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QINGDAO HOLDINGS INTERNATIONAL LIMITED

青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

CONNECTED TRANSACTION CONSTRUCTION AGREEMENT

THE CONSTRUCTION AGREEMENT

On 30 December 2022, BCHYCDL, an indirect subsidiary of the Company, entered into the Construction Agreement with the Contractor, pursuant to which BCHYCDL agreed to engage the Contractor to carry out the construction works of the Project (as defined below) at the consideration of RMB444,676,589.37 (subject to adjustments).

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Contractor held 30% equity interest in NEQH and the Company held 51% equity interest in NEQH. Accordingly, the Contractor is a connected person of the Company at the subsidiary level under the Listing Rules. As such, the transactions contemplated under the Construction Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Since (i) the Contractor is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Construction Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Construction Agreement are fair and reasonable, on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole, the Construction Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

On 30 December 2022, BCHYCDL, an indirect owned subsidiary of the Company, entered into the Construction Agreement with the Contractor, pursuant to which BCHYCDL agreed to engage the Contractor to carry out the construction works of the Project (as defined below) at the consideration of RMB444,676,589.37 (subject to adjustments).

THE CONSTRUCTION AGREEMENT

Parties

- (1) BCHYCDL, as the principal
- (2) the Contractor, as the contractor

Scope of Construction Works

The construction works include the construction of 14 main residential buildings, 2 commercial buildings, a kindergarten, and a basement (of which the aggregate above-ground construction area is about 132,952 sq.m, the aggregate basement construction area is about 36,792 sq.m, and the total construction area is about 169,744 sq.m (“**Construction Area**”)) located at north side of Gui Hua Road, south side of Long Hua Road, east side of Yong An Street and west side of Yong Kang Street, Huaishang District, Bengbu City, Anhui Province, the PRC (the “**Land**”). The project is expected to be named as Yong Kang Yuan Southern District Project (“**Project**”).

Proposed Commencement Date of Construction Works

30 December 2022

Construction Period

It is estimated that the construction period of the Project will take approximately 830 days (“**Estimated Construction Period**”). If the actual construction period of the Project (“**Actual Construction Period**”) is different from the Estimated Construction Period, the Actual Construction Period shall prevail.

Payment Terms

The Consideration under the Construction Agreement will be settled by cash by four instalments after completion of the construction works of the Project and in the following manner:

The first instalment: Following the construction works of the Project having passed the acceptance inspection and within the second month after the audit to the cost of the construction works by independent construction cost audit firm is completed, 25% of the Consideration shall be paid.

The second instalment: Following the construction works of the Project having passed the acceptance inspection and within the eighth month after the audit to the cost of the construction works by independent construction cost audit firm is completed, 25% of the Consideration shall be paid.

The third instalment: Following the construction works of the Project having passed the acceptance inspection and within the fourteenth month after the audit to the cost of the construction works by independent construction cost audit firm is completed, 25% of the Consideration shall be paid.

The fourth instalment: Following the construction works of the Project having passed the acceptance inspection and within the twentieth month after the audit to the cost of the construction works by independent construction cost audit firm is completed, 25% of the Consideration shall be paid.

Within one month after the construction works of the Project having passed the acceptance inspection, the Contractor shall submit the complete project settlement information to BCHYCDL for audit. BCHYCDL and the independent construction cost audit firm shall confirm whether the project settlement information meet the requirements within seven days of receipt and audit to the cost of the construction cost shall be completed within three months.

It is expected that the total Consideration will be funded by proceeds arising from sale of the Project. As at the date of this announcement, Bengbu Government has indicated its intention of acquiring the Project, with the purpose of assigning the residential buildings as resettlement houses to accommodate farmer families, subject to completion works of the Project having been able to pass the acceptance inspection and obtain satisfactory audit results confirmed by relevant authorities with governing powers over building construction works in the PRC. The Directors are confident that such conditions can be met after the completion of the Project.

Consideration

The Consideration was determined after arm's length commercial negotiations between the parties to the Construction Agreement and primarily based on the hourly rates with reference to where applicable, the market position, expertise and work experience of the Contractor, and relevant industry salary level of similar construction works. The Consideration will be subject to adjustment based on the Actual Construction Period and the construction works conducted and with reference to the latest published price of labour and materials in Bengbu City and the cost of major construction materials.

Performance Guarantee

Under the Construction Agreement, BCHYCDL shall be entitled to retain a portion of the Consideration under each instalment of payment as performance guarantee of the Constructor (provided that the total amount of performance guarantee to be retained by BCHYCDL under the Construction Agreement shall not exceed 3% of the Consideration). If the Contractor fails to maintain the quality of the Project as agreed between the parties to the Construction Agreement and any defects of the Project are identified and confirmed, BCHYCDL shall be entitled to apply the performance guarantee to remedy and maintain the quality of the Project.

