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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 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

A letter from the Board is set out on pages 4 to 13 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 16 to 32 of this circular. A letter of the Independent Board Committee is set out on pages 14 to 15 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 Wednesday, 12 December 2018 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.

26 November 2018

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DEFINITIONS

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

“associate(s)”	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 from time to time
“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(s)”	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 2019 Business Services Agreement

DEFINITIONS

“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities 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 2019 Business Services Agreement
“Independent Shareholders”	the Shareholders other than NWD and its associates (as defined in the Listing Rules)
“Latest Practicable Date”	21 November 2018, 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
“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)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened on Wednesday, 12 December 2018 at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong at 10:00 a.m. 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 2019 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
“2016 Business Services Agreement”	business services agreement dated 4 December 2015 entered into between the Company and NWD in relation to the provision of the Services by the members of the Group to the members of NWD Group from 1 January 2016 to 31 December 2018
“2019 Business Services Agreement”	the new business services agreement entered into between the Company and NWD on 26 October 2018 in relation to the provision of the Services by the members of the Group to the members of NWD Group from 1 January 2019 to 31 December 2021
“%”	per cent

LETTER FROM THE BOARD



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. Tsang Yam Pui
Mr. Cheng Chi Ming, Brian

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

26 November 2018

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement and circular of the Company dated 4 December 2015 and 10 December 2015, respectively, regarding, among others, the continuing connected transactions contemplated under the 2016 Business Services Agreement and the announcement dated 26 October 2018 in relation to the 2019 Business Services Agreement (including the annual caps thereunder) with NWD.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further information on the 2019 Business Services Agreement and related information required under the Listing Rules.

BACKGROUND INFORMATION AND REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE 2019 BUSINESS SERVICES AGREEMENT

Members of the Group (including Build King Group) may tender for potential construction projects of NWD Group from time to time. On 4 December 2015, the Company and NWD entered into the 2016 Business Services Agreement in relation to the provision of Services by the members of the Group to the members of NWD Group. During the term of the 2016 Business Services Agreement, the members of the Group entered into transactions with the members of NWD Group in respect of the Services contemplated under the 2016 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 anticipation of the expiry of the current term of the 2016 Business Services Agreement on 31 December 2018 and to ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to renew the 2016 Business Services Agreement in order to facilitate the conduct of transactions of similar nature to those under the 2016 Business Services Agreement. The Company will seek prior Independent Shareholders' approval of all the existing and foreseeable continuing connected transactions entered into or to be entered into between the members of the Group and the members of NWD Group, thereby aiming 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 2019 Business Services Agreement sets out the framework which governs the provision of Services by the members of the Group to the members of NWD Group from time to time. The terms of the 2019 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 the NWD Group upon successful bidding or tender for each contract for provision of Services.

LETTER FROM THE BOARD

THE 2019 BUSINESS SERVICES AGREEMENT

The principal terms of the 2019 Business Services Agreement are set out below:

- Date** : 26 October 2018
- Parties** : (1) the Company
(2) NWD
- Subject matter** : The 2019 Business Services Agreement requires that all agreements in relation to the provision of Services by the members of the Group to the 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); and
 - (c) in compliance with all applicable provisions of the Listing Rules, the 2019 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 2019 Business Services Agreement.
- Payment terms** : The payment terms are not provided under the 2019 Business Services Agreement and will be determined on a case-by-case basis and set out in the relevant agreements as contemplated under the 2019 Business Services Agreement.

LETTER FROM THE BOARD

Term : An initial term of three years starting from 1 January 2019 (subject to the approval of the 2019 Business Services Agreement granted by resolution of the Independent Shareholders at the SGM), unless terminated earlier in accordance with the terms and conditions thereunder.

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 2019 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 2019 Business Services Agreement gives a 30 days' prior written notice to the other party to terminate the 2019 Business Services Agreement.

Notwithstanding the above, the 2019 Business Services Agreement may be terminated at any time by the written agreement of the Company and NWD.

PRICING POLICY OF THE GROUP

The Group will need to go through the tender process before being appointed to provide the Services to the relevant members of NWD Group in respect of NWD Group's construction projects in Hong Kong.

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.

LETTER FROM THE BOARD

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), complexity, method and program to be used for the construction works, possible technical issues that may need to be addressed, timing for delivery of services and late delivery penalty structure, 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 of the resources to the Group, 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 for independent third party employers.

LETTER FROM THE BOARD

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. The tendering team will prepare a cost estimate of the tender according to the requirements of the tender documents. The tendering team may conduct tender progress meetings throughout the estimating process as and when required. After having the potential project costs and the proposed tender price estimated, management meeting will be held to provide senior management with the cost estimation and other related documents. The senior management of the Group will review the potential project costs estimate, any potential margin 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. In determining the profit margin of potential projects, the Company will consider factors including, but not limited to, the existing workload and the capacity of the Group, future price trend of various components of the project costs, competitiveness of the tender price, reliability and reputation of the potential clients and strategic importance of the tender to the future growth of the Group. 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 gross profit margin of the Group's major competitors in the construction industry as disclosed in their published annual financial information).

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, which, according to the management fee of such services previously provided by the Group (whether to NWD Group or independent third parties), is 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 2019 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 the 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.

LETTER FROM THE BOARD

HISTORICAL FIGURES

The following table sets out the respective aggregate value of the Services provided by the members of the Group under the 2016 Business Services Agreement for the two years ended 31 December 2017 and the eight months ended 31 August 2018, their respective annual caps for the three years ending 31 December 2018, 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:

	Financial year ended 31 December		For the eight months ended 31 August 2018 (for actual amount only)/ for the financial year ending 31 December 2018 (for annual cap only)
	2016	2017	
Actual amount (<i>HK\$ million</i>)	217.92	257.62	149.78
Historical annual caps (<i>HK\$ million</i>)	510	260	260
Utilisation rates (<i>notes</i>)	42.73%	99.08%	86.41%

Notes:

1. The utilisation rate for transactions for the eight months ended 31 August 2018 was calculated based on two-thirds of the annual cap set for the financial year ending 31 December 2018.
2. The low utilization rate in 2016 was primarily due to the delay in commencement of certain works in 2016 and the loss of tenders initially contemplated by the Group for the purpose of determining the annual cap for 2016.

RENEWED ANNUAL CAPS

The Company proposes to seek approval from the Independent Shareholders for the renewed annual caps under the 2019 Business Services Agreement for each financial year as follows:

	Financial year ending 31 December		
	2019	2020	2021
Annual cap (<i>HK\$ million</i>)	300	450	450

LETTER FROM THE BOARD

The renewed annual caps are determined by the Company having taken into account the following:

- (i) estimated value of one on-going demolition and construction work contract which commenced in December 2016 and is expected to complete in the first half of 2019;
- (ii) estimated value of foundation works for one project of NWD for which the Group has submitted tender, assuming that such tender will be awarded to the Group (the outcome of which is uncertain) for Listing Rules compliance purposes. It is expected that such works will span from the last quarter of 2018 to the first half of 2021;
- (iii) possible contract revenue estimated by the Group having regard to the type of works that could be required for NWD's possible projects that the Group is aware through media reports and the relevant Specification Considerations and the Resources Considerations. If any such work is open for tender in 2019 and assuming the tender is successful, it is estimated that the works will only commence in the last quarter of 2019 and span towards end of 2021 and therefore substantial part of the relevant contract value will be recognised in 2020 and 2021;
- (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) the assumption that the tender for foundation works referred to (ii) above will be successful for the purposes of the Listing Rules compliance, and a 50% discount of the aggregate contract revenue of other possible 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 tender success rates, 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) 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 has assumed that over the next three financial years, in addition to the ongoing project and the possible project for which the Group has submitted tender referred to in paragraph (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 2021.

