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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Qingdao Holdings International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE TRANSFER OF THE LOAN
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



Lego Corporate Finance Limited
力高企業融資有限公司

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular.

A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, is set out on pages 16 to 17 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 35 of this circular.

A notice convening the SGM to be held at Unit Nos. 9-11, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong on Wednesday, 20 March 2024 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context specifies otherwise:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“China Huadong”	China Huadong Construction and Engineering Group Limited (中國華東建設工程集團有限公司), a company incorporated in Hong Kong with limited liability
“China Nuclear Industry”	China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司), a company established in the PRC with limited liability
“China Qingdao Development”	China Qingdao Development (Holdings) Group Company Limited, a company incorporated in Hong Kong with limited liability
“China Qingdao International”	China Qingdao International (Holdings) Company Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	Qingdao Holdings International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Transfer of the Loan
“Completion Date”	the completion date of the Transfer of the Loan
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB155,000,000, being the total consideration payable by the Transferee to the Transferor for the Transfer of the Loan
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Entrusted Loan Arrangement”	the provision of the Loan by Qifeng, through QURC Micro-credit Loan Company, to Huizhou Jiuyu
“Entrusted Loan Contract”	the entrusted loan contract (委托貸款合同) dated 7 May 2020 entered into between Qifeng, QURC Micro-credit Loan Company and Huizhou Jiuyu, in respect of the Loan

DEFINITIONS

“Finance Documents”	the Entrusted Loan Contract and the security, mortgage, charge, pledge, guarantee in relation to the Entrusted Loan Arrangement and any other amendments, supplements, accessions, waivers, or variation of such documents
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Jiuyu” or “Borrower”	Huizhou Jiuyu Real Estate Company Limited* (惠州市九煜置業有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Huizhou Yanlong”	Huizhou Yanlong Land Company Limited* (惠州市焱隆置業有限公司), a company established in the PRC with limited liability and 49% and 51% owned by the Joint Venture Company and Meile Land, respectively
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in connection with the Transfer of Loan Agreement
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap.571) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer of Loan Agreement
“Independent Shareholders”	any shareholder of the Company that is not required to abstain from voting at the SGM to approve, among other things, the Transfer of the Loan and the transaction contemplated thereunder in accordance with the Listing Rules
“Independent Third Party”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“Joint Venture Company”	NEQH Development and Construction Co. Ltd.* (核建青控開發建設有限公司), a company established in the PRC with limited liability, a subsidiary of the Company

DEFINITIONS

“Land”	the parcel of land which is located at No. 1 Court, Zhongkai Gaoxin District, Huizhou City, Guangdong Province, the PRC* (中國廣東省惠州市仲愷高新區1號小區)
“Latest Practicable Date”	26 February 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan made to Huizhou Jiuyu pursuant to the Entrusted Loan Contract
“Long Stop Date”	30 September 2024 (or such other date as the Transferor and the Transferee may agree in writing)
“Maturity Date”	two years from the date of drawdown (inclusive) under the Entrusted Loan Contract, being 23 December 2022
“Meile Land”	Huizhou Meile Land Company Limited* (惠州市美樂置地實業有限公司), a company established in the PRC with limited liability, an Independent Third Party
“PRC”	the People’s Republic of China
“QCCIG”	Qingdao City Construction Investment (Group) Limited* (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 and the ultimate controlling shareholder of the Company
“QCFHGC”	Qingdao Chengtou Financial Holding Group Co., Limited* (青島城投城金控股集團有限公司), a company established in the PRC with limited liability and the wholly owned subsidiary of QCCIG
“Qifeng” or “Transferor”	Qingdao Qifeng Technology Services Co. Ltd.* (青島啟峰科技服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Qingdao (HK)”	Qingdao Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“QURC Micro-credit Loan Company”	Qingdao Urban Rural Construction Micro-credit Loan Co. Ltd.* (青島城鄉建設小額貸款有限公司), a company established in the PRC with limited liability and a connected person of the Company
“QXJIC”	Qingdao Xincheng Jointly Investment Consultation Company Limited* (青島鑫城合作投資諮詢有限公司), a company established in the PRC with limited liability and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve, among other things, the Transfer of the Loan and the transaction contemplated thereunder
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transfer Loan”	the outstanding principal amount, accrued interest in relation to the Transferor’s participation in the Loan and the Transferor’s rights, obligations and other entitlement under the Finance Documents
“Transfer of Loan Agreement”	the transfer of loan agreement dated 22 December 2023 and entered into between the Transferor and the Transferee in respect of the Transfer of the Loan
“Transfer of the Loan”	the transfer of the Transfer Loan pursuant to the terms and conditions of the Transfer of Loan Agreement
“Transferee”	Qingdao City Investment and Assets Management Company Limited* (青島城投資產管理有限公司), a company established in the PRC with limited liability and a connected person of the Company

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 purposes only.*

LETTER FROM THE BOARD



QINGDAO HOLDINGS INTERNATIONAL LIMITED

青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

Executive Directors:

Mr. Cui Mingshou (*Chairman*)
Mr. Wang Yimei (*Deputy Chairman and
Chief Executive Officer*)
Mr. Hu Liang

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent non-executive Directors:

Mr. Yin Tek Shing, Paul
Mr. Wong Tin Kit
Ms. Zhao Meiran
Mr. Li Xue

*Head office and principal place of
business in Hong Kong:*

Unit No. 8, 26th Floor
Tower 1, Admiralty Centre
No. 18 Harcourt Road
Hong Kong

29 February 2024

To the Shareholders,

Dear Sir/Madam,

**(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE TRANSFER OF THE LOAN
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 22 December 2023 in relation to the Transfer of Loan Agreement.

The purpose of this circular is to, among other things, (i) provide you with further information of the Transfer of Loan Agreement and such other information in compliance with the requirements of the Listing Rules; (ii) set out the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transfer of Loan Agreement; (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer of Loan Agreement; and (iv) give you notice of the SGM at which an ordinary resolution will be proposed to seek your approval of the Transfer of Loan Agreement and the transactions contemplated thereunder. A notice of the SGM containing the resolution to be proposed at the SGM is set out on pages SGM-1 to SGM-2 of this circular.

* For identification purposes only

LETTER FROM THE BOARD

On 22 December 2023 (after trading hours), Qifeng (an indirect wholly-owned subsidiary of the Company), and Qingdao City Investment and Assets Management Company Limited (青島城投資產管理有限公司), entered into the Transfer of Loan Agreement, pursuant to which Qifeng, as the transferor, will transfer the Loan to Qingdao City Investment and Assets Management Company Limited as the Transferee, at the Consideration of RMB155,000,000.

B. BACKGROUND

Reference is made to (i) the announcement of the Company dated 7 May 2020 in relation to the Entrusted Loan Arrangement (the “**May 2020 Announcement**”), pursuant to which Qifeng granted the Loan in the principal amount of RMB195,100,000 to Huizhou Jiuyu; and (ii) the circular dated 11 June 2020 in relation to the Entrusted Loan Arrangement (the “**2020 Circular**”).

Reference is also made to the announcements of the Company dated 30 December 2022 and 3 January 2023 in relation to the default of repayment of the Loan under the Entrusted Loan Arrangement. The Board was informed that Huizhou Jiuyu had failed to repay the principal of the Loan and the interests of the Loan, respectively.

C. THE ENTRUSTED LOAN CONTRACT

On 7 May 2020, Qifeng (as the lender), among others, and Huizhou Jiuyu (as the borrower) entered into the Entrusted Loan Contract. As disclosed in the May 2020 Announcement, the major terms of the Entrusted Loan Contract are set out below:

Date:	7 May 2020
Interest rate:	15% per annum
Term:	Two years from the drawdown date (inclusive) under the Entrusted Loan Contract
Default interest:	If Huizhou Jiuyu fails to (i) repay the principal; or (ii) pay interest within the prescribed time period, a default interest at the rate equal to 150% of the interest rate and such default interest will accrue on a daily basis until the full repayment of the overdue amount by Huizhou Jiuyu.

If Huizhou Jiuyu fails to apply the Loan for the specified use of proceeds, drawdown of the Loan could be suspended and part or all of the previously drawdown Loan would be declared due and payable, and a default interest at a rate equal to 100% of the interest rate on the default amount will be charged.

LETTER FROM THE BOARD

Security: Upon the obtaining of the land use rights of the Land by Huizhou Jiuyu, Huizhou Jiuyu shall pledge the land use right of the Land and its construction-in-progress property project on the Land in favour of QURC Micro-credit Loan Company as security for the purposes of the Loan.

Further, Huizhou Jiuyu shall procure (i) Meile Land to pledge its 51% equity interest in Huizhou Yanlong; (ii) Huizhou Yanlong to pledge its 100% equity interest in Huizhou Jiuyu; and (iii) Meile Land to provide the joint and several liability guarantee on the Loan, in favour of QURC Microcredit Loan Company as security for the purposes of the Loan.

D. THE TRANSFER OF THE LOAN

The Board is pleased to announce that on 22 December 2023 (after trading hours), the Transferor and the Transferee entered into the Transfer of Loan Agreement, pursuant to which, subject to the fulfilment of the conditions in the Transfer of Loan Agreement, the Transferor has agreed to transfer the Loan to the Transferee at the Consideration of RMB155,000,000.

The major terms of the Transfer of Loan Agreement are set out below:

Date: 22 December 2023

Parties: (i) Qifeng, as the Transferor; and
(ii) Qingdao City Investment and Assets Management Company Limited (青島城投資產管理有限公司), a company established in the PRC with limited liability and a connected person of the Company, as the Transferee

The loan to be transferred: The aggregate amount of RMB260,095,387.09 owed by Huizhou Jiuyu to the Transferor under the Entrusted Loan Contract as at 30 November 2023 (comprising the outstanding principal of RMB191,600,000, interest of RMB10,695,666.67 (among which RMB7,006,000 was recognised as the outstanding interest income for the financial year 2022), default interest of RMB48,219,720.42 and liquidated damages of RMB9,580,000).

Payment terms: The Consideration of RMB155,000,000 shall be settled in cash in a lump sum by the Transferee within 30 days upon the conditions precedent of the Transfer of Loan Agreement have been fulfilled.

LETTER FROM THE BOARD

Consideration: RMB155,000,000

In arriving at the Consideration, the Transferor had considered (i) the appraisal value of Transfer Loan, primarily representing the underlying collateral provided by the Borrower in relation to the Loan, being RMB155,000,000; and (ii) the principal amount of the Transfer Loan. The Transfer Loan was appraised by an independent valuer on the basis of fair value.

The Consideration was arrived at after arm's length negotiation between the Transferor and the Transferee on normal commercial terms and has taken into consideration (i) the carrying value of the Loan as at 30 June 2023 and 30 November 2023, being RMB154,912,000 representing (a) the outstanding principal of the Loan in the amount of RMB191,600,000 and (b) the outstanding interest generated from the Loan for the year ended 31 December 2022 in the amount of RMB7,006,000, netted of the impairment loss for expected credit loss of approximately RMB43,694,000; (ii) the value of the underlying collateral provided by the Borrower in relation to the Loan, being RMB155,000,000; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Transfer of the Loan" in this letter.

Long Stop Date: 30 September 2024

Conditions Precedent: Completion is conditional upon the fulfillment (or if applicable, the waiver) of the following conditions precedent:

- (i) the Company, being the ultimate controlling shareholder of the Transferor, has passed a resolution of the Shareholders at the SGM approving the Transfer of the Loan and the transaction contemplated therein;
- (ii) the representations and warranties of the Transferor and the Transferee are true, accurate and complete in all respects when made, and remain true, accurate, complete and not misleading at the Completion Date; and
- (iii) the consent and/or approval of the Transfer of the Loan from shareholders of the Transferee, being QCFHGC and QXJIC, having obtained.

The Transferor is required to notify the Transferee in writing upon the conditions precedent being fulfilled and the Transfer of Loan Agreement therefore become unconditional and the parties shall proceed to Completion.

LETTER FROM THE BOARD

If the conditions precedent to the Transfer of Loan Agreement are not fulfilled on or before the Long Stop Date, the Transfer of Loan Agreement shall be terminated forthwith, and all obligations of the Transferor and Transferee under the Transfer of Loan Agreement will be discharged.

