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WAI KEE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 610)

CONTINUING CONNECTED TRANSACTIONS

NEW BUSINESS SERVICES AGREEMENT

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. On 4 December 2015, the Company entered into the New Business Services Agreement with NWD for the provision of Services to members of NWD Group for an initial term of 3 years effective from 1 January 2016.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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. As such, the transactions contemplated 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 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.

A circular containing, among other things, (i) further details of the New Business Services Agreement; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) the notice convening the SGM, is expected to be despatched to the Shareholders on or before 10 December 2015. NWD and its associates will abstain from voting on the resolution to approve the New Business Services Agreement at the SGM.

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 the 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
- 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.

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
- (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.

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:

	<u>Financial year ended 31 December</u>		For the eight months ended 31 August 2015 (for actual amount only)/ for the financial year ending 31 December 2015 (for annual cap only)
	<u>2013</u>	<u>2014</u>	
Actual amount (HK\$ million)	2.37	149.5	40.2
Historical annual caps (HK\$ million)	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:

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

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 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) 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.

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.

The Directors (excluding the independent non-executive Directors whose opinion will be given after receiving advice from the Independent Financial Adviser) 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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. As such, the transactions contemplated 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.

The SGM will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the terms of and the proposed annual caps in relation to the transactions under the New Business Services Agreement. An Independent Board Committee comprising all the independent non-executive Directors 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. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the New Business Services Agreement; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee and (iv) the notice convening the SGM, is expected to be despatched to the Shareholders on or before 10 December 2015. NWD and its associates will abstain from voting on the resolution to approve the New Business Services Agreement at the SGM.

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.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung, 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 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 New Business Services Agreement
“Independent Shareholders”	the Shareholders other than NWD and its associates (as defined in the Listing Rules)
“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

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

Hong Kong, 4 December 2015

At the date of this announcement, the Board comprises three executive directors, namely Mr. William Zen Wei Pao, Mr. Derek Zen Wei Peu and Miss Anriena Chiu Wai Yee, three non-executive directors, namely Mr. Patrick Lam Wai Hon, Mr. Brian Cheng Chi Ming and Dr. Leslie Cheng Chi Pang, and three independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung.