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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)

**(1) VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION
OF APPROXIMATELY 81.91% OF THE EQUITY INTEREST IN
QINGDAO RURAL CONSTRUCTION FINANCIAL LEASING
COMPANY LIMITED* (青島城鄉建設融資租賃有限公司);
(2) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF
CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE; AND
(3) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES ON THE BASIS
OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RIGHTS ISSUE RECORD DATE
AT THE RIGHTS ISSUE SUBSCRIPTION PRICE OF HK\$0.39
PER RIGHTS SHARE**

Financial Adviser to the Company



Underwriter of the Rights Issue



**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

ACQUISITION OF THE TARGET EQUITY INTEREST

The Board is pleased to announce that on 17 March 2021 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Target Equity Interest, being approximately 81.91% of the equity interest in the Target Company, at a consideration of approximately HK\$2,378.7 million. The Consideration shall be satisfied as follows: (i) approximately HK\$154.5 million shall be payable by the Purchaser (or its designated corporation) to the Vendor (or its nominee(s)) in cash upon Completion; and (ii) approximately HK\$2,224.2 million shall be payable by the issue of the Consideration CB by the Company to the Vendor (or its nominee(s)) upon Completion.

Upon Completion, the Company will issue the Consideration CB in the principal amount of approximately HK\$2,224.2 million at nil coupon rate to the Vendor (or its nominee(s)) to settle part of the Consideration. Details of the issue of the Consideration CB are set out in the section headed “Acquisition of the Target Equity Interest – Principal Terms of the Sale and Purchase Agreement – Consideration CB” in this announcement.

RIGHTS ISSUE

In order to raise sufficient funds to settle part of the Consideration and to finance the associated transaction expenses relating to the Acquisition, the Board proposed the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share.

In connection with the Rights Issue, on 17 March 2021 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares of up to 154,655,047 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. The Company will pay to the Underwriter an underwriting commission of 4.5% of the aggregate Rights Issue Subscription Price of the Underwritten Shares for which the Underwriter has agreed to procure subscription. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “Rights Issue – Underwriting Agreement” in this announcement.

LISTING RULES IMPLICATIONS

Sale and Purchase Agreement

The Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100%. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, CQIH, a Controlling Shareholder which held 344,621,633 Shares (representing approximately 69.02% of the issued share capital of the Company), was wholly owned by CQDHG. Accordingly, CQDHG is an associate of CQIH and a connected person of the Company. The Acquisition is therefore a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Listing Committee of the Stock Exchange has determined that the Acquisition is an extreme transaction which is not subject to the reverse takeover rules. The Company is required to prepare a transaction circular with enhanced disclosure comparable to the standard for listing documents for new listing applicants. BOCOM Asia has been appointed as the financial adviser of the Company in relation to the Acquisition to conduct due diligence with reference to Practice Note 21 of the Listing Rules as clarified under the Stock Exchange's Guidance Letter HKEx-GL104-19.

As CQDHG is an associate of CQIH and a connected person of the Company, the issue of the Consideration CB to the Vendor (or its nominee(s)) as part of the Consideration constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, the executive Directors, are directors of CQDHG and are deemed to have a material interest in the transactions contemplated under the Sale and Purchase Agreement, each of them had abstained from voting on the board resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB).

Rights Issue

On the basis of one (1) Rights Share for every one (1) existing Share, assuming no new Shares are issued and no Shares are repurchased on or before the Rights Issue Record Date, the maximum number of 499,276,680 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the total number of the existing issued Shares as at the date of this announcement; and (ii) approximately 50% of the total number of issued Shares as enlarged by the allotment and issue of and the Rights Shares.

In accordance with Rules 7.19A(1) and 7.27A of the Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue will be made conditional on approval by the minority Shareholders by way of poll at the SGM, and the Controlling Shareholders and their associates shall abstain from voting in favor of the resolution relating to the Rights Issue at the SGM. Accordingly, CQIH, a Controlling Shareholder which held 344,621,633 Shares (representing approximately 69.02% of the issued share capital of the Company) as at the date of this announcement, and its associates will abstain from voting on the resolutions in relation to the Rights Issue to be proposed at the SGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save of CQIH, no other Shareholder is required or has indicated his/her/its intention to abstain from voting on the resolutions in relation to the Rights Issue to be proposed at the SGM.

As Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, the executive Directors, are directors of CQDHG, each of them had abstained from voting on the board resolutions approving the Rights Issue.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in relation to the Sale and Purchase Agreement, the Rights Issue and the issue of the Consideration CB. Each of the independent non-executive Directors has confirmed that he/she has no material interest in the Sale and Purchase Agreement, the Rights Issue and the issue of the Consideration CB.

The Company has, with the approval of the Independent Board Committee, appointed the Independent Financial Adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Sale and Purchase Agreement, the Rights Issue and the issue of the Consideration CB.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve, among others, (i) the Sale and Purchase Agreement; (ii) the Specific Mandate; and (iii) the Rights Issue. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement; (ii) further details of the Consideration CB; (iii) further details of the Rights Issue; (iv) further information about the Target Group and the Enlarged Group (including the accountant's report of the Target Group and pro-forma financial information of the Enlarged Group); (v) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB) and the Rights Issue; (vi) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB) and the Rights Issue; and (vii) the notice of the SGM, is expected to be despatched to the Shareholders on or before 31 March 2021.

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 22 April 2021.

As the Completion is subject to fulfilment of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Rights Issue – Termination of the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

ACQUISITION OF THE TARGET EQUITY INTEREST

The Board is pleased to announce that on 17 March 2021 (after trading hours), the Purchaser, an indirect wholly owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire, and CQDHG has conditionally agreed to sell, the Target Equity Interest, being approximately 81.91% of the equity interest in the Target Company.

As (i) CQDHG intended to consolidate and strengthen its controlling stake in the Target Company in view of the prospect of the financial leasing industry in the PRC and the Target Company as well as the resources available to CQDHG as a leading state-owned enterprise in Qingdao; and (ii) both Chinese Capital and Vasari Investment were financial investors of the Target Company and had been seeking to exit their respective investments, the Vendor entered into the sale and purchase agreement with each of Vasari Investment and Chinese Capital in August 2020 to acquire their respective 25.58% and 13.18% equity interest in the Target Company at a total consideration of approximately US\$149.0 million (equivalent to approximately HK\$1,154.8 million). Upon completion of such acquisitions in December 2020, the Vendor was interested in approximately 81.91% of the equity interest in the Target Company.

Principal Terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

17 March 2021

Parties

- (i) The Purchaser: Yangfan (Holdings) Group Limited (揚帆(控股)集團有限公司)
- (ii) The Vendor: CQDHG

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Target Equity Interest, being approximately 81.91% of the equity interest in the Target Company.

Consideration

The Consideration of approximately HK\$2,378.7 million shall be satisfied as follows:

- (i) approximately HK\$154.5 million shall be payable by the Purchaser (or its designated corporation) to the Vendor (or its nominee(s)) in cash by way of cheque, bank transfer or any other manner as designated by the Vendor upon Completion; and
- (ii) approximately HK\$2,224.2 million shall be payable by the issue of the Consideration CB in the principal amount of approximately HK\$2,224.2 million by the Company to the Vendor (or its nominee(s)) upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms and with reference to the following factors:

- (i) the unaudited consolidated net asset value of the Target Group of RMB2,363.2 million (equivalent to approximately HK\$2,835.9 million) as at 31 December 2019 with reference to the unaudited financial statement of the Target Group prepared based on HKFRS; (ii) the consideration in respect of the acquisition of approximately 25.58% and 13.18% equity interest in the Target Company by the Vendor from Vasari Investment and Chinese Capital in August 2020, respectively; (iii) the historical financial performance of the Target Group; (iv) the market position, industry outlook, business development and growth prospects of the Target Group; and (v) the settlement terms concluded between the Vendor and the Purchaser (in particular, more than 90% of the Consideration will be settled by way of issuance of the Consideration CB at nil coupon rate and with a nine-year maturity term, and less than 10% of the Consideration will be settled by cash).

The net asset value of the Target Group as at 31 December 2019 made under PRC GAAP was higher than that of HKFRS. The difference was mainly due to the different accounting standards adopted and was resulted primarily from certain adjustments including (i) the provision of impairment loss made based on the new expected credit loss model in accordance with HKFRS 9 "Financial Instruments"; and (ii) the revenue recognition based on HKFRS 15 "Revenue from Contracts with Customers".

