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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)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF EQUITY INTERESTS OF A SUBSIDIARY**

#### **THE SALE AND PURCHASE AGREEMENT**

On 12 May 2021, Qingjian Realty (an indirect wholly-owned subsidiary of the Company), OSS Property and ZACD (BBW6) (as the Vendors) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, (a) the Sale Shares, representing the entire issued share capital of the Target Company, at the Sale Shares Consideration, and (b) the Shareholders' Loan at the Shareholders' Loan Consideration. The Vendors will, in effect, dispose of the Property through the Disposal.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its results will no longer be consolidated into the consolidated financial statements of the Group.

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

As one or more of the applicable percentage ratios in respect of the Disposal under the Sale and Purchase Agreement exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, as ZACD (BBW6) is an associate of Mr. Yeo Choon Guan and Ms. Sim Kain Kain, who are directors of certain non-wholly owned subsidiaries of the Company, ZACD (BBW6) is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) ZACD (BBW6) is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

**The Disposal is subject to the satisfaction or waiver of conditions precedent. There is no assurance that the Disposal will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

On 12 May 2021, Qingjian Realty (an indirect wholly-owned subsidiary of the Company), OSS Property and ZACD (BBW6) (as the Vendors) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, (a) the Sale Shares, representing the entire issued share capital of the Target Company, at the Sale Shares Consideration, and (b) the Shareholders' Loan at the Shareholders' Loan Consideration. The Vendors will, in effect, dispose of the Property through the Disposal.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out as below:

### **Date**

12 May 2021

### **Parties**

- (1) Qingjian Realty (as one of the Vendors);
- (2) OSS Property (as one of the Vendors);
- (3) ZACD (BBW6) (as one of the Vendors); and
- (4) the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, OSS Property (other than being co-owner of the equity interests of the Target Company with Qingjian Realty) and the Purchaser and their respective ultimate beneficial owner(s) are Independent Third Parties. ZACD (BBW6) is a connected person of the Company at the subsidiary level by virtue of being an associate of Mr. Yeo Choon Guan and Ms. Sim Kain Kain, who are directors of certain non-wholly owned subsidiaries of the Company.

## **Assets to be disposed**

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, (a) the Sale Shares, representing the entire issued share capital of the Target Company, at the Sale Shares Consideration, and (b) the Shareholders' Loan at the Shareholders' Loan Consideration, free from all encumbrances and with all rights attached thereto.

The Vendors will, in effect, dispose of the Property through the Disposal. For further details of the Property, please refer to the section headed "Information on the Target Company" in this announcement.

## **Consideration**

The Sale Shares Consideration shall be equal to the adjusted net asset value of the Target Company as set out in the Pre-completion NAV Statement which shall be no less than SGD27,795,196 (subject to post-Completion adjustment) and the Shareholders' Loan Consideration shall be equal to the outstanding balance amount of the Shareholders' Loan at Completion (the amount of which is expected to be approximately SGD10,254,197). The Sale Shares Consideration and the Shareholders' Loan Consideration shall be settled by the Purchaser in cash to the Vendors in proportion to their respective shareholding interests in the Target Company in the following manner:

- (a) a first deposit of SGD3 million (equivalent to approximately HK\$17.43 million) shall be paid by the Purchaser to the Vendors' solicitors on the date of signing of the Sale and Purchase Agreement, which shall be released to the Vendors on Completion;
- (b) a second deposit of SGD1 million (equivalent to approximately HK\$5.81 million) shall be paid by the Purchaser to the Vendors' solicitors after satisfaction of the conditions set out in paragraph (i) under the section headed "The Sale and Purchase Agreement — Conditions Precedent" in this announcement, which shall be released to the Vendors on Completion; and
- (c) the Completion Amount shall be paid by the Purchaser to the Vendors on Completion.

## **Post-Completion adjustment of the Sale Shares Consideration**

The Sale Shares Consideration is subject to post-Completion adjustment by adding to or subtracting from, as the case may be, the Sale Shares Consideration the difference in amount between the net asset value of the Target Company as set out in the Pre-completion NAV Statement and that in the Post-completion NAV Statement on a dollar-for-dollar basis. In any event, the aggregate sum of the Sale Shares Consideration (after post-Completion adjustment) and the Shareholders' Loan Consideration shall not exceed SGD60 million.

