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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)

SUPPLEMENTAL ANNOUNCEMENT

CONNECTED TRANSACTION CONSTRUCTION AGREEMENT

Reference is made to the announcement of Qingdao Holdings International Limited (the “**Company**”) dated 30 December 2022 regarding the entering into of the Construction Agreement (the “**Announcement**”). Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

This announcement is made to provide supplemental information to the Announcement.

The Board would like to supplement that a tendering process was held in relation to the Project. The Contractor, who is the successful bidder out of three bidders, entered into the Construction Agreement with BCHYCDL.

The Consideration was determined based on the bidding price offered by the Contractor. The Group awarded the Construction Agreement to the Contractor, after thorough evaluation of the bids, considering factors including but not limited to the following:

- (i) The tender submitted by the Contractor, which the bidding price was the lowest among the three bidders, was considered the most appropriate after taking into account the bidding price and payment terms;

- (ii) The Contractor's background, scale, qualifications, market position, expertise and relevant experience. In particular, construction works of comparable scale and complexity carried out by the Contractor during the recent years prior to the submission of the tender documents;
- (iii) The labour costs of the Contractor against the prevailing labour costs of construction works of comparable scale and complexity; and
- (iv) The latest published price of labour and materials in Bengbu City, the PRC.

In view of the above, the Directors, including the independent non-executive Directors, consider that the Consideration is fair and reasonable, and the Construction Agreement is on normal commercial terms and fair and reasonable.

In addition to the factors set out in the section headed reasons for and benefits of the Construction Agreement in the Announcement, as (i) the Contractor was selected through an open tendering process and the Consideration was determined based on the lowest bidding price offered by the Contractor, and (ii) the Group awarded the Construction Agreement to the Contractor after thorough evaluation of the bids, considering factors including but not limited to the experience and capability of the bidders, the expected scope of work and the expected costs of the Project, the Directors (including the independent non-executive Directors) consider that the Contractor is able to provide the expected standard of construction services for implementing the Construction Agreement, and the Construction Agreement is on normal commercial terms and fair and reasonable.

Accounting treatment of the Project

Although Bengbu Government has indicated its intention of acquiring the Project after the completion of the Project, since the Project is still under construction, no formal agreement was signed between BCHYCDL and Bengbu Government, and no consideration was agreed as at the date of this announcement. As such, the criteria to recognize revenue under Hong Kong Financial Reporting Standards 15 (“**HKFRS 15**”) have not been met yet. Accordingly, no revenue of the Project has been recognized as at the date of this announcement. The Group will revisit the accounting treatment of the Project as and when the formal agreement is entered into between BCHYCDL and Bengbu Government.

In addition, pursuant to the Construction Agreement, the Contractor shall build the Project as required by BCHYCDL. Accordingly, the actual cost in relation to the construction of the Project shall be recognized as inventory and liabilities.

Based on the status that the formal agreement with the Bengbu Government has not been signed and the current Project is still in progress, after communication with the auditor, the auditor did not object to the above accounting treatment.

In light of the accounting treatment set out in the above, the Board considers that the transactions contemplated under the Construction Agreement are revenue in nature for the Group and therefore did not constitute a notifiable transaction under the Chapter 14 of the Listing Rules.

By order of the Board
Qingdao Holdings International Limited
Wang Yimei
*Executive Director, Deputy Chairman and
Chief Executive Officer*

Hong Kong, 30 January 2023

As at the date of this announcement, the Executive Directors are Mr. Cui Mingshou (Chairman), Mr. Wang Yimei (Deputy Chairman and Chief Executive Officer) and Mr. Hu Liang; and the Independent Non-executive Directors are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.

* *For identification purpose only*