The Directors (excluding Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, who have abstained from voting on the relevant Board resolutions due to their directorship in CQDHG, and the independent non-executive Directors, whose views will be formed after taking into account the advice to be given by the Independent Financial Adviser), having considered the interest of the Independent Shareholders, are of the view that it would be more appropriate for the Company, being a company listed on the Stock Exchange, to adopt the net asset value of the Target Group under HKFRS as the benchmark in evaluating the Consideration.

In light of the above, the Directors (excluding Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, who have abstained from voting on the relevant Board resolutions due to their directorship in CQDHG, and the independent non-executive Directors, whose views will be formed after taking into account the advice to be given by the Independent Financial Adviser) are of the view that the Consideration, representing approximately 1.02x and 0.88x of the price to book ratio of the Target Group's net asset value as at 31 December 2019 and 31 October 2020, respectively, based on HKFRS and the exchange rate of RMB1:HK\$1.2, is fair and reasonable.

Consideration Adjustment

If the Vendor procures the Target Company to declare and pay a dividend in respect of its undistributed profits as at 31 December 2019 between the date of the Sale and Purchase Agreement and the date of Completion, the Consideration will be reduced by the amount of dividends received by the Vendor in proportionate to its equity interest in the Target Company.

Consideration CB

Upon Completion, the Company will issue the Consideration CB to the Vendor (or its nominee(s)) to settle part of the Consideration. Set out below are the principal terms of the Consideration CB:

Issuer:	The Company
Principal amount:	Approximately HK\$2,224.2 million
Coupon rate:	Zero
Maturity Date:	The date falling on the ninth (9th) anniversary of the date of the issue of the Consideration CB, provided that if such date is not a Business Day, the first Business Day immediately after such date.
Ranking:	The Conversion Shares, when allotted and issued, will be credited as fully paid and will rank <i>pari passu</i> in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.
Security:	The obligations of the Company under the Consideration CB are unsecured.

Conversion rights and restrictions:	The holder of the Consideration CB shall, subject to the compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Consideration CB registered in its name into Conversion Shares, provided that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$10,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Consideration CB is less than HK\$10,000,000, the whole (but not part only) of the outstanding principal amount of the Consideration CB may be converted; (ii) the conversion price at which the Conversion Shares will be issued shall not in any event be lower than the Base Conversion Price; (iii) the exercise of the conversion right attached to the Consideration CB will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iv) the exercise of the conversion right attached to the Consideration CB will not trigger a mandatory general offer obligation under the Takeovers Code on the part of the holder of the Consideration CB and/or its nominee(s) together with the parties acting in concert with any of them.
Conversion period:	The period commencing from the date of issue of the Consideration CB and ending at 4:30 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date.
Initial Conversion Price ⁽¹⁾⁽²⁾ :	HK\$1.87 per Conversion Share, subject to the adjustment mechanism as set out in the instrument of the Consideration CB.

Adjustment events⁽³⁾:

The Initial Conversion Price may be subject to a downward adjustment on each Reset Date (as defined hereinafter) upon the occurrence of any of the following events (the “**Conversion Price Adjustment Events**”)

- (i) any alteration of the nominal value of the Shares by reason of consolidation, sub-division or re-classification of Shares;
- (ii) any issue of Shares credited as fully paid (other than in lieu of cash dividend) by way of capitalisation of profits or reserves of the Company;
- (iii) any capital distribution made by the Company to the Shareholders (except where the Initial Conversion Price falls to be adjusted under (ii) above);
- (iv) any dividend or other distribution, whether of cash, assets or other properties, by the Company to the Shareholders;
- (v) any issue of Shares by way of rights, or any issue or grant of options, warrants or other rights to subscribe for, purchase or otherwise acquire the Shares;
- (vi) any issue of other securities of the Company by way of rights, or any issue or grant of options, warrants or other rights to subscribe for, purchase or otherwise acquire securities of the Company;
- (vii) any modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to any securities of the Company arising from a conversion or exchange of other existing securities of the Company so that the consideration per Share is less than 95% of the then current market price;
- (viii) any other offers by the Company or a subsidiary of the Company to the Shareholders who are entitled to participate in arrangements whereby they may acquire securities of the Company;
- (ix) other events not referred to above including, but not limited to, corporate actions that in the Company’s opinion would have an effect on the position of the holder of the Consideration CB as compared with the position of the holders of all other securities of the Company which are analogous to any of the above events,

provided that the conversion price at which the Conversion Shares will be issued shall not in any event be lower than the Base Conversion Price.

Reset date:	Each anniversary date after the date of issue of the Consideration CB (the “ Reset Date ”).
Initial Conversion Price reset ⁽⁴⁾ :	<p>If the average of the volume weighted average price of the Shares for the period of 10 consecutive trading days immediately prior to and excluding the Reset Date is less than the Initial Conversion Price on the Reset Date, the conversion price shall be adjusted on the Reset Date such that the adjusted conversion price will be equal to the Average Market Price. “Average Market Price” means the average of the volume weighted average price of the Shares for the period of 10 consecutive trading days immediately prior to and excluding the Reset Date, provided that:</p> <ul style="list-style-type: none"> (i) any such adjustment to the conversion price shall be limited such that the adjusted conversion price in no event shall be less than the Base Conversion Price (taking into account any adjustments which may have occurred prior to the Reset Date); (ii) subject to (i) above, the Conversion Price Adjustment Events shall apply; and (iii) any such adjustment to the conversion price shall only be a downward adjustment.
Base Conversion Price ⁽²⁾ :	HK\$1.496 per Conversion Share.
Early redemption at the option of the Company:	The Company shall be entitled to, at its sole discretion and by giving not less than seven (7) Business Days’ notice to the holder of the Consideration CB, propose to the holder to redeem the outstanding Consideration CB (in multiples of HK\$10,000,000 or such lesser amount as may represent the entire principal amount thereof) of an amount equivalent to 100% of the principal amount of such outstanding Consideration CB at any time after the date of issue of the Consideration CB up to and including the date falling seven (7) Business Days immediately before the Maturity Date.

Transferability ⁽⁵⁾ :	Subject to the compliance with the Listing Rules, the Takeovers Code and all applicable laws and regulations, the Consideration CB may be transferred or assigned in whole or in part in integral multiples of HK\$10,000,000 by the Vendor to any party, save and except that the Consideration CB shall not be transferred to a connected person of the Company unless with the prior written consent of the Company.
Voting rights:	The Consideration CB shall not carry any voting rights.
Listing:	No application will be made by the Company for the listing of the Consideration CB on the Stock Exchange. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Notes:

- (1) The Initial Conversion Price was determined primarily based on the net asset value per Share with reference to (i) the combined net asset value of the Target Group as at 31 October 2020 amounting to HK\$3,155.5 million and net asset value of the Group attributable to the equity owners as at 30 June 2020 amounting to HK\$257.5 million prior to pro-forma adjustment; (ii) the expected increase in the net asset value of the Enlarged Group upon Completion; (iii) the estimated net proceeds of HK\$171.7 million to be raised from the Rights Issue; and (iv) the number of Shares to be in issue upon the completion of the Rights Issue and full conversion of the Consideration CB.

In addition to the factors set out above, after taking into account (i) the lengthy maturity term of the Consideration CB; and (ii) the future prospect of the Target Group as evidenced by its financial performance during the Track Record Period, the Directors are of the view that the value of the Company will be enhanced in the future when the benefits of the transactions contemplated under the Sale and Purchase Agreement materialise.

- (2) After taking into the factors set out below, the Directors considered that the Initial Conversion Price and the Base Conversion Price are fair and reasonable:
- (i) the Initial Conversion Price was assessed with reference to prevailing market condition, share price performance of the Company and the future value of the Company upon Completion;
 - (ii) the Initial Conversion Price represented a substantial premium over the prevailing market price of the Shares and the net asset value per Share attributable to the Shareholders as at 30 June 2020; and
 - (iii) the Base Conversion Price under the conversion price re-set mechanism will not be lower than the average of the volume weighted average price of the Shares for a period of 10 consecutive trading days immediately prior to and excluding the Reset Date.