## **Basis of consideration of the Disposal**

The Sale Shares Consideration and the Shareholders' Loan Consideration were determined upon arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to, among others, (i) the financial condition and business operation of the Target Company; (ii) the assets and liabilities of the Target Company; and (iii) the outstanding amount of the Shareholders' Loan.

## **Conditions precedent**

Completion is conditional upon the fulfilment (or waiver) of a number of conditions, including:

- (i) a licensed bank in Singapore (which is acceptable to Qingjian Realty and the Purchaser) having (a) issued an offer letter setting out terms for bank facilities to be granted to the Target Company (the "**Bank Financing**") which are substantially similar to the terms currently offered to the Target Company; and (b) consented to the contemplated change in control of the Target Company pursuant to the Sale and Purchase Agreement, and that no addition or amendment of terms to the offer letter which may materially affect the Target Company or the Purchaser;
- (ii) the Purchaser being satisfied with the replies to the legal requisitions in relation to the Property it raised to the relevant regulatory authorities;
- (iii) the net assets of the Target Company as set out in the Pre-completion NAV Statement being not less than a certain percentage of a targeted net asset value as set out in the Sale and Purchase Agreement;
- (iv) the Vendors having performed and complied with all material obligations and conditions in the Sale and Purchase Agreement that are required to be performed or complied with by the Vendors prior to Completion;
- (v) no event at Completion rendering any of the warranties given by the Vendors untrue or incorrect in any material respect;
- (vi) the Bank Financing having been drawn down and the proceeds being applied to repay in full any outstanding payables owing by the Target Company to Qingjian Realty (BBR) Pte. Ltd., a non-wholly owned subsidiary of the Company;
- (vii) no demand for repayment of the Bank Financing having been served and remaining outstanding by the relevant bank on the Target Company as at the date of Completion; and
- (viii) all loans owing by the Company to any bank (excluding the Bank Financing) and all encumbrances over the Property (for the avoidance of doubt, excluding any encumbrances relating to the Bank Financing) having been or will be fully, unconditionally and irrevocably discharged.

The conditions under (i) and (vi) to (viii) may only be waived (in whole or in part) by mutual consent of the Vendors and the Purchaser. The conditions under (ii) to (v) may only be waived (in whole or in part) by the Purchaser in its sole and absolute discretion.

Save as otherwise provided in the Sale and Purchase Agreement, if any of the conditions precedent set out above is not fulfilled (or waived) within 90 days from the date of the Sale and Purchase Agreement or such other date as the Vendors and the Purchaser may agree in writing, the Sale and Purchase Agreement shall automatically terminate. The Purchaser shall pay SGD0.1 million to the Vendors in proportion to their respective shareholding interests in the Target Company if the Sale and Purchase Agreement is terminated by reason of the non-fulfilment of condition (vi). If the Purchaser does not proceed with Completion for any reasons other than a breach by the Vendors or the non-fulfilment of condition (vi), the Vendors shall be entitled to the entire amount of the Deposits in proportion to their shareholding interests in the Target Company. Other than as a result of default of the Purchaser or non-fulfilment of condition (vi) as described above, the Vendors shall refund the Deposits in full (together with any interest accrued thereon) to the Purchaser, after which any claim by either party against any other party to the Sale and Purchase Agreement in respect of any antecedent breach shall be limited to transaction costs incurred of not exceeding SGD0.1 million.

### **Completion**

Subject to the satisfaction (or waiver) of all the conditions precedent as set out in the Sale and Purchase Agreement, Completion shall take place within 60 days after the date of the Sale and Purchase Agreement or such other date as the Vendors and the Purchaser may agree in writing.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its results will no longer be consolidated into the consolidated financial statements of the Group.

## **INFORMATION ON THE COMPANY AND THE PARTIES TO THE SALE AND PURCHASE AGREEMENT**

### **The Company**

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, foundation and construction business in Singapore and Southeast Asia, Hong Kong and Macau.

### **The Vendors**

Qingjian Realty is a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the business of property development for investment. As at the date of this announcement, it held 73% of the total issued shares of the Target Company.