Completion:

Completion shall take place on the Completion Date after fulfillment (or if applicable, the waiver) of all conditions precedent set out in the Transfer of Loan Agreement or such other earlier date and time as the Transferor and the Transferee may agree in writing. Within six days after the fulfilment of the conditions precedent, the Transferor shall deliver all relevant contracts, agreements, documents, letters, certificates and other documentations, including but not limited to the Entrusted Loan Contract, transfer certificate, loan certificate, relevant security documents, and any amendment, revision and supplement thereto, together with the relevant settlement or judgments issued by the courts of the relevant jurisdiction.

E. FINANCIAL EFFECTS OF THE TRANSFER OF THE LOAN

Impact on financial performance

The Loan has contributed of interest income of RMB1,201,000, RMB22,422,000 and RMB19,165,000 for the years ended 31 December 2020, 2021 and 2022, respectively, totalling RMB42,788,000. Among the interest income of RMB19,165,000 for the year ended 31 December 2022, RMB12,159,000 were settled and RMB7,006,000 remained outstanding. The amount of interest was calculated based on the actual draw down amount $\times 15\% \times$ actual lending period/360/1.06 (being the value added tax). During the period from September 2020 to September 2022, there were 10 batches of draw down and the draw down amount was range from RMB1,000,000 to RMB100,000,000. For the years ended 31 December 2021 and 2022, the Group recognized RMB101,000 and RMB43,578,000, respectively, as the impairment loss for the expected credit loss of the Loan.

As at the Maturity Date, the Borrower has repaid RMB38,350,000 and the outstanding accrued interest was approximately RMB7,006,000. After the Maturity Date, in view of the uncertainty in the recoverability of the default interest, the Transferor did not recognise the default interest pursuant to the Entrusted Loan Contract.

The Group had recognised a net loss of RMB43,578,000 for the Loan for the year ended 31 December 2022, being the impairment loss for expected credit loss.

Upon the Completion, it is expected that the Loan will not have any material impact on the earnings of the Group as there is no material difference between the Consideration and the carrying amount of the Loan as at 31 December 2022.

LETTER FROM THE BOARD

Impact on financial position

The Loan was accounted for an asset with carrying amount of approximately RMB154,912,000 as at 30 June 2023. Upon Completion, subject to further audit procedures to be performed by the auditor of the Group, the Company is expected to record a gain of RMB88,000 in capital reserve (being the difference between the Consideration and the carrying value of the Loan as at 30 June 2023) as a result of the Transfer of the Loan. Hence, it is expected that the Transfer of the Loan will not have any material impact on the total assets and total liabilities of the Group.

F. USE OF PROCEEDS

The Transfer of the Loan provides for a one-off repayment of the outstanding principal amount and accrued interest of the Transferor in relation to the Loan, which allows the Group to use the proceeds from the Transfer of the Loan to repay the shareholder's loans owed to QCCIG. As at the Latest Practicable Date, the total outstanding balance of the shareholder's loans owed by the Group to QCCIG amounted to approximately RMB459,100,000, which comprised of the shareholder loan in the amount of (i) RMB115,100,000 with the interest rate of 5.25% per annum (the "5.25% Shareholder Loan") and (ii) RMB344,000,000 with the interest rate of 5.55% per annum (the "5.55% Shareholder Loan"), respectively. The 5.25% Shareholder Loan was concluded in May 2020 with the initial interest rate of 3.85% per annum. After taking into account the increase of the then bank lending rates, the interest rate was adjusted to 5.25% per annum in 2023 in accordance with the original loan agreement. For details of the 5.25% Shareholder Loan, please refer to the May 2020 Announcement and financial note 17(c) of the 2023 interim report of the Company. As as the Latest Practicable Date, (i) the Group drew down RMB85,100,000, RMB10,000,000 and RMB20,000,000 in December 2020, April 2021 and June 2021, respectively, with an aggregate amount of RMB115,100,000 of the 5.25% Shareholder Loan; (ii) the outstanding amount of the 5.25% Shareholder Loan amounted to RMB115,100,000 and (iii) the total interest expenses paid for the 5.25% Shareholder Loan amounted to RMB16,826,531. For details of the shareholder loans, please refer to the financial notes 17(c) and 33 of the 2022 annual report of the Company.

Hence, the Board has approved the Transfer of the Loan and the transaction contemplated thereunder after considering all the circumstances, including the timing of payment and recoverable amount. The Board considers that the above analysis and the decision made is beneficial to the Company and its Shareholders as a whole.

G. INFORMATION ON THE GROUP AND THE TRANSFEROR

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

Qifeng, as the Transferor, is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

H. INFORMATION ON THE TRANSFEREE

The Transferee is a company established in the PRC with limited liability and 50% owned by QCFHGC, a connected person of the Company and 50% owned by QXJIC, an Independent Third Party, of which the ultimate beneficial owner is the Qingdao Municipal Government.

The Transferee is principally engaged in the acquisition and disposal of non-performing assets, investment and asset management, provision of financial services (non-licensed business) and consulting services.

I. INFORMATION ON THE BORROWER AND ITS SHAREHOLDERS

Huizhou Jiuyu is a company established in the PRC with limited liability and is principally engaged in real estate development, property sales and leasing of properties. Huizhou Jiuyu owns the land use rights of the Land. Huizhou Jiuyu is wholly-owned by Huizhou Yanlong. Huizhou Yanlong is 49% and 51% owned by the Joint Venture Company and Meile Land, respectively. The Joint Venture Company is 51%, 30% and 19% owned by Qingdao (HK), China Nuclear Industry and China Huadong, respectively.

Based on the information provided by Meile Land, the ultimate beneficial owners of Meile Land are Mr. Guo Jia An and Mr. Luo Guo Hai. Mr. Guo Jia An is an entrepreneur with extensive experience in the financial investment industry and an Independent Third Party. Mr. Luo Guo Hai is an entrepreneur with extensive experience in the sales and investment of real estate industry and an Independent Third Party.

The ultimate controlling shareholder of China Nuclear Industry is China National Nuclear Corporation (中國核工業集團有限公司), a state-owned enterprise wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The ultimate controlling shareholder of China Huadong is Mr. Ding Jun. Mr. Ding Jun is an entrepreneur with extensive experience in building construction and public facilities industry in the PRC.

Both China Nuclear Industry and China Huadong are substantial shareholders of the Joint Venture Company. As at the Latest Practicable Date, the Joint Venture Company is an insignificant subsidiary of the Company. Each of China Nuclear Industry and China Huadong, being a substantial shareholder of an insignificant subsidiary of the Company, is not a connected person of the Company under Rules 14A.07 and 14A.09 of the Listing Rules. Save as the shareholding relationship disclosed in the 2020 Circular, Huizhou Jiuyu does not have any other shareholding relationship with the Group and is an Independent Third Party.

LETTER FROM THE BOARD

J. REASONS FOR AND BENEFITS OF THE TRANSFER OF THE LOAN

As disclosed in the May 2020 Announcement, the Borrower intended to use the Loan on, among others, the construction of the property project on the Land. Upon completion of the development of the Land, Huizhou Jiuyu is expected to generate revenue by selling the residential properties on the Land. It is expected the Loan will be repaid upon receipt of the proceeds from the selling of the residential properties on the Land. Due to the outbreak of the COVID-19 pandemic and the downturn of real estate market in the PRC, the development of the property project on the Land is experiencing a longer-than-expected investment recovery period. After the Maturity Date, the Transferor had several rounds of discussion with the Borrower and no agreement was reached in relation to the settlement or repayment plan. While the Group is of the view that the Borrower would repay the outstanding amount of the Loan, it might take time from the recovery of the entire amount of the Loan. Although it is possible for the Group to recover the Loan by other options including the enforcement of the pledge on the Land, the Group considered that it would not be in the best interest of the Group after taking into account factors including (i) the entire enforcement process is lengthy; (ii) the appraised value of the Transfer Loan as at 30 November 2023, being RMB155,000,000; (iii) the additional expenditures to be incurred to develop the property project on the Land; and (iv) the uncertainties to be faced by the Group upon development of the Land and the subsequent sale upon completion. On the other hand, the Transfer of the Loan, which is to transfer the Loan to a party not originally involved in the Entrusted Loan Arrangement, though at a discount, provides for an immediate one-off repayment of the outstanding principal amount of the Loan, which allows the Group to use the proceeds from the Transfer of the Loan to repay its shareholder's loans.

In view of the above, the Directors (excluding Mr. Hu Liang, who has abstained from voting on the relevant Board resolutions due to his deemed interest in the Transfer of Loan Agreement) consider that the terms and conditions of the Transfer of the Loan Agreement (including the Consideration) are on normal commercial terms and such terms are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

As Mr. Hu Liang is a director of the Joint Venture Company, Mr. Hu Liang has abstained from voting on the Board resolutions to approve the Transfer of the Loan. Save for Mr. Hu Liang, no Director is materially interested in the transaction contemplated under the Transfer of the Loan and is required to abstain from voting on the Board resolutions to approve the Transfer of the Loan.

K. LISTING RULES IMPLICATIONS

The Transferor is an indirect wholly-owned subsidiary of the Company.

The Transferee is 50% owned by QCFHGC, a wholly owned subsidiary of QCCIG, which is the ultimate controlling shareholder of the Company. Therefore, the Transferee is a connected person of the Company. Accordingly, the transaction contemplated under the Transfer of Loan Agreement is 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 Transfer of Loan Agreement exceeds 5%, the transaction contemplated under the Transfer of Loan Agreement is subject to the reporting, announcement, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Further, as one of the applicable percentage ratios (as defined under the Listing Rules) set out in Rule 14.07 of the Listing Rules in respect of the Transfer of the Loan exceed 75%, the Transfer of the Loan constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

The transaction contemplated under the Transfer of Loan Agreement is subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As QCCIG has a material interest in the Transfer of Loan Agreement and the transaction contemplated thereunder, QCCIG and its associates are required under the Listing Rules to abstain from voting on the resolution at the SGM in respect of the Transfer of Loan Agreement.

L. THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Unit Nos. 9-11, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong on Wednesday, 20 March 2024 at 11:00 a.m., at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Transfer of Loan Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

As QCCIG has a material interest in the Transfer of Loan Agreement and the transactions contemplated thereunder, QCCIG and its associates are required under the Listing Rules to abstain from voting on the resolution at the SGM in respect of the Transfer of Loan Agreement. Save as disclosed in this circular, to the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Transfer of Loan Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder (other than QCCIG and its associates) is required to abstain from voting at the SGM under the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby a Shareholder has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the SGM.

As Mr. Hu Liang is the director of the Joint Venture Company, Mr. Hu Liang has abstained from voting on the Board resolutions to approve the Transfer of the Loan. Save as Mr. Hu Liang, no Director is materially interested in the transaction contemplated under the Transfer of the Loan and is required to abstain from voting on the Board resolutions to approve the Transfer of the Loan.

M. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the SGM must be taken by poll. The Chairman of the meeting will therefore demand a poll for the resolution to be passed at the SGM pursuant to the Bye-Laws of the Company. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

N. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 March 2024 to Wednesday, 20 March 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the SGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 14 March 2024.

LETTER FROM THE BOARD

O. RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders in connection with the Transfer of the Loan. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser as set out on pages 18 to 35 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transfer of the Loan, the casting of votes for or against the resolution approving the Transfer of Loan Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors but excluding Mr. Hu Liang, who has abstained from voting on the relevant Board resolutions due to his deemed interest in the Transfer of the Loan) are of the view that the terms of the Transfer of Loan Agreement are on normal commercial terms, and the Transfer of Loan Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole, and they recommend all Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

P. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Qingdao Holdings International Limited
CUI Mingshou
Executive Director and Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Transfer of Loan Agreement.



QINGDAO HOLDINGS INTERNATIONAL LIMITED

青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

29 February 2024

To the Independent Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE TRANSFER OF THE LOAN

We refer to the circular of the Company dated 29 February 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the Transfer of the Loan, details of which are set out in the “Letter from the Board” contained in the Circular.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in connection with the Transfer of the Loan. Details of the independent advice from the Independent Financial Adviser, together with the principal factors and reasons they have taken into consideration, are set out on pages 18 to 35 of the Circular.