- (3) The Directors (excluding Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, who have abstained from voting on the relevant Board resolutions due to their directorship in CQDHG, and the independent non-executive Directors, whose views will be formed after taking into account the advice to be given by the Independent Financial Adviser) considered that the Initial Conversion Price, the Base Conversion Price and the conversion price adjustment mechanism are fair and reasonable and in the interest of the Company and the Shareholders given that (i) the Initial Conversion Price is set at a substantial premium over the prevailing market price of the Shares immediately prior to the date of the Sale and Purchase Agreement; (ii) the conversion price will only be reset on specified Reset Dates and is subject to an 80% adjustment floor of the Initial Conversion Price and will not be lower than the Average Market Price; (iii) all of the other adjustment events of the conversion price are normal anti-dilution provisions serving to mitigate the potential dilutive effect of any issuance of equity securities by the Company; and (iv) it is not uncommon for investors to seek for a downward conversion price adjustment mechanism for convertible bonds with a lengthy maturity period having considered the substantial premium of conversion price over the prevailing market price of Shares since the Initial Conversion Price was determined after taking into account the potential enhancement of the equity value of the Company to be derived from the future benefits of the Acquisition which may or may not be materialised and subject to significant degree of risk of uncertainty.
- (4) The Initial Conversion Price and the conversion price re-set mechanism were determined based on arm's length negotiation between the Company and the Vendor.

The Directors noted that the conversion price of the convertible securities issued by companies listed on the Stock Exchange is generally assessed primarily based on, among other things, the prevailing share price of the listed company at the time of issuance of the convertible securities. In light of the significant size of the Target Company, in particular, the substantial enhancement that the Target Company is expected to bring to the Company's future operations and financial performance, the Directors considered that the prevailing market price of the Shares might not reflect the future value of the Company upon Completion and therefore did not provide an appropriate pricing benchmark in determining the conversion price of the Consideration CB with a particularly long maturity term (i.e. nine years).

The conversion price re-set mechanism was put in place so as to incorporate a "mark-to-market" mechanism where the Vendor is allowed to reset the conversion price of the Consideration CB at a fair price based on the prevailing share price of the Company at each anniversary date after the issuance of the Consideration CB, which is not uncommon in transactions relating to convertible securities issued by companies listed on the Stock Exchange.

- (5) In any event that the transfer of the Consideration CB shall constitute a connected transaction of the Company, the Company shall take all necessary steps to fully comply with the Listing Rules and the requirements of the Stock Exchange. The transferee's right of conversion of the Consideration CB shall be subject to restrictions applicable to the holder of the Consideration CB as delineated in this section above, including, but not limited to, the Company's fulfillment of the public float requirement under the Listing Rules and that the exercise of the conversion right shall not trigger a mandatory general offer obligation under the Takeovers Code on the part of the holder of the Consideration CB and/or its nominee(s) together with the parties acting in concert with any of them.

Assuming that there is no change in the issued share capital of the Company other than the issue of the Rights Shares and the Conversion Shares since the date of this announcement and up to the date of full conversion of the Consideration CB:

- (i) the maximum number of 1,189,386,362 Conversion Shares to be allotted and issued by the Company upon full conversion of the Consideration CB at the Initial Conversion Price represents: (a) approximately 238.2% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 54.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Conversion Shares; and
- (ii) the maximum number of 1,486,732,953 Conversion Shares to be allotted and issued by the Company upon full conversion of the Consideration CB at the Base Conversion Price represents: (a) approximately 297.8% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 59.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Conversion Shares.

The Initial Conversion Price of HK\$1.87 per Conversion Share was determined with reference to, among other things, the prevailing market conditions, the Company's share price performance and the future value of the Company after taking into account the net asset value of the Enlarged Group upon Completion and conversion of the Consideration CB, and it represents:

- (i) a premium of approximately 289.6% over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 336.9% over the average closing price of HK\$0.428 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Sale and Purchase Agreement;
- (iii) a premium of approximately 289.6% over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (iv) a premium of approximately 262.4% to the unadjusted consolidated net asset value per Share of approximately HK\$0.516 (based on the consolidated net asset value attributable to the equity holders of the Company as at 30 June 2020 of approximately HK\$257,468,000 and the number of issued Shares of 499,276,680).

Conditions Precedent

The Acquisition is conditional on each of the following conditions being fulfilled or waived (where applicable):

- (i) the Purchaser being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be conducted by the Purchaser and/or its advisers and agents;
- (ii) all necessary consents of, approvals by and filings with government authorities required for the consummation of the Acquisition having been obtained or completed to the Purchaser's satisfaction;
- (iii) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Acquisition and the transactions contemplated thereunder having been obtained;
- (iv) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition and the transactions contemplated thereunder having been obtained;
- (v) all necessary consents and approvals required to be obtained in respect of the issue of the Consideration CB and the Rights Issue having been obtained;
- (vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares and the Rights Shares in both nil-paid and fully-paid forms (and such approval not being subsequently revoked or withdrawn);
- (vii) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB, the allotment and issue of the Conversion Shares and the granting of the Specific Mandate);
- (viii) the Independent Shareholders having approved the Rights Issue and the Underwriting Agreement by way of poll at the SGM in accordance with the Listing Rules; and
- (ix) the warranties provided by the Vendor under the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the date of Completion.

If the conditions precedent above are not satisfied or waived (where applicable) on or before the Acquisition Long Stop Date, the Sale and Purchase Agreement will be terminated and the Acquisition will not proceed.

Completion

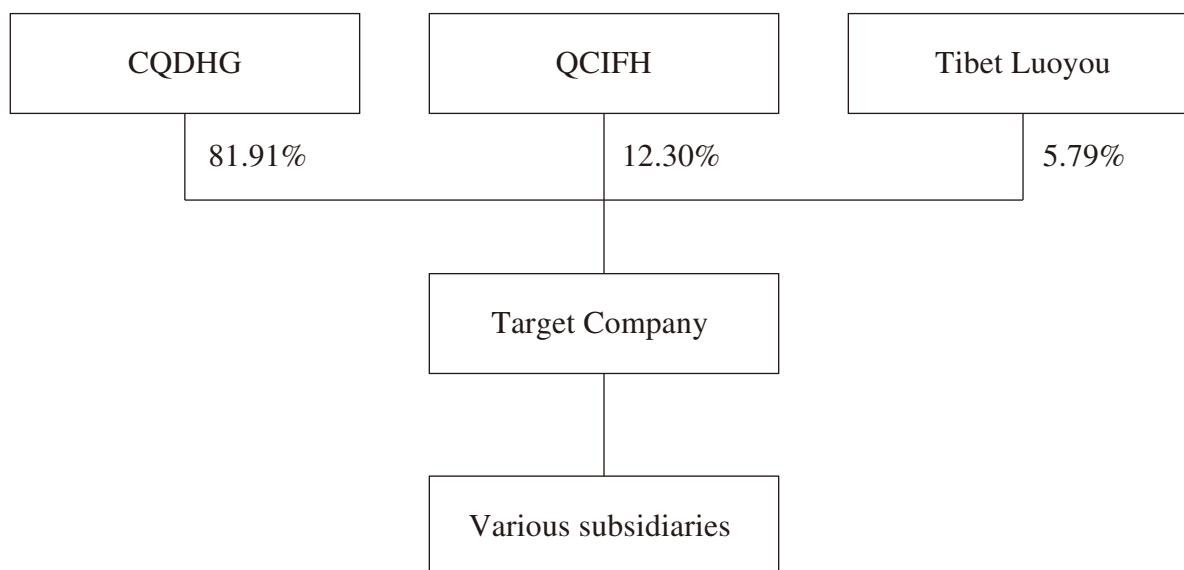
Completion shall take place on a date within three (3) Business Days after fulfillment or waiver (as the case may be) of all of the conditions precedent set out in the Sale and Purchase Agreement or such other date as the Purchaser and the Vendor may agree in writing.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Company.

Information of the Target Group

The Target Company is company established in the PRC with limited liability on 11 June 2014 and is a finance leasing company. The Target Group is principally engaged in the provision of (i) finance leasing services, which include direct finance leasing and sale and leaseback; and (ii) factoring services in connection with finance leasing services in the PRC. The Target Group is established with the approval of Qingdao City Bureau of Commerce* (青島市商務局).

