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## **CNQC INTERNATIONAL HOLDINGS LIMITED**

**青建國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1240)**

### **CONTINUING CONNECTED TRANSACTION**

#### **FRAMEWORK AGREEMENT**

On 30 March 2017, the Company entered into the Framework Agreement with Singapore Bai Chuan, pursuant to which Singapore Bai Chuan agreed to provide the Decoration Engineering Services to the Group.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Singapore Bai Chuan is an indirect subsidiary of Guotsing PRC, which is under the common control of the ultimate beneficial owners of Guotsing Holding Company Limited, a controlling Shareholder. Singapore Bai Chuan is therefore a connected person of the Company by virtue of being an associate of Guotsing Holding Company Limited and the transactions contemplated under the Framework Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps are more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **FRAMEWORK AGREEMENT**

On 30 March 2017, the Company entered into the Framework Agreement with Singapore Bai Chuan, pursuant to which Singapore Bai Chuan agreed to provide the Decoration Engineering Services to the Group.

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

### **Date**

30 March 2017

### **Parties**

- (1) The Company; and
- (2) Singapore Bai Chuan.

### **Term**

The Framework Agreement is for a term commencing from the date of the Framework Agreement till 31 December 2019.

### **Transactions under the Framework Agreement**

Singapore Bai Chuan agreed to provide the design, supply, manufacture and commission of various interior and exterior decoration engineering services, including but not limited to aluminum alloy, wood, iron, glass doors and windows curtain wall blinds lattice corridors, ironwork, wood products, tiles, floors, elevators and other services.

The Framework Agreement is a framework agreement which contains general terms and conditions upon which the parties stated therein are to carry out the transaction contemplated thereunder. Members of the Group and members of the Singapore Bai Chuan Group may from time to time enter into specific agreements in respect of the Decoration Engineering Services received by the Group, provided that the terms of such detailed agreements are not inconsistent with the terms of the Framework Agreement. The actual services received by the Group are subject to such detailed agreement entered into between the relevant members of Group and members of the Singapore Bai Chuan Group from time to time during the terms of the Framework Agreement.

### **Service Fee and Payment**

The service fees payable under the Framework Agreement by the Company are to be agreed and determined on an arm's length basis between parties therein from time to time, which shall be comparable to, or no less favourable to the Group than, the fair market prices for similar services offered by independent third parties to the Group.

The Company shall, before it enters into specific agreements in respect of the Decoration Engineering Services pursuant to the Framework Agreement:

- (i) obtain at least two price quotations from suppliers who are independent third parties for the supply of the same or similar services required by the Group; or
- (ii) request the Singapore Bai Chuan Group to provide it with at least two sales records of the same or similar services offered by it to its customers, as the reference market price of such services.

If any members of the Group enters into a transaction with any members of the Singapore Bai Chuan Group for the services contemplated under the Framework Agreement, the price and other conditions at which such services are to be offered shall be no less favourable to the Group than any of the price quotations and sales records.

### **Historical Amounts**

The historical transaction amount for the provision of the Decoration Engineering Services by the Singapore Bai Chuan Group to the Group for the year ended 31 December 2016 was approximately SGD0.8 million. As all applicable percentage ratios in respect of the transaction amount entered into between the Singapore Bai Chuan Group and the Group for the Decoration Engineering Services in 2016 are less than 0.1%, the continuing connected transactions between the Singapore Bai Chuan Group and the Group were exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Annual Caps and basis**

The amount to be paid by the Group to the Singapore Bai Chuan Group for the provision of the Decoration Engineering Services under the Framework Agreement for the financial year ending 31 December 2017, 2018 and 2019 will not exceed the following annual caps:

| <b>Annual Caps</b> | <b>( '000 SGD)</b> |
|--------------------|--------------------|
| 31 December 2017   | 30,000             |
| 31 December 2018   | 30,000             |
| 31 December 2019   | 30,000             |

The annual caps are determined based on (i) the historical transaction amount of the Decoration Engineering Services provided by the Singapore Bai Chuan Group to the Group in the year ended 31 December 2016; (ii) the projected additional Decoration Engineering Services required for the performance of the construction contracts by the Group; and (iii) the projected increase in the average market prices for similar services due to increased labour costs and other factors. The Directors consider that the annual caps are fair and reasonable.

