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Sanroc International Holdings Limited

善樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO BANK DEPOSITS

THE BANK DEPOSIT AGREEMENT

On 1 June 2018, the Company and WLB entered into the Bank Deposit Agreement, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with WLB on normal commercial terms from time to time. Subject to approval by the Independent Shareholders, the Bank Deposit Agreement shall be effective for a term commencing on the Effective Date and ending on 31 March 2021.

Under the Bank Deposit Agreement, the Group shall not be restricted from placing and maintaining deposits with any Independent Third Party bank. The continuing connected transactions contemplated under the Bank Deposit Agreement will be subject to the proposed Annual Caps in respect of the years ending 31 March 2019, 2020 and 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, WLB is controlled as to 38% by Mr. Xu Chujia, the chairman of the Board, an executive Director and a controlling shareholder indirectly holding approximately 51.65% of the total number of issued Shares. As such, WLB is an associate of Mr. Xu Chujia, and a connected person of the Company under the Listing Rules, and the transactions contemplated under the Bank Deposit Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Annual Cap for each of the three years ending 31 March 2021 is expected to represent more than 5% of one or more of the applicable percentage ratios under the Listing Rules and exceed HK\$10 million, the transactions contemplated under the Bank Deposit Agreement and the Annual Caps are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Bank Deposit Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps). The Company has established the Independent Board Committee comprising all four independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the continuing connected transactions contemplated under the Bank Deposit Agreement are fair and reasonable, and whether such transactions 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, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the IFA. Opus Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

A circular including, amongst other information, (i) a letter from the Board containing further information on the continuing connected transactions contemplated under the Bank Deposit Agreement and the Annual Caps; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders; and (iii) a letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM and the relevant proxy form, will be despatched to the Shareholders on or before 22 June 2018.

Since the Bank Deposit Agreement is subject to the fulfilment of the conditions precedent set out therein and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE BANK DEPOSIT AGREEMENT

The Board announces that on 1 June 2018, the Company and WLB entered into the Bank Deposit Agreement, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with WLB on normal commercial terms from time to time.

Further details of the Bank Deposit Agreement are set out below.

Date

1 June 2018

Parties

(1) the Company; and

(2) WLB

Principal terms

Pursuant to the Bank Deposit Agreement, the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the WLB on normal commercial terms from time to time during the term of the Bank Deposit Agreement, and the placing and maintenance of any Bank Deposits shall be subject to the terms and conditions of WLB applicable to customers similar to the Group from time to time. Under the Bank Deposit Agreement, the Group shall not be restricted from placing and maintaining deposits with any Independent Third Party bank.

Subject to approval by the Independent Shareholders, the Bank Deposit Agreement shall be effective for a term commencing on the Effective Date and ending on 31 March 2021. Subject to compliance with the Listing Rules, the Bank Deposit Agreement may be renewed by the Company and WLB by agreement in writing.

The Bank Deposit Agreement is conditional upon the approval by the Independent Shareholders of the Bank Deposit Agreement and the transactions contemplated thereunder (including the Annual Caps) at the EGM. If the above condition is not fulfilled on or before 31 July 2018 or such later date as agreed between the Company and WLB, the Bank Deposit Agreement shall cease and terminate with immediate effect.

Pricing methods and procedures

The Bank Deposit Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on the standard base rate in Macau announced by the AMCM and the interest rates and other terms offered to or obtained by the Group from Independent Third Parties banks in Macau from time to time. The Group will also take into account other factors, including amongst others, quality of services, financial conditions and reputation of the bank and previous transactions when negotiating with WLB to determine the interest rates and other terms applicable to the Bank Deposits to be placed with it.

In order to ensure that the pricing mechanism in the Bank Deposit Agreement will be adhered to and the continuing connected transactions contemplated thereunder will be conducted on normal commercial terms, the Group will adopt the following internal control procedures and external supervision measures:

- (1) the Bank Deposits will be placed with the WLB by the Group on a voluntary and non-exclusive basis. Each time before placing any Bank Deposits, the Group will ascertain the standard base rate in Macau most recently announced by the AMCM and obtain quotations (setting out, amongst others, the applicable interest rates) from at least two other Independent Third Parties banks. The Group will then compare the interests rates and other terms offered by WLB with the prevailing standard base rate and quotations offered by the Independent Third Parties banks and conduct assessment taking into account a number of other factors, such as the financial conditions and reputation of WLB and the respective Independent Third Parties banks and experience in any previous transactions with them, before making its decision as to the bank with which the deposits are to be placed;
- (2) the Group will monitor the maximum outstanding balance of the Bank Deposits on a daily basis to ensure that such balance does not exceed the Annual Caps;
- (3) the Group will prepare a continuing connected transaction report (“**CCT Report**”) once every six months on the Bank Deposits placed with WLB, which will be submitted to the Group’s audit committee for consideration. The content of the CCT Report will include, amongst others: (i) the aggregate balance and maximum daily outstanding balance of the Bank Deposits; (ii) a summary and comparison of the interest rates and other terms offered by WLB against the prevailing standard base rate in Macau announced by the AMCM from time to time and the interest rates and other terms offered by the Independent Third Parties banks from which the Group has obtained quotations or with which the Group has placed deposit(s) during the relevant reporting period; and (iii) the status of compliance with and utilisation of the Annual Caps; and
- (4) the Group’s audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions conducted under the Bank Deposit Agreement and other connected transactions(s) of the Group (if any).

In addition to the measures set out above, the Group will also adopt the following measures:

- (i) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted pursuant to the Bank Deposit Agreement; and
- (ii) the independent non-executive Directors will review the continuing connected transactions conducted pursuant to the Bank Deposit Agreement on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2019, 2020 and 2021 whether such continuing connected transactions have been entered into on normal commercial terms or better, in the ordinary and usual course of business of the

Group and in accordance with the Bank Deposit Agreement on terms that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

The Directors consider that the above internal control measures can ensure that the transactions contemplated under the Bank Deposit Agreement will be conducted on normal commercial terms in a manner that is not prejudicial to the interests of the Company and its Shareholders.

Proposed Annual Caps

Historical transactions

The Group did not place any Bank Deposit with WLB for the year ended 31 March 2018.

Basis of the proposed Annual Caps

Pursuant to the Bank Deposit Agreement, the aggregate maximum balance of the Bank Deposits on any given day shall not exceed HK\$350,000,000 for each of the years ending 31 March 2019, 2020 and 2021 during the term of the Bank Deposit Agreement (the “**Annual Caps**”). Under the Bank Deposit Agreement, the Group shall not be restricted from placing and maintaining deposits with any Independent Third Party bank.

Given that the prevailing interest rates for deposits offered by banks in Macau have been generally higher than those offered by banks in Hong Kong, it is expected that the Group will increase the proportion of its cash and cash equivalent maintained as deposits with banks in Macau. In addition, on the basis of the cash and cash equivalents of the Group as at 30 September 2017 of approximately HK\$120,784,000, the Annual Caps are set at a level higher than the current level of the cash and cash equivalents of the Group so as to accommodate the possible increase in cashflow as a result of the expected expansion in the business of the Group and the net proceeds from any future fund-raising exercises which may temporarily be deposited with banks pending application to the designated uses.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has to maintain deposits and other bank balances from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business. As set out in the section headed “The Bank Deposit Agreement – Proposed Annual Caps – Basis of the proposed Annual Caps”, the Group intends to increase the proportion of its cash and cash equivalent maintained as deposits with banks in Macau in the light of the fact that the prevailing interest rates for deposits offered by banks in Macau have been generally higher than those offered by banks in Hong Kong. WLB is able to provide banking and related support that cater to the Group’s needs in its current business operations and contemplated business expansion and treasury activities in the long run. By placing Bank Deposits with WLB, the Group will enjoy secure deposit services and at the same time be able to obtain higher interest income.

There is no restriction under the Bank Deposit Agreement on the Group's ability to source the relevant services from Independent Third Parties banks and the Group is at its sole discretion to decide which bank to place its deposits with according to the relevant interest rates and other terms offered by the banks and other relevant factors such as the quality of services, financial conditions and reputation of the banks.

Except for Mr. Xu Chujia, the chairman of the Board and an executive Director who indirectly holds 38% of the issued shares of WLB and Ms. Zhan Meiqing, an executive Director who is a sister-in-law of Mr. Xu Chujin and indirectly holds 6% of the issued shares of WLB, none of the Directors has or is deemed to have a material interest in the Bank Deposit Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps). Mr. Xu Chujia and Ms. Zhan Meiqing has abstained from voting on the relevant resolutions at the board meeting.

