

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



QINGDAO HOLDINGS INTERNATIONAL LIMITED

青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The Board of Directors (the “Board”) of Qingdao Holdings International Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 together with the comparative figures for the previous corresponding period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended 30 September	
	<i>Notes</i>	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Continuing operations			
Revenue	3	1,979	1,092
Increase (decrease) in fair value of investment properties	10	5,000	(940)
Other income	4	596	361
Employee benefits expenses		(579)	(850)
Other operating expenses		(2,977)	(2,413)
Profit (loss) before taxation	5	4,019	(2,750)
Taxation	6	(99)	(27)
Profit (loss) for the period from continuing operations		3,920	(2,777)

		Six months ended 30 September	
		2017	2016
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Discontinued operation			
Loss for the period from a discontinued operation	9	—	(179)
Profit (loss) for the year		3,920	(2,956)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale financial assets		18	220
Total comprehensive income (expense) for the period		3,938	(2,736)
Profit (loss) for the period attributable to owners of the Company:			
– from continuing operations		3,920	(2,776)
– from discontinued operations		—	(179)
		3,920	(2,955)
Loss for the period attributable to non-controlling interest:			
– from continuing operations		—	(1)
		3,920	(2,956)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		3,938	(2,735)
Non-controlling interests		—	(1)
		3,938	(2,736)
Earnings (loss) per share			
From continuing and discontinued operations			
– Basic (HK cent)	8	0.79	(0.59)
From continuing operations			
– Basic (HK cent)	8	0.79	(0.56)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017

		At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		26,131	26,867
Investment properties	10	153,900	148,900
Available-for-sale financial asset	11	13,709	13,691
		<u>193,740</u>	<u>189,458</u>
Current assets			
Trade and other receivables	12	2,015	934
Loan and interest receivables	13	6,050	–
Tax recoverable		794	300
Bank balances and cash		57,036	63,975
		<u>65,895</u>	<u>65,209</u>
Current liabilities			
Other payables and accrued charges	14	3,710	2,779
Rental deposits from tenants		37	37
Income tax payable		203	162
		<u>3,950</u>	<u>2,978</u>
Net current assets		<u>61,945</u>	<u>62,231</u>
Total assets less current liabilities		<u>255,685</u>	<u>251,689</u>
Non-current liabilities			
Rental deposits from tenants		740	740
Deferred tax liabilities		1,096	1,038
		<u>1,836</u>	<u>1,778</u>
		<u>253,849</u>	<u>249,911</u>
Capital and reserves			
Share capital	15	49,928	49,928
Reserves		203,921	199,983
Equity attributable to owners of the Company		<u>253,849</u>	<u>249,911</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on disclosures in the consolidated financial statements for the year ending 31 March 2018.

3. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the services provided by the Group’s operating divisions which is consistent with the internal information that is regularly reviewed by the executive directors, the chief operating decision maker (the “CODM”), for the purposes of resource allocation and performance assessment.

An operating segment regarding carpark management was discontinued during the year ended 31 March 2017. The segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 9. The comparative figures for the period ended 30 September 2016 have been restated to re-present the Group’s segment information accordingly.

Details of the Group's two operating and reporting segments are as follow:

- (i) Leasing of properties: this segment mainly leases residential, industrial and commercial premises in Hong Kong to generate rental income.
- (ii) Loan financing: this segment provides loan financing services to individual and corporate customers. The Group possesses a money lender license and its money lending business is mainly carried out in Hong Kong.

Information regarding these segments is reported below.

For the six months ended 30 September 2017 (unaudited)

Continuing operations

	Segment revenue HK\$'000 (note)	Segment results HK\$'000
Leasing of properties	1,929	1,262
Loan financing	50	39
Segment total	1,979	1,301
Increase in fair value of investment properties		5,000
Unallocated income		596
Unallocated expenses		(2,878)
Profit before taxation (continuing operations)		4,019

For the six months ended 30 September 2016 (unaudited and restated)

Continuing operations

	Segment revenue HK\$'000 (note)	Segment results HK\$'000
Leasing of properties	1,092	(354)
Loan financing	—	(3)
Segment total	1,092	(357)
Decrease in fair value of investment properties		(940)
Unallocated income		361
Unallocated expenses		(1,814)
Loss before taxation (continuing operations)		(2,750)

note: The segment revenue includes rental income from leasing of residential, industrial and commercial properties and interest from loan financing.

