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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)

CONNECTED TRANSACTION IN RELATION TO THE DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

THE CAPITAL INJECTION

On 4 November 2020, Taixun Shandong (an indirectly wholly-owned subsidiary of the Company), the Other Existing Shareholders (namely Shanghai Getai, Beijing Bohai) and the Investor (namely Qingjian Group) entered into the Investment Agreement in relation to the Capital Injection of an aggregate of RMB50 million into the Target Company by the Other Existing Shareholders and the Investor. Following the Completion, the equity interest in the Target Company held by the Group will decrease from 70.5% to 47.0%. 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 upon the Completion.

LISTING RULES IMPLICATION

As at the date of this announcement, Dr. Du (a Director and a controlling shareholder of the Company) controls approximately 50.04% of the total voting rights at general meetings of Qingjian Group, and hence, Qingjian Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Capital Injection constitutes a connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Injection exceeds 0.1% but is less than 5%, the Capital Injection is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE CAPITAL INJECTION

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The principal terms of the Investment Agreement are set out below:

Subject matter

Pursuant to the terms of the Investment Agreement, Shanghai Getai, Beijing Bohai and Qingjian Group shall inject RMB10 million, RMB4.75 million and RMB35.25 million in cash into the Target Company, respectively. Upon Completion, the registered capital of the Target Company will be increased from RMB100 million to RMB150 million, and the Target Company will be owned as to 47.0% by Taixun Shandong, 20.0% by Shanghai Getai, 9.5% by Beijing Bohai and 23.5% by Qingjian Group, respectively.

The amount of the Capital Injection was determined after arm's length negotiation among the parties to the Investment Agreement on normal commercial terms with reference to (i) the growth prospects of and future development plan by the Target Company, (ii) the funding needs of the Target Company in its ordinary course of business and (iii) the net asset value of the Target Company as of 30 September 2020.

Subject to the development needs and at the request of the Target Company, the Other Existing Shareholders and the Investor shall be obliged to inject the capital at the same time and in the same proportion to the Target Company. Completion shall occur on the date of completion of the registration of the registered capital of the Target Company with the relevant administration for industry and commerce, which is estimated to be on or before 31 December 2020.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Directors consider that the Capital Injection will enhance the working capital and broaden the capital base of the Target Company. The proceeds arising from the Capital Injection will be principally used in the operations and development of the Target Company. In addition, Qingjian Group is a renowned and established corporation with primarily focus in prefabricated prefinished volumetric construction (“PPVC”) in China, which upgrades the conventional in-site construction to the industrialized construction production in order to control the quality of construction through advanced large-scale production equipment and instruments, so as to enhance construction productivity and shorten the construction period. With the introduction of Qingjian Group as a new investor, the Target Company is expected to benefit from Qingjian Group's advantages in its technological background and resources of PPVC construction technology and to capture new business opportunities, while the Company will be able to continue to enjoy the economic benefit through its equity interest in the Target Company. The Capital Injection is also in line with the Company's strategy in introducing the PPVC technology and experience to Hong Kong and the PRC. The Target

Company also expects to create synergy with Qingjian Group and strengthen the corporations in areas such as market exploration, design, research and development, consultancy, equipment, production, logistics and financing arrangements.

The Directors (including the independent non-executive Directors but excluding Dr. Du and Mr. Wang Congyuan) considered that the terms of the Investment Agreement, which has been entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for Dr. Du (being a Director and a controlling shareholder of the Company) who abstained from voting on the relevant resolution(s) of the Board by virtue of his interest in Qingjian Group and Mr. Wang Congyuan, being a director of Qingjian Group, who has also abstained from voting in the relevant Board resolution(s), to the best knowledge of the Company and having made all reasonable enquiries, no other Director was in any way materially interested in the Investment Agreement and was required to abstain from voting on the relevant resolution(s) of the Board.

FINANCIAL EFFECT OF THE DEEMED DISPOSAL

Since the date of the incorporation of the Target Company on 28 February 2020, the Target Company has a registered capital of RMB100 million, among which RMB70.50 million was paid up and contributed by Taixun Shandong, representing 70.5% of the equity interest in the Target Company as at the date of this announcement.

Upon Completion, the registered capital of the Target Company will be increased from RMB100 million to RMB150 million, while the equity interest in the Target Company held by the Group will decrease from 70.5% to 47.0%, which constitutes a deemed disposal of the Company for the purpose of Rule 14.29 of the Listing Rules. Accordingly, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group. However, the Company remains the single largest shareholder of the Target Company.

The capital injection committed by the Other Existing Shareholders are in pro rata basis with respect to their equity interests in the Target Company pursuant to the Investment Agreement.

Based on the latest unaudited management accounts of the Target Company dated 30 September 2020, it is expected that no material gain or loss will be recorded by the Group from the deemed disposal.

INFORMATION ON THE PARTIES

The Group and Taixun Shandong

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.

Taixun Shandong is an investment holding company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company.