Set out below is the simplified shareholding structure of the Target Group as at the date of this announcement:



The Target Group currently operates its business by targeting customers in four industries in the PRC, namely (i) public infrastructure; (ii) medical and healthcare; (iii) water supplies; and (iv) energy. The Target Group strategically focuses its business on these industries as it believes that these industries have sustainable growth potential. As a result of the Target Group's industry risk appetite and the quality of its customers, the Target Group had a diverse customer base across 21 provinces, four autonomous regions and two municipalities in the PRC during the Track Record Period. During the Track Record Period, all of the Target Group's revenue was generated in the PRC.

Information of the Vendor

CQDHG is a company incorporated in Hong Kong with limited liability on 1 April 2014 and is an investment holding company. As at the date of this announcement, CQDHG was wholly owned by QCCIG, which is a company established in the PRC with limited liability and wholly owned by the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會).

As at the date of this announcement, CQIH held 344,621,633 Shares (representing approximately 69.02% of the issued share capital of the Company). Accordingly, CQIH, CQDHG and QCCIG are Controlling Shareholders and connected persons of the Company under Chapter 14A of the Listing Rules.

Specific Mandate to Issue the Conversion Shares

The Conversion Shares will be allotted and issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the SGM.

The allotment and issue of the Conversion Shares will not result in a change of control of the Company.

Application for Listing of the Conversion Shares

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Reasons and Benefits of the Acquisition

The Group is principally engaged in the business of (i) leasing of investment properties; (ii) distribution of digital Chinese calligraphy education equipment; and (iii) provision of loan financing services. The Group commenced its loan financing business in 2008. Since then, the Group has been actively pursuing opportunities to expand its money lending business in Hong Kong. In view of the increasing demand for financing services in the PRC, the Group has recently expanded its loan financing business in the PRC by providing an entrusted loan to a PRC property developer. Please refer to the announcement of the Company dated 7 May 2020 for further details.

The Target Company is a financial leasing company and is principally engaged in the provision of financial leasing and factoring services in the PRC. The Target Group has a solid and proven track record with a revenue of approximately RMB594.5 million, RMB866.5 million and RMB1,157.3 million, and a net profit of approximately RMB221.2 million, RMB260.6 million and RMB336.9 million for FY2017, FY2018, FY2019, respectively. The Target Group's revenue and net profit increased at a CAGR of approximately 39.5% and

23.4% between FY2017 to FY2019, respectively. For 10M2020, the Target Group recorded a revenue of approximately RMB1,182.6 million and a net profit of approximately RMB373.3 million.

In view of the operational and financial performance of the Target Group during the Track Record Period, the Board believes that the Acquisition will broaden the Group's revenue base and mitigate the risk of concentration on its existing business segments. Considering the Group's industry experience and resources in loan financing, financial leasing business is a natural extension of the Group's existing loan financing business and will create synergies and complement the Group's existing loan financing services. Following the Acquisition, the Group will be able to offer a wider range of financial services to customers, thus enhancing the competitiveness of its financial services. The Acquisition will also allow the Group to capture the business opportunities in the fast-growing financial leasing industry in the PRC.

Given the substantial size of the Acquisition, in assessing the terms of the Acquisition, the Board has also evaluated the settlement terms of the Acquisition and the associated financial burden to the Group. In view of the Group's existing financial capabilities and the potential financial impact arising from the burden of the settlement of the Consideration, the Consideration CB is set at zero coupon rate and with a maturity term of nine years so as to minimise finance costs and repayment pressure. The Initial Conversion Price of HK\$1.87 per Share represents a premium of 289.6% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on 17 March 2021, being the date of the Sale and Purchase Agreement. As such, the Consideration CB will not have an immediate and material dilution effect on the shareholding of the existing Shareholders.

Furthermore, as part of the fund-raising exercise to finance the Consideration and the relevant transaction expenses, the Board proposed the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share at the prevailing market price. The Rights Issue will provide an opportunity for the Shareholders to participate in the Company's equity fund raising activities at prevailing market price and to enjoy the potential upside of the Company's share price performance upon Completion and when the benefits of the Acquisition materialise in the future.

In view of the above, the Directors (excluding Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, who have abstained from voting on the relevant Board resolutions due to their directorship in CQDHG, and the independent non-executive Directors, whose views will be formed after taking into account the advice to be given by the Independent Financial Adviser) consider that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Financial and Other Impact of the Acquisition

The Acquisition is a part of the Group's expansion of its business scope to encompass financial leasing services in the PRC. Upon Completion, the Enlarged Group will engage in the business of (i) leasing of investment properties; (ii) distribution of digital Chinese calligraphy education equipment; and (iii) provision of loan financing, financial leasing and factoring services. By diversifying its business scope and broadening its revenue base, the Enlarged Group is expected to generate stable income and cash flows, thus allowing it to achieve sustainable growth and development. The Acquisition is also expected to enable the Enlarged Group to obtain equity and debt financing more easily, thus allowing it to create greater shareholder value.

The table below sets out the unaudited financial information of the Target Company for FY2017, FY2018, FY2019 and 10M2020 prepared in accordance with HKFRS:

	FY2017	FY2018	FY2019	10M2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	594,464	866,540	1,157,312	1,182,616
Profit before taxation	295,245	350,828	450,909	496,423
Profit after taxation	221,247	260,569	336,925	373,251

The unaudited net asset value of the Target Group attributable to owners of the Target Company as at 31 October 2020 was approximately RMB2,736.5 million.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statement of the Company.

Going forward, the Company will continue to monitor and review the performance of its business. Apart from the Acquisition, the Company has no plans to make significant changes to its existing principal business activities immediately after Completion.

RIGHTS ISSUE

In order to raise sufficient funds to settle part of the Consideration and to finance the associated transaction expenses relating to the Acquisition, the Board proposed the Rights Issue, the details of which are summarised below:

Issue Statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) existing Share held on the Rights Issue Record Date
Rights Issue Subscription Price:	HK\$0.39 per Rights Share
Number of existing Shares in issue as at the date of this announcement:	499,276,680 Shares
Number of Rights Shares:	Up to 499,276,680 Rights Shares (assuming no new Shares are issued and no Shares are repurchased on or before the Rights Issue Record Date)
Enlarged issued share capital upon completion of the allotment and issue of the Rights Shares:	998,553,360 Shares (assuming no new Shares are issued (other than the Rights Shares) and no Shares are repurchased on or before the Completion)
Maximum gross proceeds to be raised under the Rights Issue:	Approximately HK\$194.7 million before expense (assuming no new Shares are issued and no Shares are repurchased on or before the Rights Issue Record Date)
Underwriter to the Rights Issue:	Vision Finance International Company Limited
Number of Rights Shares underwritten by the Underwriter:	The Underwritten Shares of up to 154,655,047 Rights Shares
Rights of excess application:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

The gross proceeds from the Rights Issue will be approximately HK\$194.7 million (assuming that there is no change in the number of issued Shares on or before the Rights Issue Record Date). The estimated net proceeds after deducting the transaction expenses from the Rights Issue and the Acquisition will be approximately HK\$171.7 million (assuming that there is no change in the number of issued Shares on or before the Rights Issue Record Date), which are intended to be used in the following manner:

- (a) approximately HK\$154.5 million (representing 90% of the estimated net proceeds from the Rights Issue) will be applied towards the cash settlement of the Consideration.
- (b) approximately HK\$17.2 million (representing 10% of the estimated net proceeds from the Rights Issue) will be used as the Group's general working capital.

In the event that the proceeds raised from the Rights Issue are not sufficient to cover the cash payment obligation of the Company under the Sale and Purchase Agreement, the Company intends to use its internal resources and/or other debt financing to settle the shortfall of the cash payment obligation under the Sale and Purchase Agreement.