LETTER FROM THE BOARD

Given the tender terms of a project are not yet available, the Group has assumed for the purpose of calculating the renewed 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 output 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 2019 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 198,068,000 Shares (representing approximately 24.97% of the Company's issued share capital). NWD is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the 2019 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 2019 Business Services Agreement exceed 5%, the 2019 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 Wednesday, 12 December 2018 at 10:00 a.m. to consider, and if thought fit, to approve the terms of and the proposed renewed annual caps in relation to the transactions under the 2019 Business Services Agreement. A notice of the SGM is set out on pages 43 to 44 of this circular. In light of NWD's involvement in the transactions contemplated under the 2019 Business Services Agreement, NWD and its associates will abstain from voting on the resolutions to approve the terms of and the proposed renewed annual caps in relation to the transactions under the 2019 Business Services Agreement at the SGM.

None of the Directors has a material interest in the transactions contemplated under the 2019 Business Services Agreement. However, Mr. Tsang Yam Pui and Mr. Cheng Chi Ming, Brian are each a common director of the Company and various subsidiaries of NWD. Both Mr. Tsang Yam Pui and Mr. Cheng Chi Ming, Brian have abstained from voting in the Board resolution approving the 2019 Business Services Agreement.

LETTER FROM THE BOARD

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 2019 Business Services Agreement. Veda Capital has also been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the above transactions and the proposed renewed annual caps.

INFORMATION ON THE COMPANY AND NWD

The Company is an investment holding company and the Group is principally engaged in construction, toll road and property development, construction materials and quarrying and it has been investing in property funds which in turn indirectly invest in property developments in the USA.

NWD is an investment holding company and NWD Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operations, department store operation, commercial aircraft leasing, services and technology.

Your attention is also drawn to the additional information set out in the letter from the Independent Board Committee set out on pages 14 to 15, the letter from Veda Capital set out on pages 16 to 32, 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 2019 Business Services Agreement are on normal commercial terms and fair and reasonable and the entering into of the 2019 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the 2019 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 BUSINESS SERVICES AGREEMENT

26 November 2018

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by Wai Kee Holdings Limited to the Shareholders dated 26 November 2018 (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 contemplated under the 2019 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 renewed annual caps in relation to the transactions contemplated under the 2019 Business Services Agreement as set out in the Circular. Veda Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 16 to 32 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 2019 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 2019 Business Services Agreement and the relevant proposed renewed annual caps as set out in the Circular are fair and reasonable and that the continuing connected transactions contemplated under the 2019 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 contemplated under the 2019 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2019 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

26 November 2018

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

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 2019 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 26 November 2018 (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 anticipation of the expiry of the current term of the 2016 Business Services Agreement on 31 December 2018 and to ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to enter into the 2019 Business Services Agreement in order to facilitate the conduct of transactions of similar nature to those under the 2016 Business Services Agreement. On 26 October 2018, the Company entered into the 2019 Business Services Agreement with NWD for the provision of Services to the members of NWD Group for an initial term of 3 years effective from 1 January 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, NWD, through its subsidiary, held 198,068,000 Shares (representing approximately 24.97% of the Company's issued share capital). NWD is therefore a substantial Shareholder and a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the 2019 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 annual caps for the transactions under the 2019 Business Services Agreement exceed 5%, the 2019 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 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 respect of the terms of and the proposed annual caps in relation to the transactions under the 2019 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 2019 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 Group is principally engaged in construction, toll road and property development, construction materials and quarrying and it has been investing in property funds which in turn indirectly invest in property developments in the USA.

NWD is an investment holding company and NWD Group is principally engaged in property development and investments in the areas of property, infrastructure, hotel operations, department store operation, commercial aircraft leasing, services and technology.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. 2019 Business Service Agreement

