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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)**

### **DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY**

#### **FORMATION OF JOINT VENTURE COMPANY**

The Board is pleased to announce that on 15 November 2019 (after trading hours), Qingdao (HK), an indirectly wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with China Nuclear Industry and China Huadong in relation to the formation of the Joint Venture Company. The Joint Venture Company will engage in the operation of the Business in the PRC.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the formation of the Joint Venture Company is more than 5% but less than 25%, the entering into of the Joint Venture Agreement constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 15 November 2019 (after trading hours), Qingdao HK, an indirectly wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with China Nuclear Industry and China Huadong in relation to the formation of the Joint Venture Company.

Pursuant to the Joint Venture Agreement, the Joint Venture Company will engage in the operation of the Business in the PRC. The principal terms of the Joint Venture Agreement are set out below.

**THE JOINT VENTURE AGREEMENT**

**Date**

15 November 2019

**Parties**

- (i) Qingdao (HK)
- (ii) China Nuclear Industry
- (iii) China Huadong

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, China Nuclear Industry, China Huadong and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

**Registered Capital and Capital Contribution**

The registered capital of the Joint Venture Company is RMB100 million and will be contributed by the Parties in cash. The Joint Venture Company will be owned as to 51% by Qingdao (HK), 30% by China Nuclear Industry and 19% by China Huadong respectively.

Upon the establishment of the Joint Venture Company, it will become a subsidiary of the Company.

The capital contribution will be made by the Parties in cash as follows:

<b>Parties</b>	<b>Capital contribution</b>	<b>Percentage of equity interest in the Joint Venture Company</b>
Qingdao (HK)	RMB51 million	51%
China Nuclear Industry	RMB30 million	30%
China Huadong	RMB19 million	19%
<b>Total</b>	<b>RMB100 million</b>	<b>100%</b>

The Parties shall initially pay 20% of their respective capital contribution towards the registered capital within six months after the bank account of the Joint Venture Company has been opened.

The remaining capital contribution shall be paid by the Parties in proportion to their respective equity interest percentages in different phases when called upon by the board of directors of the Joint Venture Company based on the progress of its business operations.

The amount of capital contribution to be made by the Parties was determined after arm's length negotiation among the Parties having taken into account the expected capital requirements of the Joint Venture Company. The capital contribution payable by Qingdao (HK) will be funded by the Group's internal resources.

### **Board Composition and Management**

The board of directors of the Joint Venture Company will comprise five directors, three of whom will be nominated by Qingdao (HK), one will be nominated by China Nuclear Industry and one will be nominated by China Huadong.

Qingdao (HK) will nominate the chairman of the board of directors of the Joint Venture Company, who will also be the legal representative of the Joint Venture Company. China Nuclear Industry and China Huadong will each nominate a deputy chairman of the Joint Venture Company.

The supervisory board of the Joint Venture Company will comprise three supervisors. Each Party will nominate one supervisor. The chairman of the supervisory board will be nominated by China Huadong.

The operation of the Joint Venture Company will be managed by a general manager, who will be nominated by China Nuclear Industry; a deputy general manager, who will be nominated by China Huadong; a financial controller, who will be nominated by China Huadong; a financial manager, who will be nominated by China Nuclear Industry; and financial staff, who will be nominated by Qingdao (HK).

### **Term of the Joint Venture Company**

The term of the Joint Venture Company will be 50 years commencing from the date of issue of its business licence. The Joint Venture Company will commence operation from the date of its establishment and may be terminated or otherwise dissolved according to the articles of association of the Joint Venture Company.

### **Restrictions on Equity Transfers**

The Parties may transfer their equity interests in the Joint Venture Company among themselves. The Parties may not transfer their equity interests in the Joint Venture Company to a third party unless the prior approval of all shareholders of the Joint Venture Company is obtained.

Subject to certain conditions, any of the Parties may request the Joint Venture Company to purchase its equity interests.

### **Exclusivity**

Upon execution of the Joint Venture Agreement, none of the Parties shall discuss, negotiate or agree with any other party to set up in whatever way any activities similar to or same as the Business in Qingdao, the PRC, unless consented by the other Parties in writing.

## **Distribution of Profits**

Subject to the approval of the shareholders of the Joint Venture Company and provided that there will not be negative impact on the normal operating cash flow of the Joint Venture Company, at the end of each financial year, more than 40% of the profit after taxation and contribution to the provident fund available for distribution may be distributed to the Parties pro rata to their respective capital contribution in the Joint Venture Company.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE COMPANY**

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 and tutorial systems and the provision of loan financing.

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

The formation of the Joint Venture Company symbolizes an important step of the Group to expand its future revenue base and development opportunities. The Group entered into the Joint Venture Agreement with the intention of leveraging on its strong networks in the PRC and the strength, resources and expertise of China Nuclear Industry and China Huadong, which, in turn, could enhance the Group’s competitiveness in bidding and participating in the Projects and to create a new stream of revenue for the Group through cooperation opportunities.

The Board is of the view that the Joint Venture Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **INFORMATION ON CHINA NUCLEAR INDUSTRY**

China Nuclear Industry was formally established in December 1992 with the approval of the Economic and Trade Office of the State Council. In July 1999, it was merged into China Nuclear Industry Construction Corporation. In 2018, China Nuclear Construction and China National Nuclear Corporation underwent reorganization. China Nuclear Industry is now a member of China National Nuclear Corporation. China Nuclear Industry is principally engaged in engineering, nuclear power engineering, industrial and civil engineering construction. The ultimate beneficial owner of China Nuclear Industry is China National Nuclear Corporation (中國核工業集團有限公司), a state-owned enterprises under direct management of the central government.

## **INFORMATION ON CHINA HUADONG**

China Huadong is principally engaged in construction and engineering works in the PRC and Hong Kong. It has extensive experience in construction of commercial buildings, residential buildings, and supporting public facilities such as car parks, power distribution rooms and roads in different parts of the country.

## **LISTING RULES IMPLICATIONS**

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## **DEFINITIONS**

“Board”	the board of directors of the Company
“Business”	urban reconstruction and development, construction and management of parks, construction and management of municipal facilities, procurement of materials, equity investment and capital deployment, construction of buildings, municipal engineering works, road constructions, electrical installation and engineering works, environmental protection engineering and other civil engineering works, consultancy, and design (subject to the approval of the local government in the PRC)
“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
“Company”	Qingdao Holdings International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 499)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region

“Joint Venture Agreement”	the joint venture agreement dated 15 November 2019 entered into by the Company, China Nuclear Industry and China Huadong in relation to the formation of the Joint Venture Company
“Joint Venture Company”	the company to be established in the PRC with limited liability by Qingdao (HK), China Nuclear Industry and China Huadong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Party(ies)”	Qingdao (HK), China Nuclear Industry and China Huadong
“PRC”	the People’s Republic of China
“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
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board  
Qingdao Holdings International Limited  
**Jiang Yi**  
*Executive Director and Chief Executive Officer*

Hong Kong, 15 November 2019

*As at the date of this announcement, the Executive Directors are Mr. Xing Luzheng (Chairman), Mr. Jiang Yi (Chief Executive Officer), Mr. Wang Yimei and Mr. Yuan Zhi; the Non-executive Director is Mr. Li Shaoran; and the Independent Non-executive Directors are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.*

\* *For identification purposes only*