INFORMATION RELATING TO THE PROJECT

The Project is situated on the Land, and the land use right of which is wholly owned by BCHYCDL, at the north side of Gui Hua Road, south side of Long Hua Road, east side of Yong An Street and west side of Yong Kang Street, Huai Shang District, Bengbu City, Anhui Province, the PRC. The Land has been designated to develop a project which is expected to be named as "Yong Kang Yuan Southern District Project" with permitted construction area of approximately 169,744 sq.m and has been approved by Bengbu City Huaishang District Development and Revolution Committee in June 2020 to develop into a residential-commercial complex property project with educational and community facilities. The primarily purpose of the Project is to construct a self-contained district to provide (among others) residential units to accommodate 1,356 farmer families for resettlement.

INFORMATION RELATING TO THE COMPANY AND THE CONTRACTOR

The Group is principally engaged in the business of leasing of investment properties, production and sale of the digital Chinese calligraphy education equipment and relevant learning, tutorial systems and the provision of loan financing and property development.

Based on the information provided by the Contractor, the Contractor was established in December 1992 with the approval of the Economic and Trade Office of the State Council. In July 1999, it was merged into China Nuclear Industry Construction Corporation. In 2018, the Contractor and China National Nuclear Corporation underwent reorganization. The Contractor is principally engaged in engineering, nuclear power engineering, industrial and civil engineering construction. The ultimate and 100% beneficial owner of the Contractor is China National Nuclear Corporation (中國核工業集團有限公司), a state-owned enterprise under direct management of the Central Government of the PRC.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION AGREEMENT

As disclosed in the announcement of the Company dated 15 November 2019 (the “**Announcement**”), the Group has been striving to seek appropriate investment and business diversification opportunities with development potential. There are significant business opportunities in exploring and participating in projects and works related to, among others, urban reconstruction and development, construction and development of new districts, building and operating infrastructure and networks of roads, and construction of buildings as initiated from time to time by the government of cities and towns in the PRC when local governments continue to move forward to deepen and widen the overall economic development of their governing regions.

It is also disclosed in the Announcement that the Group had the intention of leveraging on its strong networks in the PRC and the strength, resources and expertise of the Contractor, which, in turn, could enhance the Group’s competitiveness in bidding and participating in construction project and to create a new stream of revenue for the Group through cooperation opportunities.

The Group had, through BCHYCDL, successfully acquired the land use right in respect of the Land where the Project is situated by way of bidding in March 2021. For details, please refer to the announcements of the Company dated 15 March 2021 and 24 May 2021, respectively. Upon completion of the acquisition of BCHYCDL, property development became one of the principal business activities of the Group. The terms of the Construction Agreement were reached after arm’s length negotiations between BCHYCDL and the Contractor, and the entering into of the Construction Agreement is in the ordinary and usual course of business of the Group.

With the engagement of the Contractor through the Construction Agreement, the Group is confident that the Contractor, with strong expertise and profound experience and knowledge in industrial and civil engineering construction, will contribute towards the construction of the Project into a modern residential-commercial self-contained complex district with discernable market value. The sale of the Project with its salable building area is expected to generate reasonable revenue to the Group and hence benefit the Shareholders ultimately. In addition, as at the date of this announcement, Bengbu Government has indicated its intention of acquiring the Project.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the Construction Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Contractor held 30% equity interest in NEQH and the Company held 51% equity interest in NEQH. Accordingly, the Contractor is a connected person of the Company at the subsidiary level under the Listing Rules. As such, the transactions contemplated under the Construction Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Since (i) the Contractor is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Construction Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Construction Agreement are fair and reasonable, on normal commercial terms or better terms and in the interests of the Company and the Shareholders as a whole, the Construction Agreement and the transactions contemplated thereunder will constitute connected transactions which are only subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the Construction Agreement and hence, none of the Directors is required to abstain from voting at the Board meeting to approve the Construction Agreement.

DEFINITIONS

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

“BCHYCDL”	Bengbu City Huai Yi Construction and Development Ltd.* (蚌埠市淮翼建設發展有限公司), a limited liability company established in the PRC on 21 May 2020 and a 95% indirectly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Qingdao Holdings International Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB444,676,589.37 (subject to adjustments)

“Contractor”	China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司), a company established in the PRC, a connected person of the Company at the subsidiary level
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NEQH”	NEQH Development and Construction Co. Ltd* (核建青控開發建設有限公司), a PRC company owned as to 51% by the Company (indirectly), 30% by the Contractor (directly), and 19% by China Huadong Construction and Engineering Group Limited* (核建青控開發建設有限公司) (directly)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m”	square meters
“%”	per cent

By order of the Board
Qingdao Holdings International Limited
Yuan Zhi

Executive Director, Deputy Chairman and Chief Executive Officer

Hong Kong, 30 December 2022

As at the date of this announcement, the Executive Directors are Mr. Gao Yuzhen (Chairman), Mr. Yuan Zhi (Deputy Chairman and Chief Executive Officer) and Mr. Hu Liang; the Non-executive Director is Mr. Li Shaoran; and the Independent Non-executive Directors are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.

* For identification purposes only