A. *Reasons for and benefits of the entering into of the 2019 Business Service Agreement*

As set out in the Board Letter, the members of the Group (including Build King Group) may tender for potential construction projects of NWD Group from time to time. On 4 December 2015, the Company and NWD entered into the 2016 Business Services Agreement in relation to the provision of Services by the members of the Group to the members of NWD Group. During the term of the 2016 Business Services Agreement, the members of the Group entered into transactions with the members of NWD Group in respect of the Services contemplated under the 2016 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 anticipation of the expiry of the current term of the 2016 Business Services Agreement on 31 December 2018 and to ensure compliance with Chapter 14A of the Listing Rules, the Directors proposed to renew the 2016 Business Services Agreement in order to facilitate the conduct of transactions of similar nature to those under the 2016 Business Services Agreement. The Company will seek prior Independent Shareholders' approval of all the existing and foreseeable continuing connected transactions entered into or to be entered into between the members of the Group and the members of NWD Group, thereby aiming 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 2019 Business Services Agreement sets out the framework which governs the provision of Services by the members of the Group to the members of NWD Group from time to time. The terms of the 2019 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 the NWD Group upon successful bidding or tender for each contract for provision of Services.

As noted from the latest financial report of the Company for the six months ended 30 June 2018 (the "IR 2018"), the Group recorded total revenue of approximately HK\$3,380.5 million for the six months ended 30 June 2018. The construction business segment (i.e. construction of civil engineering and building projects) of the Group (including Build King Group) generated approximately HK\$3,085.1 million for the six months ended 30 June 2018 which contributed approximately 91.3% of the Group's revenue. As further noted from the IR 2018, the civil engineering division would face significant decline in new tenders but the building market was much healthier and there were many new tenders from both public and private sectors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on “Hong Kong Annual Digest of Statistics 2017” published by the Hong Kong Census and Statistics Department (the “CSD”) (<http://censtatd.gov.hk/>) in October 2017, the gross value of construction works performed by building and civil engineering establishments (the “GV”) recorded approximately HK\$236,491 million in 2016 representing an increase of approximately 5.6% as compared to HK\$223,947 million in 2015. In comparison to 2014, the GV for 2015 also demonstrated an increase of approximately 12.1% that there was only approximately HK\$199,737 million of GV recorded in 2014. 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 4.0%, 4.4% and 4.6% respectively from 2013 to 2015.

In addition, the Hong Kong construction industry has been a powerful engine behind the city’s rapid urban development. The Hong Kong Government has been supporting by addressing positive political strategy toward the construction industry, such as, enhancing land supply and developments of transport infrastructures. The Hong Kong Government has announced plans to develop the Central Kowloon Route highway project to connect the West Kowloon and Kai Tak development areas and granted approval to the country’s Airport Authority to develop a third runway and the expansion of Airport terminal two. Moreover, under the Policy Address 2018, various housing policy launched, including increasing of public housing supply and heritage revitalisation. These policies will directly affect the construction industry by boost of the demand and create opportunities.

Having considered (i) the transactions contemplated under the 2019 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 2019 Business Services Agreement serves as a continuation of the 2016 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 into of the 2019 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. Principal terms of the 2019 Business Services Agreement

As set out in the Board Letter, an initial term of three years starting from 1 January 2019 (subject to the approval of the 2019 Business Services Agreement granted by resolution of the Independent Shareholders at the SGM), unless terminated earlier in accordance with the terms and conditions thereunder.

Pursuant to the 2019 Business Services Agreement, the 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 2019 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 2019 Business Services Agreement) by the members of the Group to the 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); and
- (c) in compliance with all applicable provisions of the Listing Rules, the 2019 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 2019 Business Services Agreement.

As advised by the Company, the terms of the 2019 Business Services Agreement were arrived at after arm's length negotiations between the parties. We have reviewed the 2016 Business Services Agreement and compared to the 2019 Business Services Agreement and to our understanding, the major terms and pricing policies for the Services were similar in all material aspects.

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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.

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), complexity, method and program to be used for the construction works, possible technical issues that may need to be addressed, timing for delivery of the services and late delivery penalty structure, 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 of the resources to the Group, 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 for independent third party employers.