Other segment information

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of certain other income, certain other losses, certain employee benefits expenses and certain other operating expenses. Besides, segment results are analysed before taxation whereas tax payable and deferred tax liabilities are allocated to operating segments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Segment assets		Segment liabilities	
	30.9.2017	31.3.2017	30.9.2017	31.3.2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
Continuing operations:				
Leasing of properties	154,074	149,505	2,089	2,028
Loan financing	6,050	–	–	10
	160,124	149,505	2,089	2,038
Discontinued operation	–	–	568	588
Segment total	160,124	149,505	2,657	2,626
Unallocated:				
Bank balances and cash	57,036	63,975	–	–
Others	42,475	41,187	3,129	2,130
Total	259,635	254,667	5,786	4,756

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain other receivables of the corporate office, available-for-sale financial assets, tax recoverable and bank balances and cash.
- all liabilities including tax payables and deferred tax liabilities are allocated to operating segments other than certain other payables and accrued charges of the corporate offices.
- investment properties were allocated to the leasing of properties segment while the change in fair value of investment properties was not reported to the CODM as part of the segment results. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

As all the Group's revenue is derived from its operations in Hong Kong and all its non-current assets are located in Hong Kong, no geographical information is presented.

4. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Bank interest income	232	240
Investment income from available-for-sale financial asset	364	121
	<u>596</u>	<u>361</u>

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	737	736

6. TAXATION

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	41	27
Deferred tax	58	—
	<u>99</u>	<u>27</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

7. DIVIDENDS

The Board does not recommend the payment of any dividends for both periods ended 30 September 2017 and 30 September 2016.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company	3,920	(2,955)
Less: loss for the year from a discontinued operation	<u>—</u>	<u>(179)</u>
Earnings (loss) for the purpose of basic earnings per share from continuing operations	<u>3,920</u>	<u>(2,776)</u>
	Six months ended 30 September	
	2017	2016
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	<u>499,276,680</u>	<u>499,276,680</u>

From continuing and discontinued operations

The calculation of the basic earnings (loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings per share		
Profit (loss) for the year attributable to owners of the Company	<u>3,920</u>	<u>(2,955)</u>

The denominators used are the same as detailed above for basic earnings per share.

From discontinued operation

Basic loss per share for the discontinued operation was HK0.03 cent per share for the period ended 30 September 2016, based on the loss for the year from the discontinued operation of HK\$179,000 and the denominators detailed above for basic earnings per share.

No diluted loss per share is presented as there were no potential ordinary shares in issue for both periods.

9. DISCONTINUED OPERATION

The Group ceased its carpark management operation which represents a separate operating segment carried out by a subsidiary, Keen Capital Investments Limited (“Keen Capital”) upon the expiry of leasing of car parking spaces on 6 October 2016. The cessation was effected in order to maintain cash flows for the Group’s operation in other businesses.

The loss for the six months ended 30 September 2016 from the discontinued carpark management operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the carpark management operation as a discontinued operation.

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss of carpark management operation for the period	–	(179)

The results of the carpark management operation for the period from 1 April 2016 to 30 September 2016 which have been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended 30 September 2016 HK\$'000 (unaudited)
Revenue	963
Employee benefit expenses	(374)
Other operating expenses	(768)
Loss before taxation	(179)
Taxation	–
Loss for the period	(179)

Loss for the period from discontinued operation includes the following:

Auditor’s remuneration	–
Gross rental income	963
Less: direct operating expenses that generated rental income during the year	(765)
	198

10. INVESTMENT PROPERTIES

The investment properties of the Group are located in Hong Kong and the valuations for investment properties have been arrived on a basis of valuations carried out at the end of the reporting period by Peak Vision Appraisals Limited by adopting the income capitalisation method.

For the period ended 30 September 2017, an unrealised gains on investment properties revaluation of HK\$5,000,000 (2016: an unrealised loss of HK\$940,000), has been recognised in profit or loss.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 29 June 2016, a wholly-owned subsidiary of the Company (the “Subscriber”) entered into a subscription agreement pursuant to which the Subscriber agreed to subscribe for the Class A shares in the Asian Bond Fund Segregated Portfolio (“the Sub-Fund”) of CMBI SPC (an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability) for an aggregate consideration of US\$1,795,000 (equivalent to approximately HK\$13,980,000). The Sub-Fund is a segregated portfolio of the Fund and managed by CMB International Asset Management Limited. The subscription of the Class A shares in the Sub-Fund, representing approximately 8.50% of the total issued Class A shares of the Sub-Fund, was completed on 7 July 2016.