## **Internal Control Measures**

In order to ensure that the terms for the provision of the Decoration Engineering Services by the Singapore Bai Chuan Group to the Group are no less favourable than those available from independent third parties, the Company has adopted the following measures:

1. the fees for the Decoration Engineering Services will be negotiated on arm's length basis and with reference to the prevailing market prices of similar services, which will be determined through a periodic price research conducted by the staff of the business department of the Group by obtaining the prices of services charged by suppliers in the market for similar services comparable to the services under the Framework Agreement;
2. the Company will supervise the continuing connected transaction in accordance with the procedures set forth in the Company's internal control manual on continuing connected transaction. The relevant personnel of the business department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Company's external auditors will conduct an annual review on the pricing and the annual caps of the continuing connected transaction;
4. the Company's audit committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transaction by the Company; and
5. the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transaction.

## **INFORMATION ON THE COMPANY AND SINGAPORE BAI CHUAN**

The Company was incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in property development business in Singapore and the construction business both in Singapore and Hong Kong.

Singapore Bai Chuan is a company incorporated in Singapore. The Singapore Bai Chuan Group is principally engaged in the provision of design, supply, manufacture and commission of various interior and exterior decoration engineering services.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION**

The Singapore Bai Chuan Group is in the business of provision of the Decoration Engineering Services in Singapore. The transactions contemplated under the Framework Agreement would allow the Group to leverage on the experience and expertise of the Singapore Bai Chuan Group in the interior and exterior decoration engineering works for the Group's construction projects. The entering into of the Framework Agreement would ensure

the Group is able to source for the supply of the Decoration Engineering Services at competitive pricing for the Group's future construction projects. The Directors (including the independent non-executive Directors) considered that (i) the Framework Agreement was entered into in the ordinary and usual course of business and on normal commercial terms; (ii) the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the annual caps under the Framework Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has approved the Framework Agreement and none of the Directors has any material interest in the transactions contemplated thereunder. Since Mr. Wang Xianmao is the chief executive officer in Guotsing PRC, he has abstained from voting on the relevant resolutions of the Board to approve the Framework Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Singapore Bai Chuan is an indirect subsidiary of Guotsing PRC, which is under the common control of the ultimate beneficial owners of Guotsing Holding Company Limited, a controlling Shareholder. Singapore Bai Chuan is therefore a connected person of the Company by virtue of being an associate of Guotsing Holding Company Limited and the transactions contemplated under the Framework Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps are more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

|                                   |   |
|-----------------------------------|---|
| “associate(s)”                    | has the meaning ascribed to it under the Listing Rules  |
| “Board”                           | the board of Directors  |
| “Company”                         | CNQC International Holdings Limited (青建國際控股有限公司), a company incorporated under the laws of Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange  |
| “connected person(s)”             | has the meaning ascribed to it under the Listing Rules  |
| “Decoration Engineering Services” | design, supply, manufacture and commission of various interior and exterior decoration engineering services, including but not limited to aluminum alloy, wood, iron, glass doors and windows curtain wall blinds lattice corridors, ironwork, wood products, tiles, floors, elevators and other services |

|                             |   |
|-----------------------------|---|
| “Director(s)”               | director(s) of the Company  |
| “Framework Agreement”       | an agreement dated 30 March 2017 entered into by the Company and Singapore Bai Chuan in relation to the provision of the Decoration Engineering Services to the Group |
| “Group”                     | the Company and its subsidiaries  |
| “Guotsing PRC”              | 國清控股集團有限公司 (Guotsing Holding Group Co. Ltd.*), a company incorporated in the PRC with limited liability   |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC  |
| “Listing Rules”             | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “percentage ratios”         | any of the five ratios set out in Rule 14.07 of the Listing Rules   |
| “PRC”                       | The People’s Republic of China, which shall, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Share(s)”                  | share(s) of the Company   |
| “Shareholder(s)”            | the holder(s) of the Shares   |
| “Singapore Bai Chuan”       | Singapore Bai Chuan Investment Pte. Ltd., a company incorporated in Singapore with limited liability  |
| “Singapore Bai Chuan Group” | Singapore Bai Chuan and its subsidiaries  |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited   |
| “%”                         | per cent.   |

By Order of the Board  
**CNQC International Holdings Limited**  
**Cheng Wing On Michael**  
*Chairman*

Hong Kong, 30 March 2017

*As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan, Mr. Ho Chi Ling, Mr. Zhang Yuqiang and Mr. Wang Linxuan; (ii) three non-executive Directors, namely Mr. Zhang Zhihua, Dr. Sun Huiye and Mr. Wang Xianmao; and (iii) four independent non-executive Directors, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny.*