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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. The tendering team will prepare a cost estimate of the tender according to the requirements of the tender documents. The tendering team may conduct tender progress meetings throughout the estimating process as and when required. After having the potential project costs and the proposed tender price estimated, management meeting will be held to provide senior management with the cost estimation and other related documents. The senior management of the Group will review the potential project costs estimate, any potential margin 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. In determining the profit margin of potential projects, the Company will consider factors including, but not limited to, the existing workload and the capacity of the Group, future price trend of various components of the project costs, competitiveness of the tender price, reliability and reputation of the potential clients and strategic importance of the tender to the future growth of the Group. 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 gross profit margin of the Group's major competitors in the construction industry as disclosed in their published annual financial information) (the "**Range**").

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, which, according to the management fee of such services previously provided by the Group (whether to NWD Group or independent third parties), is typically between 3% and 4% (subject to negotiation) of the potential project costs depending on the complexity of the projects (the "**Management Services Range**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For tenders for Services to be rendered to NWD Group

For tenders for Services to be rendered to NWD Group contemplated under the 2019 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 the 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.

Our analysis on the general pricing policy and internal control of the Group

We have interviewed with the management of the Group and are given to understand that the Group will prepare their tenders for construction work for both the tender contract with NWD and other connected parties as well as the contracts with other independent parties based on similar criteria and assessment such as the capability to satisfy contract requirements, qualifications, reliability, quality and price; and the results of the interviews with the contractors etc.

For the services to be rendered to NWD contemplated under the 2019 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.

We have also reviewed the internal control procedures in relation to the tender provided 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 the transactions may or may not constitute connected transactions of the Company, if the Group decides to prepare for a tender, an estimating manager along with the tendering team will assess the relevant methods, costs in the tender and prepare a tender list and tender summary. The terms of the tender list will then be determined by a panel of senior management including, but not limited to, the operation directors of the Group and/or the vice chairman of the Company in a management meeting to evaluate whether the proposed tender is reliable and assessable before the submission of the tender.

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Besides, we attempted to compare the internal procedures and the pricing policies adopted by the Group for the projects of independent third-party employer and connected persons. We are given to understand from the senior management of the Company that it is difficult to compare each of the projects as the scope of works for different projects are rarely identical in respect of, among others, (i) the size of the construction site; (ii) landscape and geological condition of the construction site; (iii) complexity and difficulty of work to be performed; and (iv) amount of resources to be devoted into the project etc.

Hence, we attempted to select the comparable projects (the “**Comparable Projects**”) from a tender list which the Company has submitted, regardless the Company has won the tender or not, based on the following criteria: (a) the nature of the project (i.e. the Company being the main contractor for construction work); and (b) the commencement dates of the Comparable Projects are across the years 2017 to 2018.

Under the abovementioned selection criteria, we have obtained twelve Comparable Projects of which five of them with independent third parties as employers and seven of them with connected parties as employers, which is exhaustive and sufficient.

We have noticed from the relevant tendering documents of the Comparable Projects that the employer will invite contractors, such as the Company, to submit a quotation and will provide contractors with a scope and requirements of the construction works. Regardless of the counterparty is an independent third party or a connected party, based on each component task comprised in the scope, the estimating team of the Company would send out a number of quotation requests such as material costs to the major suppliers or sub-contractors if it is required or refer to its database which has been built up over the years, to obtain a prevailing market price, which will be taken into consideration for the estimation of the cost. The Company will conduct half-yearly appraisal on the suppliers or subcontractors in its database, including, among others, the performance and capacity of the suppliers or sub-contractors. The Company will shortlist suitable suppliers or sub-contractors based on their standard of work as well as the scope and requirements of the specific construction works for quotations.

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The cost estimates would then be reviewed by the senior management of the Group, comprising one director from civil and building divisions, one director in charge of business development, one director in charge of contract administration and management, and the vice chairman of the Company, who then will jointly determine the appropriate profit margin, the price of the construction works and will ensure the transactions are carried out at terms comparable or no less favorable to the connected parties than offer to independent third parties. Based on the Comparable Projects, we are of the view that the tender will be prepared with reference to the prevailing market rates no less favorable than the prices and terms offered by the Group to independent third parties.