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, we consider, and agree with the view of the Independent Financial Adviser, that the terms of the Transfer of Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and have been entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the Transfer of the Loan.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Qingdao Holdings International Limited

Yin Tek Shing, Paul
Independent
non-executive Director

Wong Tin Kit
Independent
non-executive Director

Zhao Meiran
Independent
non-executive Director

Li Xue
Independent
non-executive Director

LETTER FROM LEGO CORPORATE FINANCE LIMITED

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in relation to the Transfer of Loan Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



29 February 2024

To: *The Independent Board Committee and
the Independent Shareholders
of Qingdao Holdings International Limited*

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE TRANSFER OF THE LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transfer of Loan Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 29 February 2024 (the “**Circular**”), of which this letter forms apart. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to (i) the May 2020 Announcement and the 2020 Circular in relation to the Entrusted Loan Arrangement; and (ii) the announcements of the Company dated 30 December 2022 and 3 January 2023 in relation to the default of repayment of the Loan under the Entrusted Loan Arrangement.

Reference is also made to the announcement of the Company dated 22 December 2023 (the “**Announcement**”). On 22 December 2023 (after trading hours), the Transferor and the Transferee entered into the Transfer of Loan Agreement, pursuant to which the Group has conditionally agreed to transfer the Loan to the Transferee at the Consideration of RMB155,000,000.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

As at the Latest Practicable Date, the Transferee was 50% owned by QCFHGC, a wholly-owned subsidiary of QCCIG, which was the ultimate controlling shareholder of the Company. Therefore, the Transferee is a connected person of the Company and the transaction under the Transfer of Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Further, as one of the applicable percentage ratios (as defined under the Listing Rules) set out in Rule 14.07 of the Listing Rules in respect of the Transfer of Loan exceed 75%, the Transfer of the Loan constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The transaction contemplated under the Transfer of Loan Agreement is subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Transfer of the Loan and the transaction contemplated thereunder. According to the Letter from the Board, as QCCIG has a material interest in the Transfer of Loan Agreement and the transaction contemplated thereunder, QCCIG and its associates are required under the Listing Rules to abstain from voting on the relevant resolution(s) at the SGM in respect of the Transfer of Loan Agreement.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, has been established to advise the Independent Shareholders in connection with the Transfer of Loan Agreement and the transactions contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Transfer of Loan Agreement and the transactions contemplated thereunder and to make recommendations as to, among others, whether the terms of the Transfer of Loan Agreement and the transactions contemplated thereunder are fair and reasonable, normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the SGM. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

During the past two years, save for the engagement in connection with the Transfer of Loan Agreement and the transactions contemplated thereunder, we had not been engaged by the Company for the provision of other services. As at the Latest Practicable Date, save for the normal professional fees for our services provided to the Company in relation to the engagement described above, there was no other arrangement whereby we would receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the Transferee or any of their respective substantial shareholders, directors, or chief executives, or any of their respective associates. We are independent pursuant to Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transfer of Loan Agreement and the transactions contemplated thereunder.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

BASIS OF OUR OPINION

In formulating our opinion and advice, we have reviewed, among others, the Transfer of Loan Agreement, the Announcement, the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report 2023**”), the annual reports of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”) and the year ended 31 December 2022 (the “**Annual Report 2022**”), the valuation reports as prepared by BonVision International Appraisals Limited (the “**Valuer**”) on the appraised values of the Loan as well as the Land and the construction-in-progress property projects on the Land (collectively, the “**Properties**”) as at 30 November 2023 (the “**Valuation Date**”), respectively (respectively, the “**Loan Valuation Report**” and the “**Property Valuation Report**”), and certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses, market data which we deemed relevant; (ii) conducted verbal discussions with the Management regarding the terms of the Transfer of Loan Agreement, as well as the businesses and future outlook of the Group; and (iii) discussed with the Valuer the methodologies, bases and assumptions adopted in the Loan Valuation Report and the Property Valuation Report.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the management of the Company for which they are solely responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the Latest Practicable Date and Shareholders will be notified by the Company of material changes (if any) of the information contained in the Circular. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Transfer of Loan Agreement to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business, affairs, operations, financial position or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transfer of Loan Agreement. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Transfer of Loan Agreement, we have considered the following principal factors and reasons.

1. Background and financial information on the Group

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

Set out in the Table 1 below is certain financial information of the Group for each of the three years ended 31 December 2022 as extracted from the Annual Report 2021 and the Annual Report 2022, and for each of the six months ended 30 June 2022 and 30 June 2023 as extracted from the Interim Report 2023, respectively.

Table 1: Financial information of the Group

	For the year ended 31 December			For the six months ended 30 June	
	2022	2021	2020	2023	2022
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	56,601	69,260	66,650	10,475	20,387
(Loss)/Profit for the year/period attributable to owners of the Company	(63,531)	8,362	2,435	(37,775)	3,120
					As at
					30 June
					2023
					<i>(unaudited)</i>
					<i>RMB'000</i>
Non-current assets	529,115	559,018	658,397	507,175	
Current assets	571,327	478,431	141,359	639,554	
Current liabilities	(346,579)	(215,052)	(54,558)	(432,710)	
Net current assets	224,748	263,379	86,801	206,844	
Non-current liabilities	(355,468)	(372,064)	(456,663)	(351,678)	
Net assets	398,395	450,333	288,535	362,341	

LETTER FROM LEGO CORPORATE FINANCE LIMITED

For the year ended 31 December 2021

For the year ended 31 December 2021, total revenue of the Group was approximately RMB69.3 million, representing an increase of approximately 3.9% as compared to that of approximately RMB66.7 million for the year ended 31 December 2020. With reference to the 2021 Annual Report, such increase in revenue was mainly resulted from the year-on-year increase in revenue from the production and sale of education equipment during the year ended 31 December 2021.

For the year ended 31 December 2021, the Group recognised net profit for the year attributable to the owners of the Company of approximately RMB8.4 million, representing an increase of approximately 250.0% as compared to that of approximately RMB2.4 million for the year ended 31 December 2020. With reference to the 2021 Annual Report, such increase in net profit attributable to the owners of the Company was mainly resulted from (i) the aforementioned increase in revenue; (ii) the increase in fair value of investment properties and other income, which were partially offset by (i) the increase in interest expenses payable to the controlling shareholder of the Company; (ii) the increase in deferred tax; and (iii) the increase in legal and professional fees paid or payable during the year ended 31 December 2021.

As at 31 December 2021, the Group recorded net current assets and net assets of approximately RMB263.4 million and approximately RMB450.3 million, respectively.

For the year ended 31 December 2022

For the year ended 31 December 2022, total revenue of the Group was approximately RMB56.6 million, representing a decrease of approximately 18.3% as compared to that of approximately RMB69.3 million for the year ended 31 December 2021. With reference to the 2022 Annual Report, such decrease in revenue was primarily resulted from the year-on-year decreases in both the rental income from the leasing of investment properties located in Hong Kong and the PRC as well as the revenue generated from the production and sale of education equipment during the year ended 31 December 2022.

For the year ended 31 December 2022, the Group recognised net loss attributable to owners of the Company of approximately RMB63.5 million for the year ended 31 December 2022 as opposed to the net profit attributable to owners of the Company of approximately RMB8.4 million recognised for the previous year. With reference to the 2022 Annual Report, such declined performance was mainly due to (i) the aforesaid decrease in revenue; (ii) the substantial decrease in fair value of investment properties of the Group, in particular the properties located in the PRC, as a result of the unfavourable market conditions; (iii) the substantial increase in expected credit loss of amount due from a joint venture because of the breach of contract by Huizhou Jiuyu; and (iv) the impairment of goodwill due to the unfavourable business performance of the digital Chinese calligraphy education equipment segment during the year ended 31 December 2022.

As at 31 December 2022, the Group recorded net current assets and net assets of approximately RMB224.7 million and RMB398.4 million, respectively.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

For the six months ended 30 June 2023

For the six months ended 30 June 2023, total revenue of the Group was approximately RMB10.5 million, representing a decrease of approximately 48.5% as compared to that of approximately RMB20.4 million for the six months ended 30 June 2022. With reference to the 2023 Interim Report, such decrease in revenue was due to the period-over-period decreases in revenue from the decreases in both the rental income from the leasing of investment properties as well as the revenue generated from the production and sale of education equipment during the six months ended 30 June 2023.

For the six months ended 30 June 2023, the Group recognised net loss attributable to owners of the Company of approximately RMB37.8 million as opposed to the net profit attributable to owners of the Company of approximately RMB3.1 million recognised for the previous year. With reference to the 2023 Interim Report, such declined performance was mainly resulted from (i) the decrease in fair value of investment properties of the Group, in particular the properties located in the PRC, as a result of the unfavourable market conditions; and (ii) nil recognition of interest income was made for the Loan because of the breach of the contract by Huizhou Jiuyu during the six months ended 30 June 2023.

As at 30 June 2023, the Group recorded net current assets and net assets of approximately RMB206.8 million and approximately RMB362.3 million, respectively.

2. Information of the Transferee, the Borrower and its shareholders

References are made to the sections headed “H. INFORMATION ON THE TRANSFEREE” and “I. INFORMATION ON THE BORROWER AND ITS SHAREHOLDERS”, respectively, in the Letter from the Board.

The Transferee is a company established in the PRC with limited liability and 50% owned by QCFHGC, a connected person of the Company and 50% owned by QXJIC, an Independent Third Party and the ultimate beneficial owners of which is the Qingdao Municipal Government. The Transferee is principally engaged in the acquisition and disposal of non-performing assets, investment and asset management, provision of financial services (non-licensed business) and consulting services.

Huizhou Jiuyu is a company established in the PRC with limited liability and is principally engaged in real estate development, property sales and leasing of properties. Huizhou Jiuyu owns the land use rights of the Land. As at the Latest Practicable Date, Huizhou Jiuyu was wholly-owned by Huizhou Yanlong, which was 49% and 51% owned by the Joint Venture Company and Meile Land, respectively, and that the Joint Venture Company was 51%, 30% and 19% owned by Qingdao (HK), China Nuclear Industry and China Huadong, respectively. As at the Latest Practicable Date, both China Nuclear Industry and China Huadong were substantial shareholders of the Joint Venture Company, being an insignificant subsidiary of the Company, and accordingly each was not a connected person of the Company under Rules 14A.07 and 14A.09 of the Listing Rules. Save as the shareholding relationship disclosed in the 2020 Circular, Huizhou Jiuyu does not have any other shareholding relationship with the Group and is an Independent Third Party.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

3. Reason for and benefits of entering into the Transfer of Loan Agreement and the transactions contemplated thereunder

According to the Letter from the Board and our discussions with the Management, it is expected that the net proceeds from the Transfer of the Loan will be fully utilised for partially repaying the shareholder's loan of the Group owed to QCCIG.

In assessing the reasonableness for and benefits of entering into the Transfer of Loan Agreement, we have primarily considered (i) the background information and general prospect of the Land; and (ii) the potential improvement in gearing position and financial flexibility of the Group.

3.1 Background information and general prospect of the Land

The Land is located in Huizhou City, Guangdong Province, the PRC. According to the 2020 Circular, the Land was planned to comprise both commercial and residential properties with total site area of approximately 17,448 square metres and planned gross floor area of 38,500 square metres, and the construction of the Land was commenced in 2013. In particular, it was planned to build seven 11 to 32-storey buildings on the Land. As disclosed the 2020 Circular, construction of four buildings had been substantially completed; it was expected that the pre-sale of the properties would commence in six months from the date of receipt of the proceeds of the Loan and the construction of the properties on the Land would be fully completed in 2022.

We have enquired with the Management regarding the construction progress of the Land. Upon review of the relevant documents, we learnt that the acquisition of the Land by Huizhou Jiuyu was completed around the end of 2020 and the relevant 建築工程施工許可證 (building construction permit*) was granted by the PRC government authority in September 2021. As advised by the Management, since completion of the acquisition of the Land by Huizhou Jiuyu, the construction progress of the Land has been insignificant and delayed from time to time primarily as a result of the prevailing fluctuating situation of the COVID-19 pandemic and the ongoing downturn of the real estate market of the PRC. Further, we were advised that due to the lowered market sentiment amid the prolonged property distress in the PRC and the fact that the land use rights of the Land, being the major asset of Huizhou Jiuyu, have already been pledged under the Entrusted Loan Arrangement, it remained challenging for Huizhou Jiuyu to obtain any external banking facilities to facilitate the construction of the Land.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

In assessing the prospects of the general property market of the PRC and the Land, we have conducted independent research from the public domains. According to the statistics issued by the National Bureau of Statistics of the PRC (the “**Statistics Bureau**”) (<https://www.stats.gov.cn/>), the property market of the PRC has been contracting in recent years. Based on the statistics reports issued by the Statistics Bureau on 18 January 2023, 16 December 2023 and 17 January 2024, respectively, investment in the national real estate development for 2022 and 2023 had experienced year-on-year decreases of approximately 10% and approximately 9.6%, respectively. On the other hand, the National Real Estate Climate Index, being an index announced by the Statistics Bureau monthly for reflecting the prevailing climate of the PRC real estate market after considering indicators such as real estate investment, capital, area and sales, dropped significantly from the marginal robust level in December 2021 and reached the contracting range in January 2022, and had since then been generally decreasing towards December 2023, suggesting an overall continuously declining market.