Assuming no new Shares are issued and no Shares are repurchased on or before the Rights Issue Record Date, the maximum number of 499,276,680 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Save as disclosed in this announcement, the Company had no outstanding share options, warrants, derivatives or other securities convertible into or exchangeable for the Shares as at the date of this announcement.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, and as advised by the Company's legal adviser, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. Based on the CQIH Undertakings given by CQIH, it is anticipated that at least 344,621,633 Rights Shares will be taken up. In the event that the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or otherwise subscribed by the Underwriter or other subscribers procured by it pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Rights Issue Subscription Price

The subscription price of HK\$0.39 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applications for excess Rights Shares, or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Rights Issue Subscription Price represents:

- (i) a discount of approximately 18.8% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.9% to the average closing price of approximately HK\$0.428 per Share for the last five consecutive full trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 10.3% to the theoretical ex-rights price of approximately HK\$0.435 per Share based on the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 24.4% to the unadjusted consolidated net asset value per Share of approximately HK\$0.516 (based on the consolidated net asset value of the Company attributable to the equity holders of the Company as at 30 June 2020 of approximately HK\$257,468,000 and the number of issued Shares of 499,276,680); and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 9.4%, represented by the theoretical diluted price of approximately HK\$0.435 per Share to the benchmarked price of approximately HK\$0.48 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.48 per Share and the average of the closing price of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.428 per Share).

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Board considers that the discount of the Rights Issue Subscription Price to the current market price will encourage them to participate in the Rights Issue. The Rights Issue Subscription Price and the Rights Issue ratio were determined by the Board based on the funding needs of the Group.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty, the Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Conditions Precedent

The Rights Issue is conditional on each of the following conditions being fulfilled or waived (where applicable):

- (i) the Independent Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB, the allotment and issue of the Conversion Shares and the granting of the Specific Mandate);
- (ii) all conditions precedent in relation to the Acquisition (other than the condition precedent of the Independent Shareholders having approved the Rights Issue by way of poll at the SGM in accordance with the Listing Rules) having been fulfilled or waived (where applicable);
- (iii) the Independent Shareholders having approved the Rights Issue and the Underwriting Agreement by way of poll at the SGM in accordance with the Listing Rules;
- (iv) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong, respectively, of a copy of each of the Prospectus Documents duly certified in compliance with the Companies (WUMP) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (WUMP) Ordinance, the Companies Ordinance and the Listing Rules;
- (v) the despatch of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders, if any, for information purpose only;
- (vi) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms;
- (vii) all relevant consents and approvals being obtained from the regulatory authorities, including the Stock Exchange, as the case may require in connection with the Rights Issue by the relevant time that each consent and approval is required; and
- (viii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

If the conditions precedent above are not satisfied or waived (where applicable) on or before the Rights Issue Long Stop Date, the Rights Issue will be terminated.

As at the date of this announcement, none of the conditions precedent had been satisfied.

Underwriting Agreement

The principal terms of the Underwriting Agreement are as follows:

Date:	17 March 2021
Underwriter:	Vision Finance International Company Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter is independent of and not connected with the Company and its connected persons
Number of Rights Shares to be underwritten by the Underwriter:	Up to 154,655,047 Rights Shares, being 499,276,680 Rights Shares to be issued pursuant to the Rights Issue less 344,621,633 Rights Shares which CQIH has undertaken to take up under the CQIH Undertakings
Underwriting commission:	4.5% of the aggregate Rights Issue Subscription Price of the Underwritten Shares

The Rights Issue, other than the CQIH Committed Shares that will be provisionally allotted to and which are to be taken up by CQIH pursuant to the CQIH Undertakings on the terms and conditions set out therein, is underwritten by the Underwriter on a best effort basis on the terms of the Underwriting Agreement.

The underwriting commission was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the scale of the Rights Issue, the current and expected market conditions and the underwriting commission charged by underwriters in recent market precedents of rights issues. In particular, the Directors, based on the information available on the website of the Stock Exchange, noticed that a total of 26 listed companies announced their proposed rights issues during the nine months ended 30 September 2020 (which, to the best knowledge of the Directors, were not subsequently terminated), among which 22 rights issues were underwritten by independent underwriters and nine out of these 22 cases (which raised proceeds in the range of approximately HK\$105 million and HK\$287 million) charged an underwriting commission in the range of 1.5% and 5.5%. The Directors (excluding Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, who have abstained from voting on the relevant Board resolutions due to their directorship in CQDHG, and the independent non-executive Directors, whose views will be formed after taking into account the advice to be given by the Independent Financial Adviser), having taken into account the aforesaid precedent cases of rights issues as well as the reasons for the Rights Issue as detailed in the paragraph headed "Reasons for the Rights Issue and Use of Proceeds" below, consider the terms of the Underwriting Agreement, including the underwriting commission payable by the Company, are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Underwriting Agreement.

Conditions of the Underwriting Agreement

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following being fulfilled or waived (as the case may be):

- (i) the Independent Shareholders having approved the Rights Issue by way of poll at the SGM in accordance with the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms;
- (iii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong, respectively, of a copy of each of the Prospectus Documents duly certified in compliance with the Companies (WUMP) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (WUMP) Ordinance, the Companies Ordinance and the Listing Rules;
- (iv) the despatch of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus with the Overseas Letter to the Non-Qualifying Shareholders, if any, for information purpose only;
- (v) all relevant consents and approvals being obtained from the regulatory authorities, including the Stock Exchange, as the case may require in connection with the Rights Issue by the relevant time that each consent and approval is required;
- (vi) (a) the execution and delivery of the CQIH Undertakings on the date of the Underwriting Agreement; and (b) the compliance by CQIH of all of its obligations as set out in the CQIH Undertakings by the times specified therein, and the CQIH Undertakings not having been terminated;
- (vii) all the representations and warranties and other statements in the Underwriting Agreement on the part of the Company being true and accurate in all material respects and not misleading as at the date of the Underwriting Agreement and as at the Latest Time for Termination;
- (viii) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (ix) the Underwriter receiving from the Company certain documents as specified in the Underwriting Agreement by the times and dates specified therein;
- (x) the obligation of the Underwriter under the Underwriting Agreement not being terminated in accordance with the terms thereof; and
- (xi) there being no Specified Event occurring on or before the Latest Time for Termination.

Save for conditions (vii), (viii), (ix), (x) and (xi) above that may be waived by the Underwriter (in whole or in part), none of the above conditions is capable of being waived by the Underwriter.

If the above conditions are not fulfilled and/or waived (as the case may be) by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise (save for any antecedent breaches), and the Rights Issue will not proceed.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination, in the absolute opinion of the Underwriter:

- (i) one or more of the following events or matters shall occur, arise, exist or come into effect:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of the Underwriting Agreement; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - (c) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group; or
 - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement; or
 - (e) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or

- (f) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction on trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States) occurs; or
- (g) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may, in the absolute opinion of the Underwriter, is material to the Group as a whole and is likely to affect the success of the Rights Issue;

which event or events is or are in the absolute opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
 - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
 - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;
- (ii) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (iii) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

Information about the Underwriter

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. As at the date of this announcement, the Underwriter did not hold any Shares.

The Underwriter confirms that (i) it is independent of and not connected with the Company or its connected persons; and (ii) it has complied with Rule 7.19(1)(a) of the Listing Rules that it is licensed under the SFO for type 1 regulated activity and its ordinary business include underwriting of securities. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner(s) and/or associates are third parties independent of the Company.

Irrevocable Undertakings from CQIH

As of the date of this announcement, CQIH held 344,621,633 Shares (representing approximately 69.02% of the issued share capital of the Company). Pursuant to the Rights Issue, 344,621,633 Rights Shares will be provisionally allotted to CQIH. CQIH has executed the CQIH Undertakings, pursuant to which CQIH has irrevocably and unconditionally undertaken to the Company and the Underwriter that it:

- (i) will apply and pay for the CQIH Committed Shares, being all of the 344,621,633 Rights Shares provisionally allotted to CQIH pursuant to the Rights Issue, by lodging the duly completed and signed PAL before the latest time for acceptance of and payment for the Rights Shares;
- (ii) will not sell, dispose of or transfer the Shares beneficially held by it, including the 344,621,633 Shares currently held by it, during the period from the date of execution of the CQIH Undertakings to the Rights Issue Record Date (both dates inclusive); and
- (iii) save for the Rights Shares provisionally allotted to it, will not apply for any excess Rights Shares.

CQIH has confirmed that its commitment in respect of the application and payment for the CQIH Committed Shares was made after taking into account its financial and investment plans.