Furthermore, we have reviewed the pricing summary sheets for the Comparable Projects and have interviewed with the senior management of the Company to understand how the detailed cost and profit margin were determined. We observed that each item of the construction works is listed out with an estimated cost respectively. The estimated cost for each item of the construction works was determined through the estimates of the following cost item(s) (where applicable), which include: (a) labour costs, which were estimated based on the number of staff required and the current wage levels with annual adjustments for inflation; (b) plant costs, which were estimated based on the size of site offices, machinery and equipment required on site; (c) temporary material costs, which were estimated based on the amount of materials needed for the preliminaries of the engineers and main contractor and would be cleared upon completion of the Comparable Projects; and (d) independent sub-contracting and general fees, which were estimated based on the requirement of various on-site services and fees paid for insurance. Based on the aforesaid cost estimates for the construction works, the senior management of the Group, comprising one director from civil and building divisions, one director in charge of business development, one director in charge of contract administration and management, and the vice chairman of the Company, then determined the margin for the construction works after assessing relevant risks and opportunities, and made reference to the gross profit margins charged to recent similar projects. As stated in the Board Letter, the Group's gross profit margin in its tenders for building construction projects would be within the range of 3% to 7% (depending on the complexity of the construction projects), we have noted that the gross profit margins for the majority of the Comparable Projects lie within the Range regardless of the counter party is a connected party or an independent third party.

Having reviewed the related tendering documents of the Comparable Projects, we noted that the Comparable Projects went through the same internal control procedures and adopted the same pricing policies.

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Having considered the aforementioned factors, we are of the view that (i) the Company adopted the same internal control procedures and pricing policies regardless the identity of the employer (i.e. independent third parties or connected persons); and (ii) the Company will made reference to the prevailing market rates when determining the project costs and the potential profit margin to ensure the prices are no less favorable than the prices and terms offered by the Group to independent third parties.

In relation to the Management Services Range, we have enquired with the management of the Company and are given to understand that the Company has neither entered into any contract in relation to the provision of project management services to independent third party or connected person of the Group nor prepared any tender document for consultancy or project management services since 1 January 2016 and up to the Latest Practicable Date.

We noted that the Management Service Range is consistent with the relevant pricing policy under the 2016 Business Service Agreement and the fees charged under the project management contract previously entered into with independent third party. As further advised by the Company, the potential risks associated with and complexity of the consultancy or project management services are relatively lower than those of construction or building works and thus it is reasonable that the Management Service Range will not be greater than the Range.

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Expertise and qualifications

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**”) and the details, qualifications and experiences of them are disclosed in the annual report of the Group for the year ended 31 December 2017. 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.

Having considered that (i) the nature of the 2019 Business Services Agreement falls within the scope of the principal business of the Group; (ii) the terms of the 2019 Business Services Agreement were arrived at after arm’s length negotiations and on normal commercial terms; (iii) the Group will prepare their tenders for construction work for both the tender contract with the NWD and the contracts with other independent parties based on similar criteria and assessment; (iv) the project costs are determined based on the Specification Considerations and Resources Considerations which are commercially justifiable and commonly considered; (v) the Senior Management 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 that are no less favorable to the Group than those that would have been offered at the time by the Group to other independent third parties on comparable circumstances; (vi) the potential profit margin range under the pricing policy is after due and careful considerations of the Senior Management, comprising one director from civil and building divisions, one director in charge of business development, one director in charge of contract administration and management, and the vice chairman of the Company; (vii) the gross profit margins for the majority of the Comparable Projects lie within the Range regardless of the counter party is a connected party or an independent third party; and (viii) the qualification and experience of the Senior Management who review, and modify (if required) the estimated potential project costs, we are of the view that the terms of the 2019 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.

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C. Annual caps for the 2019 Business Services Agreement

The Company proposes to seek approval from the Independent Shareholders for the renewed annual caps under the 2019 Business Service Agreement for each financial year (the “**Annual Caps**”) as follows:

	Financial year ending 31 December		
	2019	2020	2021
Annual cap (<i>HK\$ million</i>)	300	450	450

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 2016 Business Services Agreement, the members of NWD Group have commenced one on-going projects with the Group in Hong Kong (the “**On-going Project**”) requiring the Services which are expected to finish in the financial year ending 31 December 2019. The remaining contract revenue for the On-going Project for the financial year ending 31 December 2019 is estimated to be approximately HK\$42.7 million.

