subsidiary, namely NWS Holdings Limited.
8. NWS Holdings Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).
9. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).
10. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
11. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

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:

<b>Name of Director</b>	<b>Name of company which had such discloseable interest or short position</b>	<b>Position within such company</b>
Lam Wai Hon, Patrick	NWS Holdings Limited	Executive Director
	NWS Service Management Limited (incorporated in the Cayman Islands)	Director
	NWS Service Management Limited (incorporated in the British Virgin Islands)	Director
	Vast Earn Group Limited	Director

<b>Name of Director</b>	<b>Name of company which had such discloseable interest or short position</b>	<b>Position within such company</b>
Cheng Chi Ming, Brian	NWS Holdings Limited	Executive Director
	NWS Service Management Limited (incorporated in the Cayman Islands)	Director
	NWS Service Management Limited (incorporated in the British Virgin Islands)	Director
	Vast Earn Group Limited	Director

**(B) Interests in other members of the Group**

As at the Latest Practicable Date, so far as known to any Director or chief executive of the Company and save as disclosed in this circular, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Percentage of interest held (%)</b>
Archibuild Limited	Cheng Lai Heung	26.66
	Lai Yiu Wah	13.34
Cheuk Wah Construction Engineering Limited	Goldky Industries Limited	40
Eastar Construction Engineering Limited	Fulight Engineering Limited	20

Name of subsidiary	Name of shareholder	Percentage of interest held (%)
Grand Creation Holdings Limited	Empire Success Corporation Limited	49
Grandeur Building Material (Shanghai) Limited	Proficiency Building Materials and Equipment Limited Tse Pang	20
Huge Host Engineering Limited	Downer Mining (Asia) Limited	30
W K Aviation Engineering Company Limited	Kencana Capital Ventures Sdn. Bhd.	30

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (other than a Director or chief executive of the Company) who 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 provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

### 3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at Latest Practicable Date, the following Directors had interest in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules:

Name of Director	Name of entity	Competing business	Nature of interest
Zen Wei Pao, William	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Lam Wai Hon, Patrick	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director
Cheng Chi Ming, Brian	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which was not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

**5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2014, being the date to which the latest published audited accounts 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 contract or arrangement which is significant in relation to the business of the Group.

**6. MATERIAL ADVERSE CHANGES**

The Directors are of the opinion that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up.

**7. EXPERT AND CONSENT**

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital	Independent Financial Adviser. Veda Capital Limited is a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity 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 they appear respectively.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any:

- (i) direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited accounts 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; and
- (ii) beneficial interest in the share capital of any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in 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 AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong situate at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Business Services Agreement;
- (b) the New Business Services Agreement; and
- (c) this circular.

**WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Special General Meeting of Wai Kee Holdings Limited (the “**Company**”) will be held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 29 December 2015 at 10:00 a.m. to transact the following businesses:

**ORDINARY RESOLUTION**

“**THAT** the terms of and proposed annual caps in relation to the transactions under the new business services agreement (the “**Agreement**”) dated 4 December 2015 between Wai Kee Holdings Limited (the “**Company**”) and New World Development Company Limited (“**NWD**”) in respect of the entering into of agreement(s) in relation to the provision of services covering construction, maintenance, and project management related services including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, port and infrastructure facilities, maintenance, construction and interior decoration and other related services which may from time to time be provided by the Company and/or its subsidiaries to NWD and/or its subsidiaries during the term of the Agreement be and are hereby approved and confirmed; and the directors of the Company be and are hereby authorised to do all such things and exercise all powers which they consider necessary, desirable or expedient in connection with the Agreement and otherwise in connection with the implementation of the transactions contemplated thereunder including without limitation to any amendment or supplement thereof.”

By Order of the Board  
**Anriena Chiu Wai Yee**  
*Company Secretary*

Hong Kong, 10 December 2015

*Notes:*

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. The instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the office of Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in or by way of note to or in any document accompanying the notice convening the meeting 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.
4. 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.
5. In the case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.