Save for CQIH, as at the date of this announcement, the Board had not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Rights Issue Record Date and not being a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Rights Issue Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Hong Kong Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 14 April 2021. It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 12 April 2021 and the Shares will be dealt with on an ex-rights basis from Tuesday, 13 April 2021.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Provisional Allotment Letter and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied with the Hong Kong Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:00 p.m. on the Latest Acceptance Date.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Overseas Shareholders

As at the date of this announcement, according to the register of members of the Company, the Company had seven Overseas Shareholders holding a total of 250,622,119 Shares with registered addresses in the following jurisdictions: Australia, the BVI, Canada, New Zealand and the US.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders in the relevant jurisdictions. If, after making such enquiries, the Directors consider that it would be necessary or expedient on account of either the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory bodies or stock exchanges in that place to exclude such Overseas Shareholder from the Rights Issue, such Overseas Shareholder will become a Non-Qualifying Shareholder and therefore will not be entitled to participate in the Rights Issue, subject to limited exceptions.

The Company will continue to ascertain whether there are any other Overseas Shareholders in any other jurisdiction(s) on the Rights Issue Record Date and will, if necessary, make further enquiries regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Rights Issue Record Date. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Rights Issue, to be despatched to the Shareholders on the Posting Date.

Notwithstanding the foregoing, the Prospectus is expected to include provisions permitting certain categories of sophisticated and/or qualified investors in certain overseas jurisdictions to take up their rights under the Rights Issue, subject to complying with certain certification and other requirements (to be set out in the Prospectus) which the Directors consider necessary or desirable in order to enable those investors to take part in the Rights Issue in compliance with their applicable local laws and regulations. The Company reserves the absolute discretion to determine whether to allow such participation as well as the identity of any person(s) who may be allowed to do so.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities laws or other laws or regulations of any territory or jurisdiction.

It is the responsibility of any person (including, without limitation, a nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy themselves as to the full and relevant compliance of the laws of the relevant jurisdictions including the obtaining of any governmental or other consents and observing other formalities which may be required in such jurisdictions, and to pay any taxes, duties and other amounts required to be paid in such jurisdictions in connection therewith. Any acceptance of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that such local laws, regulations and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult a professional adviser.

Overseas Shareholders (excluding those with registered address in jurisdictions which are included in the Rights Issue) on the Rights Issue Record Date may not be eligible to take part in the Rights Issue as explained below.

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the rights of the Rights Shares to such Overseas Shareholders.

The Company will send copies of the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send them the PAL and the EAF.

Fractional Entitlements

On the basis of provisional allotment of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Rights Issue Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Application for Excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of the nil-paid Rights Shares. Application for the excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for by the latest time for the application and payment for the excess Rights Shares. The Board will allocate the excess Rights Shares at its discretion on a fair and equitable basis and on the following principles: (i) as far as practicable, in proportion to the number of excess Rights Shares being applied for under each application; and (ii) no preference will be given to applications made for topping up odd lot holdings to whole board lot holdings.

Any Rights Shares not taken up (i) by the Qualifying Shareholders or transferees of nil-paid Rights Shares under PALs; or (ii) by excess applications by the Qualifying Shareholders under EAFs will be taken up by the Underwriter on a best effort basis pursuant to the terms and conditions of the Underwriting Agreement.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually. Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Rights Issue Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for Listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 2,000. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange. Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

Share Certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue set out below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Friday, 14 May 2021 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risk.

Rights Shares will be Eligible for Admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

EXPECTED TIMETABLE

The following expected timetable is indicative only and is subject to change. If necessary, further announcements in relation to any revised timetable will be published as and when appropriate.

Events	Time and Date ⁽¹⁾
Latest time for lodging transfer of the Shares for the purpose of ascertaining Shareholders' entitlements to attend and vote at the SGM	4:30 p.m. on Wednesday, 31 March 2021
Closure of register of members for the purpose of ascertaining Shareholders' entitlement to attend and vote at the SGM (both dates inclusive).	Thursday, 1 April 2021 to Friday, 9 April 2021
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on Wednesday, 7 April 2021
Record date for attending and voting at the SGM	Friday, 9 April 2021

Events	Time and Date⁽¹⁾
SGM	11:00 a.m. on Friday, 9 April 2021
Announcement of the poll results of the SGM to be published	Friday, 9 April 2021
Last day of dealings in the Shares on a cum-rights basis	Monday, 12 April 2021
First day of dealings in the Shares on an ex-rights basis	Tuesday, 13 April 2021
Latest time for lodging transfer document of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Wednesday, 14 April 2021
Closure of register of members of the Company for the purpose of determining entitlements under the Rights Issue (both days inclusive)	Thursday, 15 April 2021 to Wednesday, 21 April 2021
Rights Issue Record Date for determining entitlements under the Rights Issue	Wednesday, 21 April 2021
Register of members of the Company re-opens	Thursday, 22 April 2021
Despatch of Prospectus Documents	Thursday, 22 April 2021
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Monday, 26 April 2021
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 28 April 2021
Last day of dealing in nil-paid Rights Shares	4:00 p.m. on Monday, 3 May 2021
Latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Thursday, 6 May 2021
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 7 May 2021
Publication of announcement of completion of the Acquisition and the issue of the Consideration CB and the results of the Rights Issue on or before	Thursday, 13 May 2021

Events**Time and Date⁽¹⁾**

Despatch of refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares	Friday, 14 May 2021
Despatch of share certificates for fully-paid Rights Shares	Friday, 14 May 2021
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 17 May 2021
Issue of the Consideration CB on or before	Sunday, 30 May 2021
Completion of the Acquisition on or before	Sunday, 30 May 2021
Acquisition Long Stop Date	Sunday, 31 July 2021

Note:

- (1) All times and dates in this announcement refer to Hong Kong local time and dates unless otherwise specified. Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Rights Issue will be announced as appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning and/or extreme conditions caused by super typhoons announced by the government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be extended to 5:00 p.m. on the same day; and
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead, the latest time of acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in this section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

EFFECT OF THE ISSUE OF THE CONSIDERATION CB AND THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company had 499,276,680 Shares in issue. The Company has adopted the Share Option Scheme, which became effective on 27 August 2013, pursuant to which the Company may grant options to subscribe for Shares to selected eligible participants. As at the date of this announcement, the Company had no outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

Set out below is the shareholding structure of the Company (a) as at the date of this announcement; (b) immediately after allotment and issue of the Rights Shares (assuming that (i) all Qualifying Shareholders (including CQIH) take up their respective allotment of Rights Shares in full; and (ii) there is no change in the issued share capital of the Company other than the issue of the Rights Shares since the date of this announcement and up to Completion); (c) immediately after allotment and issue of the Rights Shares (assuming that (i) no Qualifying Shareholder takes up any of the Rights Shares (other than CQIH taking up the CQIH Committed Shares) and the Underwritten Shares are fully taken up by the Underwriter; and (ii) there is no change in the issued share capital of the Company other than the issue of the Rights Shares since the date of this announcement and up to Completion); (d) immediately after allotment and issue of the Rights Shares and upon full conversion of the Consideration CB at the Initial Conversion Price (assuming that (i) the Underwriter holds no Share as at the time of conversion of the Consideration CB; and (ii) there is no change in the issued share capital of the Company other than the issue of the Rights Shares and the Conversion Shares since the date of this announcement and up to the date of full conversion of the Consideration CB); and (e) immediately after allotment and issue of the Rights Shares and upon full conversion of the Consideration CB at the Base Conversion Price (assuming that (i) the Underwriter holds no Share as at the time of conversion of the Consideration CB; and (ii) there is no change in the issued share capital of the Company other than the issue of the Rights Shares and the Conversion Shares since the date of this announcement and up to the date of full conversion of the Consideration CB):