The Company has provided to us a worksheet (the “**Worksheet**”) comprising, among other things, summary of the transactions under the 2016 Business Services Agreement with NWD Group showing the details of the On-going Projects and the project for which the Group has submitted tender (the “**Submitted Project**”) (which comprises foundation work expected to span over approximately 30 months period ending 31 December 2021), the types of the works and contract revenue that could be required and open for tender for NWD’s possible projects that the Group is aware through media reports, 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 2019 Business Services Agreement. As noted from the Worksheet and from the Board Letter, if any such work is open for tender in 2019 and assuming the tender is successful, it is estimated that the works will only commence in the last quarter of 2019 and span towards end of 2021 and therefore substantial part of the relevant contract value will be recognised in 2020 and 2021.

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We understand that the contract revenue of the possible projects are projections estimated by the Company based on 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 two 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 2019, 2020 and 2021 in the Worksheet is mainly the sum of the estimated contract revenue of the possible projects and Submitted 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 and Submitted Project as noted from the Board Letter comprising civil engineering and foundation works which are in line with the principal business of the Group. The sum of the total contract revenue for the possible projects and Submitted Project for each of the financial year ending 31 December 2019, 2020 and 2021 are estimated to be approximately HK\$223 million, approximately HK\$423 million and approximately HK\$441 million respectively.

In addition, as mentioned in the Board Letter, for the other possible project, the Company will apply a 50% discount (the “**Discount**”) to the aggregate contract revenue of the possible project 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 2016 Business Services Agreement) ranged from approximately 42.73% to 99.08% for the two financial years ended 31 December 2016 and 2017 and approximately 86.41% for the eight months ended 31 August 2018 (the utilisation rate for transactions of the eight months ended 31 August 2018 was calculated based on two-thirds of the annual cap set for the financial year ending 31 December 2018). Such low utilisation rate in 2016 was primarily due to the delay in commencement of certain works in 2016 and the loss of tenders initially contemplated by the Group for the purpose of determining the annual cap for 2016. 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.

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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 recognise revenue from agreements for Services, for which works are performed in stages during the duration of a project, using the output 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 2019 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 2019 to be HK\$300 million after considering the estimated contract revenue of approximately HK\$42.7 million for the On-going Projects and HK\$223 million for the Submitted Project and the other possible projects (after applying the Discount); (ii) 31 December 2020 to be HK\$450 million after considering the estimated contract revenues of the other possible project (after applying the Discount) and the Submitted Project; and (iii) 31 December 2021 to be HK\$450 million after considering the estimated contract revenues of the other possible project (after applying the Discount) and the Submitted Project.

Having considered that (i) the proposed annual cap is determined according to the duration and the estimated construction costs of the On-going Projects, Submitted Project and the other possible project; (ii) the proposed annual caps represent the best estimates by the Group based on the information currently available (including works to be involved in each project, development schedule and prevailing market conditions); (iii) the results of each tender submitted by the Company are discrete and can be beyond the control and expectation of the Company; and (iv) the Company will take appropriate steps to ensure the proposed annual caps are complied with the requirements under the then applicable Listing Rules, hence we consider the proposed annual caps for the three years ending 31 December 2021 to be conservatively calculated by the Group are accordingly justifiable.

In view of the above-mentioned, we considered the proposed annual caps for the three years ending 31 December 2021 to be fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2019 Business Services Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the 2019 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 2019 Business Services Agreement to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Notes:

Ms. Julisa Fong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 22 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	197,781,843	–	24.94
Zen Wei Peu, Derek	Personal	195,957,078	–	24.71
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 the issued share capital (%)
			Long position	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 <i>(note 1)</i>	–	0.11 <i>(note 2)</i>
	Wai Kee (Zens) Construction & Transportation Company Limited <i>(note 3)</i>	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	24,649,000 <i>(notes 1 & 4)</i>	–	3.29
	Wai Kee (Zens) Construction & Transportation Company Limited <i>(note 3)</i>	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
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. As at the Latest Practicable Date, the number of total issued shares of Build King Holdings Limited was 1,241,877,992 shares. Accordingly the percentage has been adjusted.
3. With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.
4. Included in the balance, 1,000,000 shares of Road King Infrastructure Limited are held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