Specifically, the property market of the PRC has exhibited declines in several key aspects during 2023, according to the research report named 《中國房地產市場2023總結&2024展望》 (“**Summary of the real estate market of the PRC in 2023 and its prospect for 2024***”) (the “**CIA Report**”) issued by China Index Academy (<https://www.cih-index.com/>) on 3 December 2023. With reference to the public domain and its official website, China Index Academy, being a subsidiary of China Index Holdings Ltd whose shares are listed on the NASDAQ (ticker: CIH), is a leading real estate information and analytics service platform provider in the PRC which serves a significant base of real estate participants including real estate developers, brokers and agents, property management companies, financial institutions and individual professionals, and has been previously designated as “the big data cooperation platform enterprise” by the Statistics Bureau. Based on the CIA Report, the price of second-hand residential buildings in the PRC has dropped by 3% from January 2023 to November 2023, representing an enlargement in drop by 2.45 percentage points as compared to that for the previous corresponding period, indicating a continuously sluggish trend of the housing prices. In terms of transaction scale, although the transacted area of the commercial residential buildings has improved during the first quarter of 2023 and the central government has stepped up the level of property policy support, due to factors such as poor residents’ income expectation, such policy effect was suggested to be unsustainable, the transacted area started to decline in mid-2023 and the property market remained sluggish throughout the period towards November 2023. Further, notwithstanding that the supply of the property market has weakened during the first ten months of 2023, saleable area of properties remained relatively high, resulting in a longer period of time required to sell the properties and a greater inventory pressure on the property developers.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

Looking forward into 2024, it is anticipated by the CIA Report that the expected slowdown in the global economic growth would result in a continuous downturn in the external demand for the PRC properties, and there will continuously have downward pressure on the demand for the PRC property market. In fact, similar anticipations have been noticed with reference to the research report named “China Property Developers Outlook 2024” as issued by Fitch Ratings (<https://www.fitchratings.com/>), a credit rating agency with an establishment period of over 100 years and a global coverage of offices in over 30 countries, on 27 November 2023. According to such report, it is suggested that the Chinese property developers’ operating environment shall remain challenging in 2024 with the persisting diverging operating and financing conditions. In particular, it is suggested that while government policies may help boost market confidence in the high-tier cities, demand for properties in lower-tier cities may accordingly be pulled away in the near term. Further, these lower-tier cities’ housing markets are often saddled with unfinished projects, large unsold inventory and unfavourable demographics that may require a higher discount on the selling price to clear the market. Among others, it is expected that the local housing market for lower-tier cities may take time to digest the large stock of unsold inventory, and the difficult funding environment is likely to persist for most private property developers, which shall continue to restrict their financial and business flexibilities.

Taking into account the generally declining performance of the PRC property market since around 2022 and that such prolonged distress is expected to continue in the near future, under which the challenging situations are likely to be even more associated with the property markets in the lower-tier cities, we consider the prospect of the overall property market in the PRC and accordingly the prospect of the Land, the construction of which remains suspended and is located in a second-tier city, to be uncertain in the near future.

3.2 Potential improvement in gearing position and financial flexibility

With reference to the Interim Report 2023, gearing ratio of the Group as at 30 June 2023, as calculated based on the net debt to net debt and equity of the Group, reached approximately 63% as compared to that of approximately 57% as at 31 December 2022. Further, as advised by the Management, as at the date of the Transfer of Loan Agreement, total outstanding balance of the shareholder’s loans of the Group owed to QCCIG amounted to approximately RMB459.1 million, which has exceeded each of the net current assets of approximately RMB206.8 million and net assets of approximately RMB362.3 million of the Group as at 30 June 2023, respectively.

Accordingly, by fully utilising the net proceeds from the Transfer of the Loan for partially repaying the shareholder’s loan of the Group owed to QCCIG, the existing gearing position of the Group would be improved. Further, the reduction in the financial leverage of the Group will help relieve its future financial burden as well as provide the Group with enhanced internal resources and financing capability for its existing and/or future business developments when there are suitable opportunities, which would ultimately help improve returns to the Independent Shareholders.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

In conclusion, considering the uncertain prospect of the Land, the additional expenditures to be incurred by the Group on its part to develop the property project on the Land as well as the potential lengthiness of the whole process shall the Group recover the Loan by way of enforcing the pledge of the Land pursuant to the Entrusted Loan Arrangement, we are of the view that the entering into of the Transfer of Loan Agreement and the transaction contemplated thereunder, which would provide the Group with timely one-off net proceeds to repay the shareholder's loan and accordingly help improve its gearing position and financial flexibility, is in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Transfer of Loan Agreement and the transactions contemplated thereunder

Pursuant to the Transfer of Loan Agreement, the Consideration for the Transfer of the Loan is RMB155,000,000, which was arrived at after arm's length negotiation between the Transferor and the Transferee after taking into consideration of, among others, the appraised value of the Transfer Loan as at the Valuation Date.

For further details of the principal terms of the Transfer of Loan Agreement, please refer to the section headed "D. THE TRANSFER OF THE LOAN of the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the Transfer of Loan Agreement and the transactions contemplated thereunder, we have primarily taken into account the appraised value of the Transfer Loan, which was in turn primarily made reference with the appraised value of the Properties, being collectively the Land and the construction-in-progress property projects on the Land (the "CIP"), as at the Valuation Date based on the valuations conducted by the Valuer (respectively, the "Loan Valuation" and the "Properties Valuation", and collectively, the "Valuations"). Relevant details of the Loan Valuation Report and the Properties Valuation Report are respectively set out in Appendix II-A and Appendix II-B to the Circular. In addition, for the purpose of our assessment under this section, we have also made reference to the carrying amount of the Loan as at 30 November 2023. Details of our respective analyses are set out below.

4.1 The Valuations

For the purpose of our assessment, we have reviewed the Valuation Reports and conducted interviews with the Valuer in relation to the Valuations.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

4.1.1 Expertise and independence of the Valuer

Based on our review of the relevant information provided by the Valuer as well as the independent research conducted from the public domain, the Valuer is a professional service firm which provides, among others, valuation services on business, properties, financial instruments, intangible, natural resources and biological assets. In particular, it is noted that the team of staff responsible for the Loan Valuation Report and the Properties Valuation Report includes senior members who possess over 10 years of experience in business, intangible assets, financial instruments and/or property valuation. The Valuer has confirmed its independence from the Group, the Transferor, the Transferee and QCCIG, and/or any of their respective connected persons as at the Latest Practicable Date. The Valuer has further confirmed that all relevant material information, including the bases and assumptions adopted in arriving at the opinion, are set out in the Loan Valuation Report and the Properties Valuation Report and there are no other material relevant information or representations relating to the Transfer Loan and the Properties provided or made by the Company to the Valuer not having been included therein. Upon review of the terms of the engagement letter of the Valuer in relation to the Loan Valuation Report and the Properties Valuation Reports, we consider that the scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation of the scope of work which might have an adverse impact over the degree of assurance given by the Valuer in the Loan Valuation Report and the Properties Valuation Report.

4.1.2 Methodologies, bases and assumptions of the Valuations

During our review, we noted that the Valuations were conducted based on key assumptions that, among others, in respect of the Properties, the owner of the Properties would sell the Properties in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangements which would serve to affect the fair value of the Properties. Further, the Valuer has assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect the fair value, and the owners has absolute title to the Properties and has free and uninterrupted rights to occupy and use the Properties during the whole remaining land lease term. As advised by the Valuer, the above assumptions are in line with the market practice.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

4.1.2.1 The Loan Valuation

In arriving at the appraised value of the Transfer Loan as at the Valuation Date, given that the Loan was deemed as defaulted and that the collateral of the Loan could be taken by the Company for repayment, the Valuer has considered that the recoverable value of the Transfer Loan is the recoverable value from the sale of the collateral in respect of the Properties. As confirmed by the Valuer, it is a common market practice to assess the recoverability of the collateral in appraising the fair value of defaulted loans with pledged assets. The Valuer has (i) first appraised the market value of the collaterals as at the Valuation Date under normal circumstances, and, (ii) after taking into account that the underlying collaterals shall be considered as foreclosed, subsequently applied a discount (the “**Foreclosure Discount**”) to the aforesaid appraised value of the collaterals under different scenarios of base, optimistic and pessimistic considering that the market conditions may vary.

Based on our discussions with the Valuer, we understand that in appraising the fair value of the collaterals under the Entrusted Loan Arrangement, the Valuer has primarily considered the fair value of the Properties given other material collaterals such as (i) equity interests in Huizhou Yanlong, which had no material assets and liabilities according to its latest management accounts as at 31 December 2022; and (ii) the equity interests in Huizhou Jiuyu, which carried net liabilities value according to its latest management accounts as at 30 April 2023, were highly likely to have no commercial value as at the Valuation Date. We have, in this regard, reviewed the aforesaid management accounts of Huizhou Yanlong and Huizhou Jiuyu and noted the above financial status. For details including our assessment on the valuation of the fair value of the Properties as at the Valuation Date, please refer to the subsection below headed “4.1.2.2 The Properties Valuation” of this letter.

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In respect of the Foreclosure Discount, the adopted Foreclosure Discount under the base scenario of the Loan Valuation is 23.75%. In determining the adopted Foreclosure Discount, we understand that the Valuer has primarily made reference to the research report named 《2023年三季度全國法拍市場監測報告》(“**The National Foreclosure Market Monitoring report for Q3 2023***”) issued by the China Index Academy on 30 October 2023, which sets out the foreclosure discounts, being the discounts as represented by the final selling price to the appraised value of the transacted foreclosed residential and commercial properties in various cities of the PRC in the first three quarters of 2023. For our due diligence purpose, we have conducted research on the background of China Index Academy, details of which are set out in the section above headed “3. Reasons for and benefits of entering into the Transfer of Loan Agreement and the transactions contemplated thereunder” of this letter, and noticed that China Index Academy is a well recognised information and analytics service platform provider in the PRC. Based on our independent review of the aforesaid research report issued by China Index Academy, the adopted Foreclosure Discount of 23.75% is in line with the average of the relevant foreclosure discounts of commercial properties and residential properties in Huizhou City for the first three quarters in 2023 of 23.75% set out in the report. In light of the foregoing, we are of the view that the adopted Foreclosure Discount of 23.75% under the base scenario is fair and reasonable. On the other hand, for reference purpose only, the Valuer has included optimistic and pessimistic scenarios by adopting the foreclosure discounts of 18.75% and 28.75%, respectively, in order to indicate the potential impact of the change in foreclosure discount on the appraised value of the Transfer Loan as at the Valuation Date. As advised by the Valuer, it is common to adopt a +/-5% interval under scenario analysis in such valuations, and accordingly the interval of +/-5% from the value of the Foreclosure Discount of 23.75% adopted in determining the foreclosure discounts under the optimistic and pessimistic scenarios is fair and reasonable to reflect the potential market volatility. In this regard, we have conducted independent research from which we noted that the interval of 5% has been adopted to indicate the impacts of changes in different variables on the fair values under valuations of other listed companies in Hong Kong, and accordingly are of the view that the adopted interval of 5% under the optimistic and pessimistic scenarios of the Loan Valuation is fair and reasonable.

As confirmed by the Valuer, during the course of the Loan Valuation, it has complied with all relevant requirements set out in Hong Kong Financial Reporting Standard 13 “Fair Value Measurement”. During our review of the Loan Valuation Report and discussions with the Valuer, we have not identified any major factors that cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in arriving at the Loan Valuation.

Taking into account of the above, we consider that the valuation bases and assumptions adopted by the Valuer in the Loan Valuation are fair and reasonable.