The Fund aims at generating interest income and long term capital appreciation, with at least 70% of its net assets invested in a broad range of fixed income securities and instruments and derivative financial instruments for investment and hedging purposes. Not more than 30% of the Sub-Fund’s net assets may be invested in assets not meeting the above requirements.

Shares of the Sub-Fund may be redeemed at a redemption price which equals the net asset value per share as at the valuation date immediately preceding the dealing date. The Sub-Fund may redeem all or some of the shares of the Sub-Fund held by any person if, in the opinion of the directors of the Fund, it is in the interests of the Sub-Fund or when certain conditions are met, at the prevalent redemption price. The price for each share equals to the net asset value per share after adjusting for all liabilities accrued or contingent upon the liquidation of the Sub-Fund.

There is no guaranteed nor targeted level of dividend payment from the Sub-Fund. The Sub-Fund may at its full discretion to declare none, partial or all of its income accrued or received, realised capital gains and capital of the Sub-Fund to its shareholders.

The investments in the Sub-Fund are classified as available-for-sale financial asset and are measured at fair value on a recurring basis at the end of each reporting period. As at 30 September 2017, the fair value of the available-for-sale financial asset of approximately HK\$13,709,000 (31 March 2017: HK\$13,691,000) is determined by reference to the quoted price provided by the issuing financial institution (Level 2 measurement).

12. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Trade receivables	42	467
Other receivables, deposits and prepayments	<u>1,973</u>	<u>467</u>
	<u>2,015</u>	<u>934</u>

note: For leasing of properties, due to the nature of businesses, the Group generally grants no credit period to these customers. The following is an aged analysis of trade debtors from leasing of properties, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Trade debtors aged:		
0-60 days	<u>42</u>	<u>467</u>

The trade receivables are past due as at the reporting date for which the Group has not recognised any impairment loss. The Group does not hold any collateral over these balances, but management considers that no impairment loss needs to be recognised in view of the historical and subsequent repayments from these customers.

No allowance for doubtful debts was recognised by the Group during both periods.

13. LOAN AND INTEREST RECEIVABLES

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Fixed-rate loan receivable	6,000	—
Loan interest receivable	<u>50</u>	<u>—</u>
	<u>6,050</u>	<u>—</u>

The borrower is an independent third party. The amount is secured by a personal guarantee and carries interest at a fixed rate of 10% per annum. The principal and interest are repayable within 12 months from the date of grant of the loan. The management of the Group maintains control over its loan and interest receivable in order to minimise credit risk by reviewing the borrower's financial positions.

14. OTHER PAYABLES AND ACCRUED CHARGES

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Other payables	1	1
Accrued charges	2,652	1,721
Deposits received	1,057	1,057
	<u>3,710</u>	<u>2,779</u>

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2016, 30 September 2016, 31 March 2017 and 30 September 2017	<u>20,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 April 2016, 30 September 2016, 31 March 2017 and 30 September 2017	<u>499,277</u>	<u>49,928</u>

16. PLEDGE OF ASSETS

At 30 September 2017, investment properties with an aggregate carrying amount of HK\$87,900,000 were pledged to a bank to secure credit facilities granted to the Group (31 March 2017: HK\$87,800,000). As at 30 September 2017, the Group has available unutilized banking facilities of HK\$48,700,000 (31 March 2017: HK\$57,000,000).

17. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of Directors during the reporting period was as follows:

	Six months ended 30 September 2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	240	240
Post-employment benefits	<u>—</u>	<u>—</u>
	<u>240</u>	<u>240</u>

18. EVENTS AFTER THE REPORTING PERIOD

Very substantial acquisition of property in the People's Republic of China (the "PRC")

On 6 September 2017, Qingdao Qifeng Technology Service Co., Ltd. ("Qifeng"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Qingdao Wenrong Zhiye Company Limited, an independent third party to the Group, to acquire a property in the PRC (the "Acquisition") at a consideration of approximately RMB328,600,000 (equivalent to approximately HK\$377,890,000). To finance this acquisition, Qifeng entered into a loan agreement with Qingdao City Construction Investment (Group) Co., Ltd. ("QCCIG"), the ultimate controlling shareholder of the Company, pursuant to which QCCIG has agreed to provide, upon the request from Qifeng, an unsecured loan of not less than RMB450,000,000 (equivalent to approximately HK\$517,500,000). On 11 October 2017, Qifeng and QCCIG entered into a supplementary loan agreement stated the loan will be available for drawdown by Qifeng in accordance with Qifeng's actual needs within three years from the first drawdown at an interest rate of 4.75% per annum.

An ordinary resolution in relation to the Acquisition was duly passed at the Company's special general meeting held on 6 November 2017. The Acquisition is expected to be completed on or before 1 December 2017.

Details of the above are disclosed in the announcements of the Company dated 6 September 2017 and 6 November 2017 and the circular of the Company dated 19 October 2017.

Formation of a project company and acquisition of design patents

On 2 November 2017, the Company entered into a joint venture agreement (the "Agreement") with Mr. Lv Qingdong ("Mr. Lv"), an independent third party to the Company, for the formation of a project company in the PRC which will principally be engaged in education equipment business. On the same date, Hong Kong Hanhe Education Limited ("HK Hanhe"), an indirect wholly-owned subsidiary of the Company, and Ms. Li Fengxian ("Ms. Li"), an independent third party to the Company and the spouse of Mr. Lv, entered into a sales and purchase agreement under which HK Hanhe has agreed to purchase, and Ms. Li has agreed to sell to HK Hanhe, two design patents at the purchase price of RMB2,280,000 (equivalent to approximately HK\$2,667,000).

The registered capital of the project company shall be RMB72,900,000 (equivalent to approximately HK\$85,293,000). The project company will be 51% owned by HK Hanhe and 49% owned by Jinan Qingdong Digital Technology Company Limited ("JN Qingdong"), a directly wholly-owned company of Mr. Lv. Capital contribution will be made in proportion to the respective equity interest of HK Hanhe and JN Qingdong.

HK Hanhe shall make a capital contribution comprising (i) RMB34,900,000 (equivalent to approximately HK\$40,833,000) in cash; and (ii) RMB2,280,000 (equivalent to approximately HK\$2,667,000) by way of injection of assets (being the design patents described above) to the project company. The capital contribution by HK Hanhe and JN Qingdong is scheduled to be completed on or before 31 December 2017. The project company shall be the subsidiary of the Company upon completion.

Details of the above are disclosed in the announcements of the Company dated 2 November 2017 and 23 November 2017.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2017, the Group has been principally engaged in the business of leasing of investment properties and the provision of loan financing. During the year ended 31 March 2017, the Group discontinued a business segment of carpark management.

Business prospect and review

For the six months ended 30 September 2017, the Group recorded a revenue (including the Group's continuing and discontinued operations) of HK\$1,979,000 (2016: HK\$2,055,000), which was represented by the rental income of HK\$1,929,000 and provision of loan financing of HK\$50,000. The Group recorded a profit attributable to owners of the Company (including the Group's continuing and discontinued operations) of HK\$3,920,000 as compared with a loss of HK\$2,955,000 recorded for the same period last year. The turnaround in profit for the year is primarily attributable to increase in the fair value of the Group's investment properties which amounted to HK\$5.0 million (2016: decrease in fair value of HK\$0.94 million).

Looking ahead, the global economies are expected to remain challenging and trading conditions are likely to be uncertain. The fluctuation in stock market and government measures on property market are still factors hanging around. The Group continues to allocate resources carefully in different business segments to optimise the investment strategies.

Material Transaction

Provision of Loan

On 29 August 2017, Classic Charter Limited (京卓有限公司) ("Classic Charter" or the "Lender"), an indirect wholly-owned subsidiary of the Company, entered into the loan agreement (the "Loan Agreement") with a company incorporated in Hong Kong with limited liability as the borrower (the "Borrower"), an independent third party, and an individual as the guarantor (the "Guarantor"), being a director and a shareholder owning 60% of the issued shares of the Borrower, an independent third party, pursuant to which the Lender agreed to grant to the Borrower a loan in the principal amount of HK\$6,000,000 (the "Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown and the Guarantor provided a personal guarantee against the Loan, among others, all sums due and payable to the Lender under the Loan Agreement.