OSS Property is a company incorporated in Singapore with limited liability. It is ultimately beneficially owned by Joseph Tey Wei Jin, Pang Sze Khai, Lee Kok Leong and Wang Ping, each holding 16.67% of its equity interests, with the remaining equity interests ultimately beneficially owned by five individuals, each holding less than 10%. OSS Property is principally engaged in the business of investment holding. As at the date of this announcement, it held 15% of the total issued shares of the Target Company.

ZACD (BBW6) is a private equity fund incorporated in Singapore. ZACD Group Ltd (a company listed on the GEM of the Stock Exchange (stock code: 8313)) through its wholly-owned subsidiary is holding 100% of the ordinary shares of ZACD (BBW6) with voting power. Mr. Yeo Choon Guan and Ms. Sim Kain Kain, who are directors of certain non-wholly owned subsidiaries of the Company, are controlling shareholders of ZACD Group Ltd. A wide pool of investors are holding redeemable preference shares of ZACD (BBW6) entitling to economic benefits with no voting power. ZACD Capital Pte Ltd, a wholly-owned subsidiary of ZACD Group Ltd that is licensed to conduct fund management services in Singapore, is the fund manager of ZACD (BBW6). ZACD (BBW6) is principally engaged in fund investment. As at the date of this announcement, it held 12% of the total issued shares of the Target Company.

### **The Purchaser**

The Purchaser is a sub-fund of Firmus Opportunity Fund VCC, a Variable Capital Company (VCC) incorporated in Singapore with an investment fund mandate to invest into direct real estate opportunities. The ultimate beneficial owners of the Purchaser comprise a wide pool of financial investors of the Firmus Opportunity Fund. Firmus Capital Pte Ltd is the investment and fund manager of the Purchaser, and is a fund manager licensed by the Monetary Authority of Singapore (MAS).”

### **INFORMATION ON THE TARGET COMPANY**

The Target Company was incorporated in Singapore with limited liability and a non-wholly owned subsidiary of the Company. As at the date of this announcement, Qingjian Realty, OSS Property and ZACD (BBW6) held 73%, 15% and 12% of the total issued shares of the Target Company, respectively. The Target Company is principally engaged in the business of property management.

The Target Company owns 100% in the 99 year leasehold interest commencing on 29 August 2016 in the Property. The Property is a commercial strata unit known as Le Quest Mall located at Bukit Batok Street 41, #01-01 to #01-101 Le Quest Singapore 657991 for commercial purpose. The Property has a total gross floor area of approximately 6,000 square metres. For further details of the Property, please refer to the 2020 Annual Report of the Company issued on 20 April 2021.

The summary of the audited financial information of the Target Company for the financial years ended 31 December 2019 and 2020 is as follows:

	<b>For the year ended 31 December 2019 HK\$</b>	<b>For the year ended 31 December 2020 HK\$</b>
Net profit/(loss) before taxation	(2,530,790)	(12,431,930)
Net profit/(loss) after taxation	(2,530,790)	(12,431,930)

As at 31 December 2020, the audited net assets of the Target Company were approximately HK\$5.30 million. As at 31 March 2021, the unaudited net assets after incorporating the Agreed Property Value of the Target Company were approximately HK\$177.49 million.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

The Group is principally engaged in, among others, property development business. It has been proactively exploring opportunities of new property development projects in order to expand its property development business.

Le Quest Mall, the property development project of the Company on the Property operated through the Target Company, has provided the Company with rewarding returns from the lease of commercial units thereon. Upon strategic review of the Target Company and the Property, the Directors considered that it is in the interest of the Company to dispose of the Target Company to realise its investments in the Target Company.

As a result of the Disposal, the Group expects to realise a book gain before tax of approximately HK\$110 million, which is calculated based on the difference between the Group's share, in proportion to its shareholding in the Target Company, of (i) the Sale Shares Consideration; and (ii) the unaudited net asset value of the Target Company as at 31 March 2021, taking into account the transaction and professional fees for the Disposal. The actual amount of gain/loss on the Disposal to be recorded by the Group will be subject to review by the auditors of the Company.

Taking into consideration of the expected net proceeds of approximately SGD29.79 million from the Disposal, the Company considers it can strengthen the cash flow of the Group and be utilised towards other appropriate property development opportunities for better return for its Shareholders and general working capital of the Group.