LETTER FROM LEGO CORPORATE FINANCE LIMITED

4.1.2.2 The Properties Valuation

In arriving at the appraised value of the Properties as at the Valuation Date, considering that the Properties comprise two portions, namely, the Land and the CIP, the Valuer has adopted the market approach to obtain the appraised value of the Land, and then obtain the value of the CIP by taking into account the development costs incurred as at the Valuation Date. Based on our discussions with the Valuer, in respect of the Land, we understand that taking into account of the availability of the reliable market evidence, market approach facilitates a meaningful comparison that requires fewer subjective assumptions and it is a common market practice to conduct valuation of land parcels via market approach. In respect of other valuation approaches such as the income approach, as advised by the Valuer, given that the Properties are not income generating properties and the parameters required under the income approach may not be easily verified or reasonably justified, income approach is considered to be inappropriate for the purpose of the valuations of the Land. Further, market approach is not applicable to the CIP given the absence of similar transactions in respect of the CIP in the market. On the other hand, the Valuer has also considered adopting the residual method to obtain the appraised value of the Properties by assuming the development is completed as at the Valuation Date and deducting the outstanding development cost and developer's profit from its estimated completed development value. Yet, considering that the Properties comprise a property project which has been suspended for a long period, estimations under residual method such as the certainty to resume the construction may not be reliably made, the adopted market approach with the consideration of the development costs has been adopted for valuing the Properties as at the Valuation Date, which conforms to the market practice.

Under the market approach, the Valuer has made reference to the comparable transactions in the market in respect of the Land (the "**Land Comparables**"). The Valuer has identified sale and purchase transactions based on the criteria that (i) the underlying properties were land parcels located in the Zhongkai District, Huizhou City, the PRC, which is the same as the Land; (ii) the designated usages of the underlying properties were the same as those of the Land; and (iii) the transactions were executed through the local government's tenders during the 12 months immediately preceding the Valuation Date. As confirmed by the Valuer, on a best-effort basis, the Land Comparables represent an exhaustive list of Land Comparables having met all of the aforesaid selection criteria. Subsequently, corresponding adjustments have been made to the unit rates of the Land Comparables to reflect the differences in the characteristics of the underlying properties as compared to subject Land such as the location and accessibilities as well as the duration of the remaining land use right. In arriving at the adopted appraised value of the Land as at the Valuation Date, the Valuer has taken the average of the adjusted unit rates of the Land Comparables which resulted in the adopted unit rate of approximately RMB2,906 per square metre, and then multiplied it by the maximum plot ratio area of the Land of approximately 34,896 square metres, which is in turn compiled based on the site area of the Land of 17,448.2 square metres and the maximum plot ratio applicable to the Land of 2.0.

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The Valuer has relied on 中國土地市場網 (“China Land Market Website”) (<http://landchina.com/>) as the source of information on the Land Comparables. Based on our independent search, China Land Market Website is a website operated by the Real Estate Registration Centre, MNR, PRC. (Law Centre, MNR, PRC) (<http://www.rerc.com.cn/>), which is in turn an institution directly under the Ministry of Natural Resources of the PRC engaged in, among others, real estate registration in the PRC. Also, it is confirmed by the Valuer that China Land Market Website is a commonly adopted source of information in the valuation industry for gathering information of land transactions in the PRC. In light of the foregoing, we are of the view that the source of information on the Land Comparables is reliable and the Land Comparables are fair and reasonable.

After obtaining the appraised value of the Land as at the Valuation Date, the Valuer has compiled the estimated development cost in relation to the CIP as at the Valuation Date, which was in turn based on the actual incurred development cost which, as advised by the Management, has been mostly incurred back in 2014, as adjusted for the inflation and potential finance cost from 2014 up to the Valuation Date on the basis that the development cost was funded by financing. It is noted that in arriving at the adopted inflation rate from 2014 to 2023 of 13%, the Valuer has relied upon the producer price indices for 2014 to 2022 as announced by the Statistics Bureau annually where the index for 2022 represented the most recent data announced by the Statistics Bureau as at the Valuation Date. We have, in this regard, reviewed the relevant producer price indices announced by the Statistics Bureau and noticed that such figures are consistent with those adopted by the Valuer in the calculations. On the other hand, in arriving at the adopted annual financial interest rate of 3.45% per year from 2014 up to the Valuation Date, the Valuer has primarily made reference to the one-year loan prime rate issued from time to time by the People’s Bank of China (<http://www.pbc.gov.cn/>). Based on our independent research, it is noted that the adopted annual financial interest rate of 3.45% is in line with the latest one-year loan prime rate announced by the People’s Bank of China on 20 November 2023. It is confirmed by the Valuer that the above references made to the producer price index and loan prime rate as the respective proxies for the inflation rate and finance cost rate conform to the common valuation practice.

As confirmed by the Valuer, during the course of the Property Valuation, it has complied with all relevant requirements set out under the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors which incorporates the International Valuation Standards published by the International Valuation Standards Council, as well as Chapter 5 and Practice Note 12 of the Listing Rules. During our review of the Properties Valuation Report and discussions with the Valuer, we have not identified any major factors that cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in arriving at the Properties Valuation.

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For our due diligence purpose, we have attempted to cross-check the appraised value of the Properties as at the Valuation Date compiled under the Property Valuation via different approaches, whereby we have first attempted to obtain direct market reference from online property transaction platforms in respect of the consideration for completed sale and purchase transactions of properties that possess similar attributes as the Properties, which include the Land with the CIP erected thereon. Yet, on a best-effort basis, we have failed to obtain any such results from the public domain. Considering the aforesaid, we have subsequently conducted independent research on the respective appraised values of the Land and the CIP by making reference to the recent respective comparable sale and purchase transactions of land parcels and property projects in the market. Specifically, in respect of the Land, we have made reference to the completed sale and purchase transactions of land parcels located in Zhongkai District, Huizhou City, the PRC with the same designated usages and similar accessibility as the Land in the 12 months immediately preceding the Valuation Date as announced in the official website of 惠州市公共資源交易中心土地與礦業網上挂牌交易系統 (“**The online listing and trading system of land and mining industry of The Public Resource Trading Centre of Huizhou City***”) as operated by 惠州市公共資源交易中心 (“**The Public Resource Trading Centre of Huizhou City***”), which is in turn a functional department under the Huizhou municipal government of the PRC. Based on our selection criteria and on a best-effort basis, an exhaustive list of three comparable transactions have been identified with an average unit price of approximately RMB2,722 per square metre of the maximum plot ratio area. Accordingly, the adjusted unit price per square metre of the maximum plot ratio area in respect of the Land adopted by the Valuer of approximately RMB2,906 is generally in line with the average unit price identified from our independent search. On the other hand, we have, on a best-effort basis, failed to identify any transactions in respect of construction-in-progress property projects comparable to the CIP from the market. Accordingly, given the lack of comparable transactions for the Properties and the CIP identified from the public domain, we have failed to complete any verifications directly in respect of the appraised value of the Properties as at the Valuation Date compiled under the Property Valuation.

Notwithstanding the above, taking into account of our independent work done and assessments conducted in respect of the Properties Valuation as disclosed above in this sub-section named “4.1 The Valuations”, from which, among others, (i) the adoption of the market approach with the consideration of the development costs by the Valuer conforms to the common market practice and is considered to be an appropriate valuation method having considered the relative reliability of this method as well as the disadvantages of other method; and (ii) bases and assumptions adopted by the Valuer in appraising the Land and the CIP, including but not limited to the sources of information and the adopted values of variables, have been studied and assessed by us which, in our view, are fair and reasonable, we consider that the valuation bases and assumptions adopted by the Valuer in the Properties Valuation are fair and reasonable.

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Based on the appraised value of Land of approximately RMB101.4 million and the estimated development cost of the CIP of approximately RMB102.1 million, the appraised value of the Properties amounted to approximately RMB203.5 million (subject to rounding) as at the Valuation Date. Taking into account of the adopted Foreclosure Discount of 23.75% under the base scenario, the appraised value of the Transfer Loan accordingly amounted to approximately RMB155,000,000 as at the Valuation Date.

4.2 The carrying amount of the Loan

According to the Letter from the Board, the carrying amount of the Loan amounted to approximately RMB154,912,000 as at 30 November 2023. Accordingly, the Consideration of RMB155,000,000 is slightly higher than the carrying amount of the Loan as at 30 November 2023 by approximately RMB88,000.

Accordingly, considering (i) that the Consideration of RMB155,000,000 is (a) equivalent to the appraised value of the Transfer Loan as at the Valuation Date; and (b) slightly higher than the carrying value of the Loan as at 30 November 2023 of approximately RMB154,912,000; and (ii) the potential benefits to the Group of entering into the Transfer of the Loan, further details and analysis of which are set out in the section above headed “3. Reason for and benefits of entering into the Transfer of Loan Agreement and the transactions contemplated thereunder” of this letter, we are of the view that the terms of the Transfer of Loan Agreement and the transactions contemplated thereunder are fair and reasonable.

5. Financial effects of the Transfer of Loan Agreement and the transactions contemplated thereunder

When assessing the financial impacts of the Transfer of Loan Agreement and the transactions contemplated thereunder, we have primarily taken into account the following aspects.

5.1 Assets and liabilities

According to the Interim Report 2023, total assets and total liabilities of the Group as at 30 June 2023 amounted to approximately RMB1,146.7 million and approximately RMB784.4 million, respectively, and the net assets of the Group as at 30 June 2023 amounted to approximately RMB362.3 million. With reference to the Letter from the Board, upon Completion, subject to further audit procedures to be performed by the auditor of the Group, the Company is expected to record a gain of RMB88,000 in capital reserve (being the difference between the Consideration and the carrying value of the Loan as at 30 June 2023 as disclosed in the Interim Report 2023) as a result of the Transfer of the Loan. Hence, it is expected that the Completion will not have any material impact on the total assets, total liabilities and accordingly the net assets of the Group.

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5.2 Earnings

According to the Annual Report 2022, the Group recorded loss for the year attributable to owners of the Company of approximately RMB63.5 million for the year ended 31 December 2022. With reference to the Letter from the Board, considering that there is no material difference between the Consideration and the carrying amount of the Loan as at 31 December 2022 as disclosed in the Annual Report 2022, it is expected that the Completion will have no material impact on the earnings of the Group.

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the view that although the entering into of the Transfer of Loan Agreement is not in the ordinary and usual course of business of the Group, the terms of the Transfer of Loan Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Transfer of Loan Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Transfer of Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in the accounting and investment banking industries.

* for identification purpose only

A. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2020 have been disclosed on pages 49 to 135 of the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021; (ii) for the year ended 31 December 2021 have been disclosed on pages 49 to 139 of the annual report of the Company for the year ended 31 December 2021 published on 28 April 2022; and (iii) for the year ended 31 December 2022 have been disclosed on pages 60 to 151 of the annual report of the Company for the year ended 31 December 2022 published on 28 April 2023.

Quick links to the annual reports of the Company are set out below:

- 1 Annual report of the Company for the year ended 31 December 2022
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042801895.pdf>
- 2 Annual report of the Company for the year ended 31 December 2021
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801851.pdf>
- 3 Annual report of the Company for the year ended 31 December 2020
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901233.pdf>

All the above annual reports of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.qingdaohi.com).

B. INDEBTEDNESS**Borrowings**

As at 31 December 2023, the outstanding bank and other borrowings of the Group was approximately RMB523.6 million, comprising secured bank loans of approximately RMB43.6 million, unsecured and unguaranteed related party loans of approximately RMB478.5 million and unsecured and unguaranteed lease liabilities of approximately RMB1.5 million. The Group had unutilised banking facilities of nil. As at 31 December 2023, the Group's secured bank loans were secured by (i) investment properties situated in Hong Kong; and (ii) property, plant and equipment.

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

Save as disclosed above and apart from the intra-group liabilities, as at 31 December 2023, the Group did not have any other outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt instruments, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities.

C. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Slow recovery from lockdowns are impacting economic stability in almost all industries in the PRC and Hong Kong. The progress of our business growth was slow due to the sluggish economic recovery and the evident conservative consumption for the first half of 2023. The Directors are cautiously optimistic that the business of the Group will gradually recover in the first half of 2024.

For a longer-term perspective, riding on the resumption of economic activities after the outbreak of COVID-19, the Group will continue the product development effort on digital Chinese calligraphy education equipment and sales network in the PRC.

D. WORKING CAPITAL

The Directors are of the view that, after taking into account of the Group's presently available financial resources, including funds internally generated from operations, proceeds from the Transfer of the Loan and the following measures: (i) continuing to expand production output in pursuit of economies of scale and opportunities for better product diversification; (ii) tightening cost controls over various production costs and expenses; (iii) entering into loan renewal discussions with banks; and (iv) obtaining continuous financial support and funding from QCCIG, the Group will have sufficient working capital for its business for at least twelve (12) months from the date of this circular in the absence of unforeseen circumstances.

E. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, subject to COVID-19 and other unpredictable circumstances, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group made up).

F. MANAGEMENT DISCUSSION AND ANALYSIS

There will be no change to the principal business of the Group as a result of the Transfer of the Loan. Set out below is the management discussion and analysis on the Group, in which information about the Group's financial position as at 31 December 2022 and financial performance for the year ended 31 December 2022 are extracted by the Directors from the annual report of the Company for the year ended 31 December 2022.

Business review

During the financial year ended 31 December 2022, the Group recorded a revenue of approximately RMB56.6 million (2021: RMB69.3 million). The Group recorded a loss attributable to the equity holders of the parent in the amount of approximately RMB63.5 million for the financial year ended 31 December 2022 (2021: profit attributable to the equity holders of the parent of RMB8.4 million). Loss per share was RMB6.36 cents for the financial year ended 31 December 2022 (2021: earning per Share of RMB1 cent). The significant decline was mainly attributable to (i) the substantial decrease in fair value of investment properties of the Group, in particular the properties located in the PRC, as a result of the unfavourable market conditions; (ii) the substantial increase in expected credit loss of amount due from a joint venture because of the breach of contract by Huizhou Jiuyu; and (iii) the impairment of goodwill due to the unfavourable business performance of the digital Chinese calligraphy education equipment segment during the financial year ended 31 December 2022.

Segment information

For management purposes, the Group is organised into business units based on their products and services and has five reportable segments as follows:

- (a) Leasing of properties: this segment mainly leases residential, industrial and commercial premises to generate rental income;
- (b) Production and sale of education equipment: this segment is engaged in the research and development, production and sale of digital Chinese calligraphy education equipment together with relevant learning and tutorial sessions;
- (c) Loan financing: this segment provides loan financing services to individuals or corporate customers. The Group possesses a money lender licence and its money lending business is mainly carried out in Hong Kong;
- (d) Consulting service: this segment provides construction project supervision, project cost consulting services and bidding consulting in the PRC; and
- (e) Real estate development: this segment provides real estate development services in the PRC.

Leasing of Properties

During the financial year ended 31 December 2022, the rental income from the leasing of investment properties located in Hong Kong and the PRC amounted to approximately RMB25.5 million, which accounted for 45% of the Group's total revenue. Due to the impact of the fifth wave of the COVID-19 pandemic, rental income for our Hong Kong portfolio was down by 4% as one of the investment properties was vacant in the second half of 2022.

The outbreak of the highly contagious Omicron variant in the first half of 2022 negatively affected our performance as approximately RMB1.6 million of rental amount was waived in the second half of 2022 due to regulatory requirements by local PRC authorities.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the financial year ended 31 December 2022, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to RMB31.1 million, which accounted for 55% of the Group's total revenue.

The resurgence of COVID-19 cases in various cities and provinces in the PRC and lockdowns that followed affected business performance of this segment during 2022. The installation works for our digital Chinese calligraphy education equipment in classrooms were delayed and the production and sales promotion activities initially scheduled for this business segment were disrupted because of the ravage of COVID-19 pandemic, which resulted in a deterioration in the performance of this segment.

Loan Financing

The Group's money lending business is conducted through its wholly-owned subsidiary and principally carrying out loan financing business by providing secured and unsecured loans to its customers. Through the business and social networks of the management of the Company, corporate customers and individual customers with personal wealth are identified. Before carrying out the money lending process, the Company would assess the credit of such potential customers based on its credit policy and procedure. The Group struck a balance by adhering to an effective comprehensive policy as well as prudent procedures relating to loan approvals, loan renewals, loan top-ups, loan recovery, loan compliance, monitoring and anti-money laundering. During the Year, the Group's loan financing business did not generate any revenue. The Group did not grant any new loans during the Year as business activities had been slowing down due to the outbreak of the COVID-19. All loan receivables were settled in early 2020 with no outstanding loan receivables during the financial year ended 31 December 2022.

As part of the internal control system, the Group has implemented its credit risk assessment protocol in the ongoing operation of loan financing businesses. The Group conducts adequate and considerable amount of valuation and background checks before granting any loan. The Group obtains land search report, valuation report from banks on properties and valuation check, including but not limit to the marketable securities, unlisted securities and first legal charge or second legal charges in respect of properties or land; ascertains the financial condition of the customers including reviewing income/asset proof of individual customers and financial information of corporate customers; and conducts litigation searches and credit search on customers. The loan terms are determined with reference to factors including customers' requirements; result of credit assessment of customers, including whether regular income of customers are sufficient to cover loan repayment instalments; value of collaterals; past collection history and relevant forward-looking information of each customer.

The Group also monitors loan repayment and recoverability by adopting the procedures on monitoring loan repayment and recovery which involve the finance department of the Group performing financial analysis such as comparatives and outstanding loans, and valuation review of pledged assets and reporting to the executive directors at least monthly. In case of any delinquent loans, we will first issue standard demand letters. If no satisfactory response is received, we will instruct solicitors to issue formal legal demand letters. Thereafter formal legal proceedings may be issued where appropriate. The Group will continue to develop this business by employing prudent credit control procedures and strategies to maintain a balance between the business growth and the risk management.

In the event that there may be possible default in the loans or receivables concerned, such as customers in money lending business experienced operational difficulties, worsening of global or local economy leading to deterioration of financial conditions of customers, the Board shall refer to the audit committee and external auditor to seek their views on whether the provision for impairment loss under the expected credit loss model would be necessary.

Consulting Services

During the financial year ended 31 December 2022, the provision of consulting services segment did not generate any revenue. The consulting services mainly included consulting services provided to property developers engaged in the construction works in new districts in the PRC.

Property Development

The Group had, through Bengbu City Huai Yi Construction and Development Ltd.* (蚌埠市淮翼建設發展有限公司) (“BCHYCDL”), an indirect owned subsidiary of the Company, successfully acquired the land use right in respect of a land where the project is located by way of bidding in March 2021. Upon completion of the acquisition of BCHYCDL, property development became one of the principal business activities of the Group.

Capital Structure, Liquidity and Financial Resources

The number of issued ordinary shares of the Company as at 31 December 2022 was 998,553,360 Shares (31 December 2021: 998,553,360 Shares). The capital structure of the Group consists of debts, which includes bank borrowings, and equity attributable to owners of the parent, comprising share capital and reserves.

As at 31 December 2022, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB571,327,000 (31 December 2021: RMB478,431,000) and 1.65 (31 December 2021: 2.22) respectively.

As at 31 December 2022, the outstanding bank and other borrowings of the Group was approximately RMB49.5 million (31 December 2021: RMB82.6 million). Further details of the borrowings of the Group is set out in the table below:

Lender	Type of capital instruments	Maturity date	Currency	Interest rate
Lender A	Bank loan	30 August 2024	Hong Kong dollars	2.20% + HIBOR
Lender B	Bank loan	10 March 2031	Renminbi	4.50%

The business of the Group requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for construction and acquisition of properties and land use rights, and product development costs. The Group has historically met its working capital and other capital requirements principally from cash generated from operations and borrowings from third-party financial institutions.

The gearing ratio of the Group, being the net debt to net debt and equity, was 57% as at 31 December 2022 (31 December 2021: 42%). The Directors believe that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

Material acquisitions, disposals and significant investments

As at 31 December 2022, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies. As at the end of 2022, the Group did not hold any significant investments.

Pledge of Assets

As at 31 December 2022, the Group pledged certain of its investment properties with a market value of RMB136.7 million (31 December 2021: RMB132.3 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 31 December 2022, the Group also pledged its leasehold land and building with a cost of RMB25.6 million (31 December 2021: RMB25.4 million) to a bank in the PRC to secure mortgage financing facilities granted to the Group.

As at 31 December 2022, the Group had no unutilized banking facilities (31 December 2021: Nil).

Foreign Exchange Exposure

The Group's financial statements are presented in Renminbi. The Group carried out its business transactions mainly in HK\$, RMB and United States dollars. The Group does not have any hedging arrangement on foreign exchange but will continue to closely monitor its foreign exchange exposure.

Future Plans and Prospects

For a longer-term perspective, riding on the resumption of economic activities after the outbreak of COVID-19, the Group will continue the product development effort on digital Chinese calligraphy education equipment and sales network in the PRC.

Capital Commitments

The Group did not have capital commitments including acquisition of subsidiary as at 31 December 2022 (2021: RMB1,982.3 million).

The Group's capital commitments including leasehold land and buildings and capital contributions payable to joint ventures amounted to approximately RMB28.9 million as at 31 December 2022 (2021: RMB32.2 million).

Employee and Remuneration Policies

As at 31 December 2022, the total workforce of the Group was 119 (2021:129).

To maintain a sustainable and productive workforce, the Group provides equal opportunities to its employees in terms of recruitment, training and development, job advancement, and remuneration and benefits. The Group's remuneration policies are designed to attract, retain, and motivate employees, thereby ensuring a fair, productive, and sustainable workforce. The Group's human resource management objectives include rewarding and recognizing employees through an annual performance appraisal system based on their job performance, knowledge, and experience.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from BonVision International Appraisals Limited, an independent valuer, in connection with its valuation as at 30 November 2023 of the fair value of the Loan.

**BonVision International Appraisals Limited**

Room 1205-06, 12/F, Tai Yau Building,
181 Johnston Road, Wan Chai, Hong Kong
Phone: (852) 2916 2188
Email: info@bonvision.com

29 February 2024

The Board of Directors

Qingdao Holdings International Limited

Unit No.8, 26th Floor,
Tower 1, Admiralty Centre,
No.18 Harcourt Road, Admiralty,
Hong Kong

Dear Sirs/Madams,

Re: Valuation of the Fair Value of Loan for Qingdao Holdings International Limited

We refer to recent instructions from Qingdao Holdings International Limited (hereinafter referred to as the “**Company**”) to us to conduct a valuation of the fair value (hereinafter referred to as the “**fair value**”) of the loan (hereinafter referred to as the “**Loan**”) in relation to an entrusted loan arrangement (hereinafter referred to as the “**Entrusted Loan Arrangement**”) between 青島啓峰科技服務有限公司 (hereinafter referred to as the “**Business Enterprise**”) and 惠州市九煜置業有限公司 (hereinafter referred to as the “**Borrower**”). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the fair value of the Loan as at 30 November 2023 (hereinafter referred to as the “**Date of Valuation**”).

This report states the purpose of valuation, scope of work, basis of valuation, background information, valuation methodology, valuation assumptions, limiting conditions, remarks and presents our opinion of values.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company for public documentation reference purpose. This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of use, form, context in which it is released.

BonVision International Appraisals Limited (hereinafter referred to as “**BVIA**”) assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company and/or its representative(s) (hereinafter referred to as the “**Management**”).

In preparing this report, we have discussions with the Management in relation to the terms and conditions (hereinafter referred to as the “**Terms and Conditions**”) and other relevant information concerning the Entrusted Loan Arrangement of the Borrower. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Entrusted Loan Arrangement and the Borrower as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose. In case of any change in assumptions and projections, our opinion of value may vary materially.

3. BASIS OF VALUATION

We have appraised the Loan Receivable on the basis of fair value. According to Hong Kong Financial Reporting Standard 13 “Fair Value Measurement”, **fair value** is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

4. BACKGROUND INFORMATION

The Business Enterprise is an indirect wholly-owned subsidiary of the Company, and the Borrower is an independent third party of the Company, entered into an Entrusted Loan Arrangement. Pursuant to the Entrusted Loan Arrangement, the Borrower was funded by the Business Enterprise in the principal amount of RMB195,100,000. As advised by the Management, the aggregate outstanding principal and interest amount of the Loan as at the Date of Valuation was RMB202,295,667.

Pursuant to the Entrusted Loan Arrangement, the following collaterals were provided as security for the purposes of the loan,

- (i) The land use right of the Land and its construction-in-progress property project on the Land owned by the Borrower;
- (ii) 51% equity interest in 惠州市焱隆置業有限公司, which is the parent company of the Borrower and held by 惠州市美樂置地實業有限公司;
- (iii) 100% equity interest in the Borrower; and
- (iv) Corporate guarantee of 惠州市美樂置地實業有限公司.