The Other Existing Shareholders

Shanghai Getai

Shanghai Getai is a company established in the PRC with limited liability, which is ultimately wholly-owned by Gaomi City State-owned Assets Operation Center* (高密市國有資產運營中心), a state owned enterprise. Shanghai Getai is principally engaged in construction business and consultancy services in the PRC. Despite Shanghai Getai is interested in 20% of the equity interest in the Target Company, the Target Company is an insignificant subsidiary of the Company as defined under Rule 14A.09 of the Listing Rules as at the date of this announcement and hence Shanghai Getai is not a connected person of the Company pursuant to the Listing Rules.

Beijing Bohai

Beijing Bohai is a company established in the PRC with limited liability and is principally engaged in property development and property consultancy services. It is directly wholly-owned by Qingdao Bohai Investment Co., Ltd.* (青島博海投資有限公司), an investment holding company, which is owned as to 34.69% as the single largest shareholder by Mr. Yuan Hongjun (an Independent Third Party) and the remaining interests are owned by six other individuals who, save as Mr. Wang Linxuan (who is a senior management of the Company), are all Independent Third Parties and none of them holds more than 30% equity interest therein.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, save as disclosed above, each of Shanghai Getai and Beijing Bohai, and its ultimate beneficial owners are Independent Third Parties.

The Investor

Qingjian Group

Qingjian Group is a company established in the PRC with limited liability and is principally engaged in construction projects and investment, real estate development, capital management, logistics and design consulting services in the PRC and internationally.

The Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaged in prefabricated construction business, design, and consultancy services in the PRC.

As at the date of the announcement, the registered capital of the Target Company is RMB100 million. The shareholding of the Target Company immediately before and after Completion is set out below.

	Immediately prior to Completion		Immediately after Completion	
	Amount of registered capital of the Target Company (RMB'000)	Percentage	Amount of registered capital of the Target Company (RMB'000)	Percentage
Taixun Shandong	70,500	70.5%	70,500	47.0%
Shanghai Getai	20,000	20.0%	30,000	20.0%
Beijing Bohai	9,500	9.5%	14,250	9.5%
Qingjian Group	—	—	35,250	23.5%
Total	100,000	100%	150,000	100%

The Target Company is newly established on 28 February 2020. Set out below are the unaudited financial information of the Target Company for the period from 28 February 2020 to 30 September 2020:

**For the period from 28 February
2020 (date of incorporation) to
30 September 2020**
(unaudited)
RMB'000

Revenue	Nil
Net loss before tax	970
Net loss after tax	740

As at 30 September 2020, the unaudited total net asset value of the Target Company was approximately RMB79.3 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Dr. Du (a Director and a controlling shareholder of the Company) controls approximately 50.04% of the total voting rights at general meetings of Qingjian Group, and hence, Qingjian Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Capital Injection constitutes a connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Injection exceeds 0.1% but is less than 5%, the Capital Injection is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Beijing Bohai”	Beijing Bohai Ruilin Holdings Co., Ltd.* (北京博海瑞林控股有限公司), a company established in the PRC with limited liability, an existing shareholder of the Target Company
“Board”	the board of Directors
“Capital Injection”	the capital injection of an aggregate of RMB50 million to the Target Company by the Other Existing Shareholders and the Investor
“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 Capital Injection
“Director(s)”	the director(s) of the Company
“Dr. Du”	Dr. Du Bo, a Director and a controlling shareholder of the Company. As at the date of this announcement, Dr. Du (together with his associates) is interested in approximately 71.32% in the total issued share capital of the Company
“Group”	the Company and its subsidiaries
“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
“Investment Agreement”	the investment agreement dated 4 November 2020 entered into among Taixun Shandong, the Other Existing Shareholders and the Investor in relation to the Capital Injection
“Investor”	Qingjian Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Existing Shareholders”	Shanghai Getai and Beijing Bohai

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan area
“Qingjian Group”	Qingjian Group Co., Ltd.* (青建集團股份公司), a company established in the PRC with limited liability which approximately 50.04% of the total voting rights of its general meeting is controlled by Dr. Du
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Getai”	Shanghai Getai Industrial Development Co., Ltd.* (上海歌泰實業發展有限公司), a company established in the PRC with limited liability, an existing shareholder of the Target Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taixun Shandong”	Taixun (Shandong) Intelligent Manufacturing Technology Co., Ltd.* (泰迅(山東)智能製造科技有限公司), a company established in the PRC with limited liability which is an indirectly wholly-owned subsidiary of the Company
“Target Company”	Shandong Taixun Prefabricated Building Technology Co., Ltd.* (山東泰迅裝配式建築科技有限公司), a company established in the PRC with limited liability and is owned as to 70.5% by the Company as at the date of this announcement
“%”	per cent.

In this announcement, unless the context requires otherwise, the terms “connected person(s)”, “percentage ratio(s)”, “controlling shareholder(s)” and “subsidiary(ies)” shall have the meaning given to such terms in the Listing Rules.

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

Hong Kong, 4 November 2020

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan, 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 identification purposes only