The Directors (including the independent non-executive Directors) considered that (i) the Sale and Purchase Agreement was entered into in the ordinary and usual course of business and on normal commercial terms; and (ii) the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal under the Sale and Purchase Agreement exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, as ZACD (BBW6) is an associate of Mr. Yeo Choon Guan and Ms. Sim Kain Kain, who are directors of certain non-wholly owned subsidiaries of the Company, ZACD (BBW6) is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) ZACD (BBW6) is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## DEFINITIONS

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

“Agreed Property Value”	means the agreed value of the Property and all plant and equipment as at the date of Completion, which is fixed at SGD139,380,000 for purposes of the Net Asset Statement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Days”	a day (other than a Saturday, Sunday or public holiday in Singapore) on which commercial banks are generally open for business in Singapore
“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
“Completion”	completion of the Disposal



“Completion Amount”	the aggregate of the Sale Shares Consideration and the Shareholders’ Loan Consideration, deducting the Deposits and any other sums to be deducted due to any default or non-compliance by the Vendors and/or the Target Company with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposits”	the two deposits payable by the Purchaser to the Vendors’ solicitors pursuant to the Sale and Purchase Agreement, as set out in the section headed “The Sale and Purchase Agreement — Consideration” in this announcement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Shareholders’ Loan
“Group”	the Company and its subsidiaries
“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
“Independent Third Parties”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and is/are third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OSS Property”	OSS Property Investments Pte. Ltd., a company incorporated in Singapore with limited liability holding 15% of the total issued shares of the Target Company as at the date of this announcement
“percentage ratios”	any of the five ratios set out in Rule 14.07 of the Listing Rules
“Post-completion NAV Statement”	a net asset statement setting out the assets and liabilities of the Target Company as at the date of Completion to be procured and delivered by the Vendors to the Purchaser no later than 60 days following the date of Completion

“Pre-completion NAV Statement”	a pro-forma net asset statement setting out the assets and liabilities of the Target Company as at the date of Completion to be procured and delivered by the Vendors to the Purchaser 10 Business Days prior to the date of Completion
“Property”	a commercial strata unit known as Le Quest Mall located at Bukit Batok Street 41, #01-01 to #01-101 Le Quest Singapore 657991 held by the Target Company
“Purchaser”	Firmus Property Fund 1, a sub-fund of Firmus Opportunity Fund VCC, an Variable Capital Company (VCC) incorporated in Singapore
“Qingjian Realty”	Qingjian Realty (BBC) Investment Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company holding 73% of the total issued shares of the Target Company as at the date of this announcement
“Sale and Purchase Agreement”	a sale and purchase agreement dated 12 May 2021 entered into by the Vendors and the Purchaser in relation to the Disposal
“Sale Shares”	the 4,000,000 issued shares of the Target Company, representing 100% of the total number of issued shares of the Target Company
“Sale Shares Consideration”	the consideration payable by the Purchaser for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement, representing the net asset value (excluding the Shareholders’ Loan) as set out in the Pre-completion NAV Statement, which shall be subject to post-Completion adjustment
“SGD”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shareholders’ Loan”	the loan of approximately SGD28.6 million advanced by the Vendors to the Target Company pursuant to the shareholders’ loan agreement entered into by the Vendors and the Target Company dated 20 December 2016

“Shareholders’ Loan Consideration”	the consideration payable by the Purchaser for the acquisition of the Shareholders’ Loan pursuant to the Sale and Purchase Agreement, representing the outstanding balance amount of the Shareholders’ Loan as at the date of Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Qingjian Realty (BBC) Pte. Ltd., a company incorporated in Singapore with limited liability and a non-wholly owned subsidiary of the Company. As at the date of this announcement, Qingjian Realty, OSS Property and ZACD (BBW6) were holding 73%, 15% and 12% of the total issued shares of the Target Company, respectively
“Vendors”	Qingjian Realty, OSS Property and ZACD (BBW6)
“ZACD (BBW6)”	ZACD (BBW6) Ltd., a company incorporated in Singapore with limited liability holding 12% of the total issued shares of the Target Company as at the date of this announcement
“%”	per cent.

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

Hong Kong, 12 May 2021

*As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan (Chief Executive Officer), Dr. Du Bo and Mr. Zhang Yuqiang; (ii) one non-executive Director, namely Mr. Chen Anhua; and (iii) three independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny.*

*For the purpose of this announcement, conversion of SGD into HK\$ is based on the approximate exchange rate of SGD1 to HK\$5.81.*