5. VALUATION METHODOLOGY

As advised by the Management, the Loan was deemed as defaulted as the Borrower failed to repay the principal and interest of the Loan. The Management considered taking the collateral of the Loan from Borrower for repayment. Hence the recoverable value of the loan is the recoverable value from the sale of property collateral.

6. VALUATION ASSUMPTIONS

	Base	Optimistic	Pessimistic
Market Value of Collaterals (RMB) ¹	203,500,000	203,500,000	203,500,000
Illiquidity Discount on Sale ²	23.75%	18.75%	28.75%
Recoverable Value of Collateral (RMB)	155,168,750	165,343,750	144,993,750
Scenario Probability ³	60%	20%	20%
Fair Value of the Loan (RMB)			155,168,750 ⁴
Fair Value of the Loan (RMB) (Rounded)			155,000,000

Notes:

- Per the loan agreement, other than land and construction in progress, there shall be 2 companies as Collaterals (惠州市焱隆置業有限公司&惠州市九煜置業有限公司). For 惠州市焱隆置業有限公司, it has no material assets and liabilities. For 惠州市九煜置業有限公司, the major assets are the land and construction in progress which already pledged, and the company has a negative net asset value. Hence the recovery rate was mainly based on the market value of collaterals and did not include the value of the equity interests in the 2 companies, which is highly likely to have no commercial value.
- Discount on sale was based on the average of the foreclosure discount of commercial and residential properties in Huizhou for the period from January 2023 to September 2023 with reference to 中指數據 CREIS – 2023 年三季度全國法拍市場監測報告. The selected period for the illiquidity discount data was the latest available data to the Date of Valuation which have reflected the latest market condition. The illiquidity discount was adjusted upward and downwards for 5% for pessimistic case and optimistic case respectively. The adjustment has further considered the change in property market illiquidity under different economic conditions, it was expected that the property market will not have a significant volatility in short term, the range of 10% for the illiquidity discount was able to cover different economic scenarios.

3. Scenario Probability: The expected probabilities of scenarios under different recovery rates as advised by the Management with consideration on the property market in Huizhou area, the Management advise that the base case would likely be occurred.
4. The fair value of the Loan was the sum of recoverable value of collateral under each scenario times the respective scenario probability. The fair value of the Loan was equal to the recoverable value of collateral under base scenario.

7. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Loan and have assumed no responsibility for the title to the Loan appraised.

Our conclusion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except BVIA. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of BVIA through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of BVIA.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Loan, the Entrusted Loan Arrangement, the Company, the Business Enterprise, the Borrower, their associated companies or the value reported herein.

9. OPINION OF VALUES

Based on the investigation stated above and the valuation method employed, in our opinion, the fair value of the Loan as at the Date of Valuation, was reasonably stated as **RMB155,000,000 (RENMINBI ONE HUNDRED AND FIFTY FIVE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
BonVision International Appraisals Limited

The following is the text of a letter and the valuation certificate prepared for the purpose of incorporation in this circular received from BonVision International Appraisals Limited, an independent valuer, in connection with its valuation as at 30 November 2023 of the property interest held by Huizhou Jiuyu Real Estate Company Limited.

**BonVision International Appraisals Limited**

Room 1205-06, 12/F, Tai Yau Building,
181 Johnston Road, Wan Chai, Hong Kong

Phone: (852) 2916 2188

Email: info@bonvision.com

29 February 2024

The Board of Directors

Qingdao Holdings International Limited

Unit No.8, 26th Floor,
Tower 1, Admiralty Centre,
No.18 Harcourt Road, Admiralty,
Hong Kong

Dear Sirs/Madams,

Re: Valuation of the property interest of an under construction commercial & residential real estate development situated at No.1 Court, Zhongkai Gaoxin District, Huizhou City, Guangdong Province, the People's Republic of China (一個位於中華人民共和國廣東省惠州市仲愷高新區1號小區之興建中商住房地產項目) (the "Property")

INSTRUCTION, PURPOSE AND VALUATION DATE

In accordance with the instructions from Qingdao Holdings International Limited (the "**Company**"), together with its subsidiaries hereinafter collectively referred to as the "**Group**") for BonVision International Appraisals Limited ("**BVIA**", "**We**" or "**Us**") to assess the Market Value (as defined hereunder) of the Property held by Huizhou Jiuyu Real Estate Company Limited situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 30 November 2023 (the "**Valuation Date**") for the sole purpose of inclusion in the Company's public circular dated 29 February 2024.

VALUATION STANDARDS

This valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (“**HKIS**”) and the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors (“**RICS**”) which incorporates the International Valuation Standards published by the International Valuation Standards Council (“**IVSC**”). For the purpose of this valuation, we have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited published by the Stock Exchange of Hong Kong Limited.

VALUATION BASIS

This valuation has been carried out on the basis of Market Value which defined by IVSC and adopted by HKIS and RICS as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

VALUATION METHODOLOGY

We have valued the Property by the Market Approach by making reference to relevant market evidence, which is universally considered as the most accepted valuation approach for valuing most forms of real property, on the basis that the Property will be developed and completed in accordance with the latest development schemes provided to us by the Company, and assumed that all relevant consents, approvals and licenses for the development proposals have been and/or will be granted by the government authorities without onerous conditions or delays. Recent land transaction evidence in the relevant market with similar characteristics to the Property was collected and analyzed and taken into consideration the development costs incurred and estimated to be incurred. We reserve our right to review the valuation opinion if there is any material change of the state of the Property concerned. The change of the approvals, including the development parameters approved, and any delay in getting the approvals from the government authorities are considered potential risks that may render a material change on the property state and our valuation opinions.

Other common valuation methodologies in property valuation included Income Approach and Cost Approach. Income Approach generally adopted in valuing income generating property, and Cost Approach generally adopted in valuing property which relevant market sale or rental evidence unavailable for comparison. For this valuation, the subject Property is not an income generating property and have market land sale evidence available for comparison, thus Income Approach and Cost Approach were not adopted.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumptions that the owner sells the Property in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the Market Value of the Property. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property. No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the Market Value and the owner has absolute title to the Property. Unless otherwise stated, the Property is valued on the basis of 100% attributable interest. It is assumed that the owner of the Property has free and uninterrupted rights to occupy and use the Property during the whole of the remaining land lease term. For the purpose of this valuation, we have assumed that the construction work of the Property is able to, and feasible to, resume as at the Valuation Date, and will be completed in accordance with the latest development plan available to us. We are not instructed to assess the redevelopment potential of the Property and thus it is not considered in this valuation.

INFORMATION SOURCE

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by the Company on matters such as identification of the Property, occupation particulars, floor and site areas, planning approvals or statutory notices, easements, tenure, development plan, existing status and all other relevant matters which could affect the Market Value of the Property. All documents have been used for reference only. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view of valuation and have no reason to suspect that any material information has been withheld. If in any circumstance that additional documents, information or facts became available, we reserve the right to amend our valuation opinions and the content of this report.

Whenever the information contained in this valuation report is quoted or extracted from documents supplied to us which are originally produced in the language of Chinese and translated into English for disclosure purpose, in case of any inconsistency, the original version shall prevail.

TITLE INVESTIGATION

For the Property situated in the PRC, we have been provided with copies of extracts of title documents in relation to the Property. Under the current land registration system of the PRC, we are not able to conduct title search to verify the original of such documents have been registered with the relevant official authorities, and we have not scrutinized the original documents to verify any amendment which may not appear on the copies available to us. Thus, we have relied on the advice and information regarding the property title status provided by the Company and the Company's PRC legal adviser, Shanghai Duan and Duan (Qingdao) Law Firm, in the course of our valuation. All legal documents disclosed in this valuation report are for reference only. We assume no liability for any existing or potential legal matters in relation to the title of the Property.

INSPECTION AND INVESTIGATIONS

We have inspected the exterior and endeavored to inspect the interior of the Property where accessible. During the course of our inspection, no structural survey has been made in respect of the Property, but we did not notice any obvious serious defects. We are not in the position to report that the Property is free from rot, infestation, or any other structural defects. We did not carry out any investigation, and are not in the position to comment, regarding the feasibility and potential risk to resume the suspended construction works, thus we have assumed the construction work is able to resume and continue according to the original plan without any significant potential risk or material extra cost. We have been advised by the Company and assumed that there is no material difference on the condition of the Property upon our inspection and as at the Valuation Date.

We have not carried out on-site measurements to verify the land areas and floor areas of the Property, but we have assumed the information shown on the documents handed to us is correct and this valuation has relied on such information. Except as otherwise stated, all dimensions, measurements and areas reported in this valuation report are based on information contained in the documents provided to us and are therefore approximations.

We have not carried out any land investigation or environmental surveys, but during our inspection we did not notice and have not been advised of any evidence of environmental concerns such as existing or potential contamination or any form of hazard, and we assumed none of such exists.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation is in Renminbi (“**RMB**”), the lawful currency of the PRC.

REMARKS AND LIMITING CONDITIONS

We confirm that we are independent of and unconnected with any directors, chief executive, substantial shareholders of the Group or their respective associates; we have no interests in any of the subject properties or assets being valued; and we do not aware of any instances which might give rise to any potential conflict of interest and affect our position to provide unbiased and objective valuation opinions.

We confirm that the personnel who signed off and provided assist to this valuation report has sufficient skills, knowledge, experience and qualifications in the relevant market and nature of the Property being valued, and competent to undertake this valuation assignment.

We hereby state that this valuation report is for the use only of the party to whom it is addressed and for the abovementioned specified purpose. No responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole or any part of this report may be included in any published documents or statement nor published in any way without our prior written consent of the form and context in which it may appear. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person or party.

This report has been produced and signed off in the language of English only. If this report has been translated into other languages, the translated report should only be deemed for reference only. In case of any inconsistency, the English version shall prevail. The English translation of any Chinese names or words contained in this valuation report are for identification purpose only and should not be regarded as the official English translation.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,
For and on behalf of
BonVision International Appraisals Limited

Alex Ma
MHKIS MRICS RICS Registered Valuer
Director of Property Valuation & Advisory

Note: Mr. Ma is a Member of Hong Kong Institute of Surveyors, a Member and Registered Valuer of the Royal Institution of Chartered Surveyors. He has over 10 years' property valuation experience in Hong Kong, the PRC, and the Asia Pacific Region.

Property under development held by Huizhou Jiuyu Real Estate Company Limited in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2023
An under construction commercial & residential real estate development situated at No.1 Court, Zhongkai Gaoxin District, Huizhou City, Guangdong Province, the PRC 一個位於中華人民共和國廣東省惠州市仲愷高新區1號小區之興建中商住房地產項目	<p>The Property is an under construction commercial & residential real estate development erected on a parcel of leasehold land.</p> <p>Pursuant to eight Construction Work Planning Permits and information provided by the Company, the Property is proposed to be developed into a development comprising six 11-storey and one 32-storey residential blocks, with underground spaces providing a commercial arcade, car parking spaces and various ancillary facilities. The total proposed gross floor area (“GFA”) is about 52,497.97 square meters (“sq.m.”), comprising 39,106.20 sq.m. aboveground GFA and 13,391.77 sq.m. underground GFA.</p> <p>Pursuant to the Real Estate Certificate, the leasehold land parcel of the Property has a site area of 17,448.20 sq.m., the land use right has been granted for terms with expiry dates on 10 September 2082 for residential use and 10 September 2052 for commercial use. The land parcel is irregularly shaped with major public infrastructure services connected (the “Subject Land”).</p>	<p>As at the Valuation Date, the Property is under construction and the construction work is suspended.</p> <p>As advised by the Company, it is estimated the development will be completed within about two years after construction work resumed.</p>	RMB203,500,000 (RENMINBI TWO HUNDRED THREE MILLION FIVE HUNDRED THOUSAND)

Notes:

1. According to the latest development plan provided by the Company, upon completion, the Property will comprise six 11-storey and one 32-storey residential blocks with a total residential GFA of about 37,394 sq.m., an underground retail arcade with a total commercial GFA of about 268.31 sq.m. and 342 underground carparking spaces, with various greenery community facilities and ancillary services facilities. The designated development name of the Property is Meile-Longcuishan (美樂-龍翠山).

As advised by the Company and per our inspection, as at the Valuation Date, four residential blocks have completed the main structure constructions; two residential blocks were partly under construction and one residential block has not commenced construction.