	As at the date of this announcement		Immediately after allotment and issue of the Rights Shares (assuming all Qualifying Shareholders (including CQIH) take up their respective allotment of Rights Shares in full) ⁽²⁾		Immediately after allotment and issue of the Rights Shares (assuming no Qualifying Shareholder takes up any of the Rights Shares (other than CQIH taking up the CQIH Committed Shares) and the Underwritten Shares are fully taken up by the Underwriter) ⁽²⁾		Immediately after allotment and issue of the Rights Shares and upon full conversion of the Consideration CB at the Initial Conversion Price (assuming the Underwriter holds no Share as at the time of conversion of the Consideration CB) ⁽³⁾		Immediately after allotment and issue of the Rights Shares and upon full conversion of the Consideration CB at the Base Conversion Price (assuming the Underwriter holds no Share as at the time of conversion of the Consideration CB) ⁽³⁾	
	Approximate Number of Shares held	Approximate shareholding percentage	Approximate Number of Shares held	Approximate shareholding percentage	Approximate Number of Shares held	Approximate shareholding percentage	Approximate Number of Shares held	Approximate shareholding percentage	Approximate Number of Shares held	Approximate shareholding percentage
CQIH ⁽¹⁾	344,621,633	69.02%	689,243,266	69.02%	689,243,266	69.02%	689,243,266	31.50%	689,243,266	27.73%
CQDHG	-	-	-	-	-	-	1,189,386,362	54.36%	1,486,732,953	59.82%
Underwriter ⁽⁴⁾	-	-	-	-	154,655,047	15.49%	-	-	-	-
Other Public Shareholders	154,655,047	30.98%	309,310,094	30.98%	154,655,047	15.49%	309,310,094	14.14%	309,310,094	12.45%
Total	499,276,680	100.0%	998,553,360	100.0%	998,553,360	100.0%	2,187,939,722	100.0%	2,485,286,313	100.0%

Notes:

- (1) As at the date of this announcement, CQIH was wholly owned by CQDHG, which was wholly owned by QCCIG. By virtue of the SFO, QCCIG and CQDHG are deemed to be interested in the Shares held by CQIH.
- (2) The calculation is based on the assumptions that there is no change in the issued share capital of the Company other than the issue of the Rights Shares since the date of this announcement and up to Completion.
- (3) The calculation is based on the assumption that there is no change in the issued share capital of the Company other than the issue of the Rights Shares and the Conversion Shares since the date of this announcement and up to the date of full conversion of the Consideration CB.
- (4) This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that, in the event of it being called upon to subscribe for or procure subscribers to subscribe for the Underwritten Shares, (i) it will not and shall procure that the subscribers procured by it, together with parties acting in concert with each of them, will not own 10% or more of the voting rights of the Company immediately after completion of the Rights Issue; (ii) it shall and shall procure subscribers independent of the Company and its connected persons to take up such number of the Underwritten Shares necessary to ensure that the public float requirements under the Listing Rules are complied with upon completion of the Rights Issue; and (iii) it will not, for its own account, and shall procure that the subscribers procured by it will not, together with any party acting in concert with it, hold such number of the Underwritten Shares which will result in it (together with parties acting in concert with it) holding 30% or more of the voting rights of the Company immediately upon completion of the Rights Issue.

Reasons for the Rights Issue and Use of Proceeds

The Board proposed the Rights Issue to raise funds to settle part of the Consideration and to finance the associated transaction expenses relating to the Acquisition. The Rights Issue will also provide an opportunity for the Shareholders to participate in the Company's equity fund raising activities at prevailing market price and to enjoy the potential upside of the Company's share price performance upon Completion and when the benefits of the Acquisition materialise in the future.

Assuming that there is no change in the number of issued Shares on or before the Rights Issue Record Date and that all Rights Shares have been taken up by the Qualifying Shareholders and/or the Underwriter or the subscribers procured by it, the gross proceeds from the Rights Issue will be approximately HK\$194.7 million. The estimated net proceeds after deducting the transaction expenses from the Rights Issue and the Acquisition will be approximately HK\$171.7 million (assuming that there is no change in the number of issued Shares on or before the Rights Issue Record Date), which are intended to be used in the following manner:

- (a) approximately HK\$154.5 million (representing 90% of the estimated net proceeds from the Rights Issue) will be applied towards the cash settlement of the Consideration.
- (b) approximately HK\$17.2 million (representing 10% of the estimated net proceeds from the Rights Issue) will be used as the Group's general working capital.

In the event that the proceeds raised from the Rights Issue are not sufficient to cover the cash payment obligation of the Company under the Sale and Purchase Agreement, the Company intends to use its internal resources and/or other debt financing to settle the shortfall of the cash payment obligation under the Sale and Purchase Agreement.

The aforesaid intended use of the net proceeds from the Rights Issue will remain unaffected regardless of the ultimate subscription level.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company had not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

TAXATION

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

IMPLICATIONS UNDER THE LISTING RULES

Sale and Purchase Agreement

The Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100%. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, CQIH, a Controlling Shareholder which held 344,621,633 Shares (representing approximately 69.02% of the issued share capital of the Company), was wholly owned by CQDHG. Accordingly, CQDHG is an associate of CQIH and a connected person of the Company. The Acquisition is therefore a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Listing Committee of the Stock Exchange has determined that the Acquisition is an extreme transaction which is not subject to the reverse takeover rules. The Company is required to prepare a transaction circular with enhanced disclosure comparable to the standard for listing documents for new listing applicants. BOCOM Asia has been appointed as the financial adviser of the Company in relation to the Acquisition to conduct due diligence with reference to Practice Note 21 of the Listing Rules as clarified under the Stock Exchange's Guidance Letter HKEx-GL104-19.

As CQDHG is an associate of CQIH and a connected person of the Company, the issue of the Consideration CB to the Vendor (or its nominee(s)) as part of the Consideration constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, the executive Directors, are directors of CQDHG and are deemed to have a material interest in the transactions contemplated under the Sale and Purchase Agreement, each of them had abstained from voting on the board resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB).

Rights Issue

In order to raise sufficient funds to settle part of the Consideration, the Board proposed the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share. Assuming no new Shares are issued and no Shares are repurchased on or before the Rights Issue Record Date, the maximum number of 499,276,680 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the total number of the existing issued Shares as at the date of this announcement; and (ii) approximately 50% of the total number of issued Shares as enlarged by the allotment and issue of and the Rights Shares.

In accordance with Rules 7.19A(1) and 7.27A of the Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue will be made conditional on approval by the minority Shareholders by way of poll at the SGM, and the Controlling Shareholders and their associates shall abstain from voting in favor of the resolution relating to the Rights Issue at the SGM. Accordingly, CQIH, a Controlling Shareholder which held 344,621,633 Shares (representing approximately 69.02% of the issued share capital of the Company) as at the date of this announcement, and its associates will abstain from voting on the resolutions in relation to the Rights Issue to be proposed at the SGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save of CQIH, no other Shareholder is required or has indicated his/her/its intention to abstain from voting on the resolutions in relation to the Rights Issue to be proposed at the SGM.

As Mr. Gao Yuzhen, Mr. Yuan Zhi and Mr. Hu Liang, the executive Directors, are directors of CQDHG, each of them had abstained from voting on the board resolutions approving the Rights Issue.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, each being an independent non-executive Director, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement, the Rights Issue and the issue of the Consideration CB. Each of Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue has confirmed that he/she has no material interest in the Sale and Purchase Agreement, the Rights Issue and the issue of the Consideration CB.

The Company has, with the approval of the Independent Board Committee, appointed the Independent Financial Adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Sale and Purchase Agreement, the Rights Issue and the issue of the Consideration CB.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 1 April 2021 to Friday, 9 April 2021 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The register of members of the Company will be closed from Thursday, 15 April 2021 to Wednesday, 21 April 2021 (both dates inclusive) for determining the entitlements under the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve, among others, (i) the Sale and Purchase Agreement; (ii) the Specific Mandate; and (iii) the Rights Issue. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement; (ii) further details of the Consideration CB; (iii) further details of the Rights Issue; (iv) further information about the Target Group and the Enlarged Group (including the accountant's report of the Target Group and pro-forma financial information of the Enlarged Group); (v) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB) and the Rights Issue; (vi) the letter of advice from the Independent Financial Adviser to the Independent Board

Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB) and the Rights Issue; and (vii) the notice of the SGM, is expected to be despatched to the Shareholders on or before 31 March 2021.