The terms and conditions of the Bank Deposit Agreement were negotiated between the parties thereto on an arm's length basis. The Directors (other than the independent non-executive Directors whose views will be given after taking the advice of the independent financial adviser) are of the view that the terms and conditions of the Bank Deposit Agreement (including the pricing mechanism and procedures and the proposed Annual Caps) are fair and reasonable, and the continuing connected transactions contemplated under the Bank Deposit 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.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, WLB is controlled as to 38% by Mr. Xu Chujia, the chairman of the Board, an executive Director and a controlling shareholder indirectly holding approximately 51.65% of the total number of issued Shares. As such, WLB is an associate of Mr. Xu Chujia, and a connected person of the Company under the Listing Rules, and the transactions contemplated under the Bank Deposit Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Annual Cap for each of the three years ending 31 March 2021 is expected to represent more than 5% of one or more of the applicable percentage ratios under the Listing Rules and exceed HK\$10 million, the transactions contemplated under the Bank Deposit Agreement and the Annual Caps are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will seek to obtain the approval of the Independent Shareholders on the Bank Deposit Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps) at the EGM. As at the date of this announcement, Mr. Xu Chujia, through Boardwin Resources Limited, indirectly holds approximately 51.65% of the total number of issued Shares, and Ms. Zhang Meijuan, the spouse of Mr. Xu Chujia, beneficially owns approximately 4.89% of the total number of issued Shares. In accordance with the Listing Rules, at the EGM where the voting will be

taken by poll, Mr. Xu Chujia, Ms. Zhang Meijuan, and Boardwin Resources Limited, who are materially interested in the Bank Deposit Agreement, and their respective associates are required to abstain from voting on the proposed resolutions for approving the Bank Deposit Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps).

The Company has established the Independent Board Committee comprising all four independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the continuing connected transactions contemplated under the Bank Deposit Agreement are fair and reasonable, and whether such transactions 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, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the IFA. Opus Capital Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

The Group is principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, and the provision of transportation services in Hong Kong. WLB is a bank in Macau operating with full banking licenses and principally engaged in provision of savings, loan and remittance services.

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Bank Deposit Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps).

A circular including, amongst other information, (i) a letter from the Board containing further information on the continuing connected transactions contemplated under the Bank Deposit Agreement and the Annual Caps; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders; and (iii) a letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM and the relevant proxy form, will be despatched to the Shareholders on or before 22 June 2018.

Since the Bank Deposit Agreement is subject to the fulfilment of the conditions precedent set out therein and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AMCM”	Autoridade Monetária de Macau, the monetary authority of Macau
“Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions – Annual Caps” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank Deposit Agreement”	the master agreement dated 1 June 2018 entered into between the Company and WLB in relation to the Bank Deposits which shall, subject to approval by the Independent Shareholders, be effective for a term commencing on the Effective Date and ending on 31 March 2021
“Bank Deposit(s)”	deposit(s) of whatever duration (including both saving and time deposits) maintained by the Company (or any member of the Group) with WLB from time to time in ordinary and usual course of business
“Board”	the board of Directors
“Boardwin”	Boardwin Resources Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, and a 51.65% shareholder of the Company
“CCT Report”	has the meaning ascribed to it under the section headed “Internal Control Procedures” in this announcement
“Company”	Sanroc International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the directors of the Company
“Effective Date”	being the date of the EGM
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Bank Deposit Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps)
“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFA”	Opus Capital Limited (a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate firm) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Bank Deposit Agreement
“Independent Board Committee”	an independent committee of the Board, comprising all four independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the Bank Deposit Agreement
“Independent Shareholders”	Shareholders other than Mr. Xu Chujia, Ms. Zhang Meijuan and Boardwin Resources Limited, who are materially interested in the Bank Deposit Agreement, and their respective associates
“Independent Third Party(ies)”	person(s) or company(ies) who or which is(are) not connected person(s) or core connected person(s) (as defined in the Listing Rules) of our Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WLB”	Banco Well Link S.A., a company incorporated in Macau with limited liability
“%”	per cent.

By order of the Board
Sanroc International Holdings Limited
Xu Chujia
Chairman and executive Director

Hong Kong, 1 June 2018

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Xu Chujia, Mr. Wu Hanyu, Ms. Zhan Meiqing, Mr. Xu Weizhen and Mr. Kwan Kin Man Keith; and four independent non-executive Directors, namely, Mr. Hui Chin Tong Godfrey, Mr. Sze-to Kin Keung, Mr. Wong Chun Man and Mr. Ye Longfei.