2. The Property is situated adjacent to a large-scale residential development, Guangyao Chengshi Shangu (光耀城市山谷), within Zhongkai Gaoxin District which is a development zone for innovative hi-technology industries. The neighborhood of the Property mainly comprises various technological light industrial developments and residential developments. Amenities such as retail destinations, recreational facilities and community facilities are readily available. The Property is located along Zhongkai Avenue, a major road of Zhongkai Gaoxin District, with proximate access to Guanglong Expressway and Changshen Expressway Huizhou Branch. Huizhou North, Huizhou South and Zhongkai High-Speed Railway Station are within about 30 minutes' driving distance.
3. The site inspection was performed by Mr. Alex Ma *MHKIS MRICS* on 30 November 2023.
4. Pursuant to a State-owned Land Use Rights Grant Contract, *Hui Zhong Guo Tu Zi (Yong Di) Zi (2012) No.118 惠仲國土資(用地)字(2012)118號*, entered between the State-owned Land Resources Bureau of Huizhou City and Huizhou Times Guangyao Real Estate Company Limited (惠州市時代光耀房地產有限公司) (“**Huizhou Times**”), the site area of the Subject Land is 17,448.6 sq.m. and the land use right have been granted to Huizhou Times for a tenure of 70 years for residential use from 11 September 2012 to 10 September 2082 and 40 years for commercial use from 11 September 2012 to 10 September 2052. According to the contract, the maximum plot ratio is 2.0, maximum site coverage 25% and minimum greening ratio is 30%.
5. Pursuant to a Construction Project Transaction Contract entered between Huizhou Times and Huizhou Jiuyu Real Estate Company Limited (惠州市九煜置業有限公司) (“**Huizhou Jiuyu**”) dated 24 November 2020 and the subsequent supplementary agreement dated 18 June 2021, the land use right of the Subject Land together with the ongoing construction works erected thereon (i.e. the Property), with consideration of outstanding construction cost liabilities, have been acquired by Huizhou Jiuyu with a transaction price of about RMB149,200,000.
6. Pursuant to a Real Estate Title Certificate, *Yue (2020) Hui Zhou Shi Bu Dong Chan Quan No.5057292 粵(2020)惠州市不動產權第5057292號*, issued by the State-owned Land Resources Bureau of Huizhou City dated 30 December 2020, the land use right of the Subject Land with a site area of 17,448.20 sq.m. is vested in Huizhou Jiuyu for terms with expiration dates on 10 September 2082 for residential use and 10 September 2052 for commercial use.
7. Pursuant to a Construction Site Planning Permit, *De Zi No. 441302(2021)50025 地字第441302(2021)50025號*, issued by the State-owned Land Resources Bureau of Huizhou City dated 21 February 2021, the construction plan of the project with a maximum plot ratio accountable GFA of 38,500 sq.m. has been approved.
8. Pursuant to eight Construction Work Planning Permits, *Jian Zi Nos. 441302(2021) 60311-60318 建字第441302(2021) 60311-60318號*, issued by Bureau of Housing and Urban-Rural Planning and Construction of Huizhou City dated 27 April 2021, the construction plan of the aboveground construction project for residential Blocks #1-#7 with a total aboveground GFA of 39,106.20 sq.m. and the underground construction project for underground structures of Blocks #1-#7 with a total underground GFA of 13,391.77 sq.m. has been approved.
9. Pursuant to a Construction Work Commencement Permit, *No.441352202109230101 編號441352202109230101*, issued by Bureau of Housing and Urban-Rural Planning and Construction of Huizhou Zhongkai Gaoxin District dated 23 September 2021, the construction work with total GFA of 52,497.97 sq.m. has been approved to commence.
10. We have been provided with legal opinions regarding the title of the Property prepared by the Company's PRC legal adviser, Shanghai Duan and Duan (Qingdao) Law Firm, which contains, *inter alia*, the following material opinions:
 - i. Qingdao Qifeng Technology Services Co. Ltd. (青島啟峰科技服務有限公司) (“**Qifeng**”) is the sole and legal mortgagee of the land use right of the Property; and
 - ii. Qifeng is the sole and legal mortgagee of the completed portions of the Property.

11. In arriving at our valuation, we have made reference to transactions of lands with similar characteristics for comparison purpose. Major selection criteria included –

- a) Traction nature – sold by the Huizhou People’s Government through tender
- b) Location – situated within the same district of the Property, i.e. Zhongkai Gaoxin District of Huizhou City
- c) Land usage – Residential (general commodity housing)
- d) Transaction Date – transacted within one year prior to the Valuation Date

Three land transactions were identified which meet with the abovementioned selection criteria and there is no further relevant land transactions has been excluded. The three land transactions are representative and exhaustive. Salient details of the comparable land transactions adopted are summarised as follows:

	Comparable 1	Comparable 2	Comparable 3
Location	Site No. ZKC-063-16, Wucunhedong Area, Zhongkai Gaoxin District, Huizhou City	Site No. ZKE-048-21, Lilin Town, Zhongkai Gaoxin District, Huizhou City	Site No. ZKC-049-09, Yaoli Area, Zhongkai Gaoxin District, Huizhou City
Usage	Residential	Residential	Residential
Tenure	Residential – 70 years Commercial – 40 years	Residential – 70 years Commercial – 40 years	Residential – 70 years Commercial – 40 years
Site Area (sq.m.)	56,447 sq.m.	49,692 sq.m.	41,018 sq.m.
Plot Ratio	2.8	2.8	2.8
Consideration	RMB582,210,000	RMB496,920,000	RMB441,140,000
Accommodation Value	RMB3,684/sq.m.	RMB3,402/sq.m.	RMB3,841/sq.m.
Transaction Date	15 April 2023	3 February 2023	3 February 2023

Adjustments have been made to reflect the relative advantages and disadvantages between the subject land and the comparable lands in order to achieve a fair comparison. For instance, in a particular aspect, if the comparable land is relatively superior or more desirable than the subject land, downward adjustment would be made, vice versa. Major adjustment included, but not limited to, the below factors:

	Comparable 1	Comparable 2	Comparable 3
Accommodation Value	RMB3,684/sq.m.	RMB3,402/sq.m.	RMB3,841/sq.m.
Adjustment Factors			
Location/Accessibility	-5%	-5%	-5%
Size	0%	0%	0%
	RMB3,499/sq.m.	RMB3,232/sq.m.	RMB3,649/sq.m.
Outstanding Tenure	-16%	-16%	-16%
Adjusted Accommodation Value	RMB2,939/sq.m.	RMB2,714/sq.m.	RMB3,064/sq.m.
Weighting	1/3	1/3	1/3
Weighted Accommodation Value (A)	RMB2,906/sq.m.		
Maximum Permitted GFA* (B)	34,896.4sq.m.		
Concluded Land Value (A*B)	RMB101,400,000 (rounded)		

* Maximum Permitted GFA (34,896.4 sq.m.) is the product of site area 17,448.2 sq.m. and plot ratio of 2.0 (as stipulated in the State-owned Land Use Rights Grant Contract).

12. As per information provided by the Company, as at the Valuation Date, the total adjusted incurred construction cost is about RMB102,100,000, and the estimated outstanding cost to complete the development according to the latest development plan is about RMB61,350,000. We have taken into account of such costs in the course of our valuation.
13. For reference only, under the assumption that the Property is completed in accordance with the latest development plan as at the Valuation Date, the hypothesis Market Value is estimated at about RMB342,000,000.
14. The hypothesis breakdown of land and the buildings and structures erected thereon is summarised as below:

Portion	Market Value breakdown (RMB)
Land (assume bare site)	RMB101,400,000
Adjustment of incurred construction cost	<u>RMB102,100,000</u>
	<u><u>RMB203,500,000</u></u>

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS**1. Interests of Directors and Chief Executive**

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company and their associates had any interests and short positions in the Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

2. Interests of Substantial Shareholders

So far as it is known to the Directors, as of the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company or their associates) had an interest or short position (if any) in the Shares or the underlying Shares which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of interests	Number of Shares held ⁽¹⁾	Approximate % of the Company's total issued Shares
QCCIG	Interest of a controlled corporation	689,243,266 (L) ⁽²⁾	69.02%
China Qingdao Development	Interest of a controlled corporation	689,243,266 (L) ⁽²⁾	69.02%
China Qingdao International	Beneficial owner	689,243,266 (L) ⁽²⁾	69.02%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) These 689,243,266 Shares were held by China Qingdao International, which is a wholly-owned subsidiary of China Qingdao Development. China Qingdao Development is wholly-owned by QCCIG. By virtue of the SFO, QCCIG and China Qingdao Development are deemed to be interested in the shares of the Company held by China Qingdao International.

Save as disclosed above, as of the Latest Practicable Date, no other persons (not being a Director or chief executive of the Company or their associates) had any interests or short positions (if any) in the Shares or the underlying Shares which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

C. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contracts with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

D. DIRECTORS' INTERESTS IN COMPETING INTEREST

As of the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules), was considered to have interests in the businesses (apart from the Group's business) which are considered to compete or likely to compete, either directly or indirectly, with businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

E. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

None of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting entered into by any member of the Group subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

F. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Company and its subsidiaries) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the Transfer of Loan Agreement; and
- (b) the construction agreement dated 30 December 2022 entered into by Bengbu City Huai Yi Construction and Development Ltd.* (蚌埠市淮翼建設發展有限公司) (“**BCHYCDL**”), an 95% indirectly owned subsidiary of the Company, with China Nuclear Industry as the contractor, pursuant to which BCHYCDL agreed to engage China Nuclear Industry to carry out the construction works of the Yong Kang Yuan Southern District Project.

G. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance pending or threatened by or against the Company or any of its subsidiaries.

H. CONSENTS AND QUALIFICATIONS OF EXPERTS

The followings are the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

Name of expert	Qualifications
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
BonVision International Appraisals Limited	independent valuer

As at the Latest Practicable Date, Lego Corporate Finance Limited and BonVision International Appraisals Limited did not have any interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Lego Corporate Finance Limited and BonVision International Appraisals Limited did not have any interest, direct or indirect, in any assets which have been since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Lego Corporate Finance Limited and BonVision International Appraisals Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion in this circular of its opinion, advice or report and/or references to its name in the form and context in which it appears.

I. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit No. 8, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Chan Kwong Leung, Eric. Mr. Chan is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute.

- (d) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and the Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) All references to times and dates in this circular refer to Hong Kong times and dates.
- (f) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

J. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (www.qingdaohi.com) for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders dated 29 February 2024, the text of which is set out in this circular;
- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 29 February 2024, the text of which is set out in this circular;
- (d) the valuation report issued by an independent valuer in respect of the Loan as set out in Appendix II-A;
- (e) the valuation report issued by an independent valuer in respect of the Land as set out in Appendix II-B to this circular;
- (f) the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022;
- (g) the Transfer of Loan Agreement;
- (h) the letters of consent referred to in the section headed “Consents and Qualifications of Experts” in this appendix; and
- (i) the material contracts referred to in the section headed “Material Contracts” in this appendix.

NOTICE OF SGM



QINGDAO HOLDINGS INTERNATIONAL LIMITED

青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Qingdao Holdings International Limited (the “Company”) will be held at Unit Nos. 9-11, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong on Wednesday, 20 March 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without modifications, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Transfer of Loan Agreement (as defined in the circular of the Company dated 29 February 2024) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as he/she considers to be necessary, appropriate or expedient in connection with and to implement or give effect to the Transfer of Loan Agreement and the transactions contemplated thereunder, and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by him/her to be incidental to, ancillary to or in connection with the Transfer of Loan Agreement and the transactions contemplated thereunder.”

By Order of the Board
Qingdao Holdings International Limited
CUI Mingshou
Executive Director and Chairman

Hong Kong, 29 February 2024

* *For identification purposes only*

NOTICE OF SGM

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of

business in Hong Kong:
Unit No. 8, 26th Floor
Tower 1, Admiralty Centre
No. 18 Harcourt Road
Hong Kong

Notes:

1. Any shareholder entitled to attend and vote at the SGM may appoint another person as his proxy to attend and to vote instead of him. A proxy needs not be a shareholder of the Company.
2. In the case of joint holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share if he was solely entitled thereto, but if more than one of such joint holders is present at the meeting, personally or by proxy, that one of the persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person should they so wish.
4. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 15 March 2024 to Wednesday, 20 March 2024 (both dates inclusive), during which period no transfer of shares will be registered. In order to be qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 March 2024.
5. In the event of inconsistency, the English text of this notice shall prevail over the Chinese text.

As at the date of this notice, 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.