Interests in debentures

Name of Director	Name of company	Capacity/ Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited <i>(note 1)</i>	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$800,000 <i>(notes 2 & 3)</i>

Notes:

1. This company is a wholly owned subsidiary of Road King Infrastructure Limited.
2. Long position.
3. The principal amount of US\$400,000 of US\$300 million 7% senior guaranteed perpetual capital securities 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 Long position (note 1)	Short position	Percentage of the issued ordinary share capital (%)
Cheng Yu Tung Family (Holdings) Limited (note 2)	Corporate	198,068,000	–	24.97
Cheng Yu Tung Family (Holdings II) Limited (note 3)	Corporate	198,068,000	–	24.97
Chow Tai Fook Capital Limited (note 4)	Corporate	198,068,000	–	24.97
Chow Tai Fook (Holding) Limited (note 5)	Corporate	198,068,000	–	24.97
Chow Tai Fook Enterprises Limited (note 6)	Corporate	198,068,000	–	24.97
New World Development Company Limited (note 7)	Corporate	198,068,000	–	24.97
NWS Holdings Limited (note 8)	Corporate	198,068,000	–	24.97
NWS Service Management Limited (incorporated in the Cayman Islands) (note 9)	Corporate	198,068,000	–	24.97
NWS Service Management Limited (incorporated in the British Virgin Islands) (note 10)	Corporate	198,068,000	–	24.97
Vast Earn Group Limited (note 11)	Beneficial owner	198,068,000	–	24.97

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:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Tsang Yam Pui	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
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:

Name of subsidiary	Name of shareholder	Percentage of interest held (%)
Archibuild Limited	Cheng Lai Heung	26.66
	Lai Yiu Wah	13.34
Build King Interior & Construction Limited	Kwan Chuen Kin	30.00
Cheuk Wah Construction Engineering Limited	Goldky Industries Limited	40.00
Eastar Construction Engineering Limited	Fulight Engineering Limited	20.00
Grand Creation Holdings Limited	Empire Success Corporation Limited	49.00
Grandeur Building Material (Shanghai) Limited	Proficiency Building Materials and Equipment Limited	20.00
	Tse Pang	20.00
Huge Host Engineering Limited	Downer Mining (Asia) Limited	30.00
W K Aviation Engineering Company Limited	Kencana Capital Ventures Sdn. Bhd.	30.00
Wealth Advance Development Limited	Wiseberg Project Management Company Limited	45.00

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
Tsang Yam Pui	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 2017, 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 2017, 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:

Name	Qualification
Veda Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Veda Capital 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, Veda Capital did not have any:

- (i) direct or indirect interest in any assets which have been, since 31 December 2017 (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 2019 Business Services Agreement; and
- (b) 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 Wednesday, 12 December 2018 at 10:00 a.m. to transact the following businesses:

ORDINARY RESOLUTION

“**THAT**

- (a) the terms of and proposed annual caps in relation to the transactions under the business services agreement (the “**Agreement**”) dated 26 October 2018 between Wai Kee Holdings Limited (the “**Company**”) and New World Development Company Limited (“**NWD**”) in respect of 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
- (b) 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, supplement or waivers of terms thereof.”

By Order of the Board
Wai Kee Holdings Limited
Anriena Chiu Wai Yee
Company Secretary

Hong Kong, 26 November 2018

Notes:

1. The record date and time for determining the entitlement of members of the Company to attend and vote at the Special General Meeting of the Company will be Thursday, 6 December 2018 at 4:00 p.m. In order to qualify for attending and voting at the Special General Meeting of the Company, all transfers of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 6 December 2018.
2. 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.
3. 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.
4. 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.
5. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In the case of joint holders of any share, 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.