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 22 April 2021. The Overseas Letter and the Prospectus, without the Provisional Allotment Letter, will be sent to the Non-Qualifying Shareholders for their information only.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Rights Issue – Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed. The Shares have been dealt in on an ex-rights basis from Tuesday, 13 April 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 15 April 2021 to Wednesday, 21 April 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (or waived (as appropriate)) (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

As the Completion is subject to fulfilment of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are reminded 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:

“10M2020”	the 10 months ended 31 October 2020
“Acquisition”	the sale and purchase of the Target Equity Interest as contemplated under the Sale and Purchase Agreement
“Acquisition Long Stop Date”	31 July 2021
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Base Conversion Price”	HK\$1.496 per Conversion Share
“Board”	the board of Directors
“BOCOM Asia”	BOCOM International (Asia) Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Business Day”	any day(s) (other than a Saturday, Sunday or public holiday in the PRC and Hong Kong) on which banks in the PRC or Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chinese Capital”	Chinese Capital Investment Holdings Limited (華融投資(控股)有限公司), a company incorporated in Hong Kong with limited liability on 16 November 2010
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Qingdao Holdings International Limited (青島控股國際有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 499)
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Consideration”	approximately HK\$2,378.7 million, which shall be satisfied in the manner set out in the section headed “Acquisition of the Target Equity Interest – Sale and Purchase Agreement – Principal Terms of the Sale and Purchase Agreement – Consideration” in this announcement
“Consideration CB”	the convertible bonds of an aggregate principal of approximately HK\$2,224.2 million due on the Maturity Date to be issued by the Company for settling part of the Consideration pursuant to the Sale and Purchase Agreement
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this announcement, refers to CQIH, CQDHG and QCCIG
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attached to the Consideration CB
“CQDHG”	China Qingdao Development (Holdings) Group Company Limited (華青發展(控股)集團有限公司), a company incorporated in Hong Kong with limited liability on 1 April 2014 and wholly owned by QCCIG, and being one of the Controlling Shareholders and a connected person of the Company

“CQIH”	China Qingdao International (Holdings) Company Limited, a company incorporated in BVI with limited liability on 12 June 2014 and wholly owned by CQDHG, and being one of the Controlling Shareholders
“CQIH Committed Shares”	an aggregate of 344,621,633 Rights Shares agreed to be taken up by CQIH pursuant to the CQIH Undertakings, being 100% of the 344,621,633 Rights Shares provisionally allotted to CQIH pursuant to the Rights Issue
“CQIH Undertakings”	the irrevocable and unconditional undertakings given by CQIH in favour of the Company and the Underwriter on 17 March 2021, the details of which are set out in the section headed “Rights Issue – Irrevocable Undertakings from CQIH” in this announcement
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders or transferees of the nil-paid Rights Shares who wish to apply for excess Rights Shares
“Enlarged Group”	the Group and the Target Group
“Excluded Jurisdictions”	means Canada and the US, and any jurisdiction outside Hong Kong in respect of which the Directors determine, in accordance with Rule 13.36(2)(a) of the Listing Rules, that it is necessary or expedient not to offer Rights Shares to Shareholders in such jurisdiction on account either of the legal restrictions under the laws of that jurisdiction or the requirements of a relevant regulatory body or stock exchange in that jurisdiction
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ended 31 December 2018
“FY2019”	the financial year ended 31 December 2019
“Group”	the Company and its subsidiaries

“HK\$” or “HKD” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Secretaries Limited, the Company’s Hong Kong branch share registrar and transfer office
“Independent Board Committee”	the independent board committee of the Board comprising Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, each being an independent non-executive Director, established to consider, and if thought fit, give a recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB) and the Rights Issue
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration CB) and the Rights Issue
“Independent Shareholders”	the Shareholders other than CQIH and its associates
“Initial Conversion Price”	HK\$1.87 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Consideration CB)
“Last Trading Day”	17 March 2021, being the last trading day for the Shares before the entering into of the Sale and Purchase Agreement

“Latest Acceptance Date”	Thursday, 6 May 2021, being the last day for acceptance of and payment for the Rights Shares, or such other date as the Company may determine
“Latest Time for Termination”	4:00 p.m. on Friday, 7 May 2021, being the next Business Day after the Latest Acceptance Date, or such other time or date as may be agreed in writing between the Company and the Underwriter
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Maturity Date”	the date falling on the ninth (9th) anniversary of the date of the issue of the Consideration CB, provided that if such date is not a Business Day, the first Business Day immediately after such date
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on the legal advice provided by the legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Letter”	the letter from the Company to the Non-qualifying Shareholders explaining the circumstances in which the Non-qualifying Shareholders (if any) are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as of the close of business on the Rights Issue Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Posting Date”	Thursday, 22 April 2021, or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“PRC” or “China”	the People’s Republic of China and, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and EAF
“Provisional Allotment Letter(s)” or “PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“Purchaser”	Yangfan (Holdings) Group Limited (揚帆(控股)集團有限公司), a company incorporated in Hong Kong with limited liability on 19 August 2020, and an indirect wholly-owned subsidiary of the Company
“QCCIG”	Qingdao City Construction Investment (Group) Co., Ltd.* (青島城市建設投資(集團)有限責任公司), a company established in the PRC with limited liability on 23 May 2008 and wholly owned by the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government (青島市人民政府國有資產監督管理委員會), and being one of the Controlling Shareholders
“QCIFH”	Qingdao City Investment Finance Holding Group Co., Ltd.* (青島城投金融控股集團有限公司), a company established in the PRC with limited liability on 5 December 2014 and wholly owned by QCCIG
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company as of the close of business on the Rights Issue Record Date
“Rights Issue”	the proposed offer of the Rights Shares to the Qualifying Shareholders at the Rights Issue Subscription Price, on the basis of one (1) Rights Share for every one (1) existing Share held by each Qualifying Shareholder on the Rights Issue Record Date
“Rights Issue Long Stop Date”	30 May 2021
“Rights Issue Record Date”	Wednesday, 21 April 2021, being the date by reference to which entitlements under the Rights Issue are expected to be determined
“Rights Issue Subscription Price”	the subscription price of HK\$0.39 per Rights Share

“Rights Share(s)”	the new Share(s) to be allotted and issued in respect of the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 March 2021 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be convened and held to consider, and if thought fit, approve, among other things, (i) the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration CB; and (ii) the Rights Issue
“Share Option Scheme”	the share option scheme approved by the Shareholders on 22 August 2013
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM to allot and issue the Conversion Shares to CQDHG
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Target Company”	Qingdao Rural Construction Financial Leasing Company Limited* (青島城鄉建設融資租賃有限公司), a company established in the PRC with limited liability on 11 June 2014
“Target Equity Interest”	approximately 81.91% equity interest in the Target Company to be acquired by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Target Group”	the Target Company and its subsidiaries
“Tibet Luoyou”	Tibet Luoyou Investment Management Company Limited* (西藏絡優投資管理有限公司) (formerly known as Shanghai Luoyou Investment Management Company Limited* (上海絡優投資管理有限公司)), a company established in the PRC with limited liability on 5 December 2013
“Track Record Period”	the years ended 31 December 2017, 2018, 2019 and the 10 months ended 31 October 2020
“Underwriter”	Vision Finance International Company Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 17 March 2021 and entered into between the Company and the Underwriter in relation to the underwriting arrangements in respect of the Rights Issue
“Underwritten Shares”	such number of untaken Rights Shares (excluding the CQIH Committed Shares and up to 154,655,047 Rights Shares) to be underwritten by the Underwriter on a best effort basis subject to the terms and conditions of the Underwriting Agreement

“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“US\$” or “USD”	United States dollar(s), the lawful currency of the United States
“Vasari (HK)”	Vasari Investment Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 14 September 2016
“Vasari Investment”	Vasari Investment Holdings Limited, a company incorporated in BVI with limited liability on 3 April 2003 and wholly owned by Vasari (HK)
“Vendor”	CQDHG

1. *Unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules.*
2. *Unless expressly stated or otherwise required by the context, all data are as at the date of this announcement.*
3. *If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translations of company names in Chinese which are marked with “*” are for identification purpose only.*
4. *Solely for your convenience, this announcement contains translations of certain RMB or USD amounts into Hong Kong dollars at a specified rate. You should not construe these translations as a representation that the RMB or USD amounts could actually be, or have been, converted into Hong Kong dollars at the rate indicated or at all. Unless otherwise indicated, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB1.0 to HK\$1.2 and the translations of USD amounts into Hong Kong dollars have been made at the rate of USD1.0 to HK\$7.75.*

Yours faithfully,
By order of the Board
Qingdao Holdings International Limited
Gao Yuzhen
Executive Director and Chairman

Hong Kong, 17 March 2021

As at the date of this announcement, the Board comprises Mr. Gao Yuzhen (chairman), Mr. Yuan Zhi (deputy chairman and chief executive officer) and Mr. Hu Liang as executive Directors, Mr. Li Shaoran as non-executive Director, and Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue as independent non-executive Directors.