The grant of the Loan constitutes discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Loan Agreement were set out in the announcement of the Company dated 29 August 2017.

Acquisition of Property

On 6 September 2017, Qingdao Qifeng Technology Service Co., Ltd.* (青島啟峰科技服務有限公司) (“Qifeng”), a company established in the People’s Republic of China (the “PRC”) and an indirect wholly-owned subsidiary of the Company, as the buyer, entered into the property acquisition agreement (the “Sale and Purchase Agreement”) with Qingdao Wenrong Zhiye Company Limited* (青島文融置業有限公司) (the “Seller”), a limited liability company established in the PRC, an independent third party, pursuant to which, subject to the terms and conditions, Qifeng has agreed to purchase, and the Seller has agreed to sell, part of a commercial property known as “22nd Century Plaza”, comprising (i) 13-upperground floors (floor 4 to floor 6 and floor 12 to floor 21) with total saleable gross floor area (“GFA”) of approximately 16,746 square metres (“sq.m.”); and (ii) 136 underground carpark units, located at No. 39 Longcheng Road (龍城路39號), Shibei District, Qingdao, the PRC (collectively, the “Property”), at the purchase price of RMB328,600,000 (equivalent to approximately HK\$377,890,000), subject to adjustment, to be settled in cash (the “Acquisition”).

The Seller and Qifeng will execute the sale and purchase contract of commodity property of Qingdao (青島市商品房出售合同), which is a standard template adopted by the local authority of Qingdao (the “Standard SPA”). The Seller shall deliver the Property to Qifeng by executing the handover list of the Property which will set out the status of the Property at the date of the second closing of the Acquisition, which is expected to be not later than 1 December 2017.

The Property has completed the final inspection by the local government authority. As at the date of this announcement, the Seller has obtained the pre-sale permit (預售許可證) and the Completion Inspection Registration Certificate (竣工驗收備案證) of the Property.

Potential Lease Agreements of the Property

On 9 September 2017, Qifeng and Qingdao Guoan Property Management Company Limited* (青島國安物業管理有限責任公司), a limited liability company established in the PRC, an independent third party (the “Potential Tenant”) entered into a non-legally binding lease agreement (the “Lease MOU”) (as amended and supplemented by the supplemental non-legally binding lease agreement to the Lease MOU dated 13 October 2017 (the “Supplemental Lease MOU”)) for a term of five years commencing from the signing of the formal lease agreement, which is expected to be the date of delivery of the Property, and the Potential Tenant may sublease 9 upperground floors (including part of 21st Floor) and 94 underground carpark units of the Property (the “Remaining Property”), approximate GFA of 11,346 sq.m., to any suitable tenant as long as purpose of the usage is not changed. The expected annual rental is approximately RMB17,720,000. As the Potential Tenant is a property management company, the Remaining Property will be managed by the Potential Tenant. Qifeng is not required to pay any management fees.

On 26 September 2017 and 30 September 2017, Qifeng and five of the new potential tenants (including the Seller) (the “New Potential Tenants”) entered into non-legally binding lease agreements (the “New Lease MOU”) respectively, for a term of five years commencing from the date to be stipulated under the respective formal lease agreement, and for lease of 17th, 18th, 20th and 21st Floors and a total of 32 underground carpark units of the Property, with total approximate GFA of 4,200 sq.m. and the expected aggregated annual rental of approximately RMB6,821,000. Detailed terms of the tenancy (including but not limited to, the tenancy period, basis to determine the rental income, rent-free period, conditions of the agreement, early termination clause) will be discussed and finalised between Qifeng and the Potential Tenant and Qifeng and the New Potential Tenants, respectively, when the formal lease agreements (which will be legally binding) are entered into upon the completion of the Acquisition (which is expected to be on or before 1 December 2017). It is intended that the formal lease agreements will reflect the terms of the Lease MOU and the New Lease MOU, respectively.

The Acquisition is in line with the Group’s long term development plan and provides an opportunity for the Group to tap into the property market in the PRC and to generate additional income and cash flow from the Group’s continuous development. The Board considers that it would be in the interest of the Company and the shareholders of the Company (the “Shareholders”) as a whole for the Acquisition. Further, taking into account, among others, (i) the prime location of the Property, which is in the central business district of Qingdao, the PRC, a second tier city; (ii) the advanced development status of the Property and insignificant capital expenditure to be incurred for the Property; and (iii) the Lease MOU and the New Lease MOU entered into between Qifeng and the Potential Tenant and between Qifeng and the New Potential Tenants, respectively, the Board considers and believes that the Acquisition will generate stable cash flow and income to the Company in the future, which is essential to the future development of the Company, and it will strengthen the Company’s financial position and diversify its income stream in the long run.

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

The Sale and Purchase Agreement and the transactions contemplated thereunder were approved by the Shareholders at the special general meeting of the Company held on 6 November 2017.

Completion of the Acquisition is conditional upon fulfillment of the conditions precedent stated in the Sale and Purchase Agreement and as at the date of this announcement, the Acquisition have not yet completed.

Details of the Acquisition were set out in the announcements of the Company dated 6 September 2017 and 6 November 2017 and the circular of the Company dated 19 October 2017, respectively.

Subscription of Shares

On 29 June 2016, Prime Concept Development Limited (“Prime Concept”), a wholly-owned subsidiary of the Company, subscribed for a total of 17,873.64 class A shares (“Class A Shares”) in Asian Bond Fund Segregated Portfolio (the “Portfolio”) at issue price of US\$100.42 per Class A Share for an aggregate consideration of approximately US\$1,795,000 (equivalent to approximately HK\$14.0 million). The Portfolio is a segregated portfolio of CMBI SPC, an open-ended investment company organised as an exempted segregated portfolio company with limited liability in the Cayman Islands on 11 June 2010. The investment in the Portfolio is expected to enable the Group to hold a financial investment which can provide economic benefits including investment income to the Group.

During the six months ended 30 September 2017, the Group received the investment income of an aggregate amount of HK\$364,000 (2016: HK\$121,000) from the investment in the Portfolio.

As at 30 September 2017, the market value of the Portfolio was approximately US\$1,769,000 (equivalent to approximately HK\$13.7 million) (31 March 2017: US\$1,767,000 (equivalent to approximately HK\$13.7 million)). The Board will closely monitor the performance progress of the investment portfolio from time to time. Details of the subscription of Class A Shares were set out in the announcements of the Company dated 29 June 2016 and 8 July 2016, respectively.

Events after the reporting period

Formation of Joint Venture

Reference is made to the announcement of the Company dated 11 August 2017 in respect of the memorandum of understanding entered into between Qifeng and Mr. Lv Qingdong (“Mr. Lv”) for the formation of joint venture. On 2 November 2017, the Company and Mr. Lv, an independent third party, entered into the joint venture agreement (the “Joint Venture Agreement”) for the formation of a limited liability company to be formed under the Joint Venture Agreement and the Formal Joint Venture Agreement (as defined below) and to be established under the laws of the PRC (the “Joint Venture”), which will principally be engaged in education equipment business. The proposed name of the Joint Venture is Qingcheng Hanhe Education Equipment Ltd.* (青城翰和教育裝備有限責任公司), which is subject to the final registration at the industry and commerce department.

On 2 November 2017, HK Hanhe and Jinan Qingdong Digital Technology Company Limited* (濟南慶東數字技術有限公司) (the “JV Partner”), a company established in the PRC with limited liability and is directly wholly-owned by Mr. Lv, an independent third party, entered into the joint venture agreement (the “Formal Joint Venture Agreement”). The Formal Joint Venture Agreement is based on the Joint Venture Agreement and has included the material terms of the Joint Venture Agreement.

The business scope of the Joint Venture shall include, among others, the manufacture and sale of canvas stands, canvas frames lighting equipment, decorative lighting, LED monitors, and the technology development, technology transfer, technology consulting and technology services and sales in the field of computing, software and auxiliary equipment, computer network project and computer systems assembly (for projects which require approval, relevant approval by the relevant authorities shall be obtained prior to operation).

Since the formation of the Joint Venture involves injection of all such intellectual property rights in connection with (i) seven software copyright (軟件著作權); and (ii) nine utility model patents (實用新型專利), all registered in the PRC to be contributed into the Joint Venture by the JV Partner in accordance with the Joint Venture Agreement and the Formal Joint Venture Agreement (the “Business IP”) to the Joint Venture, and the Joint Venture will become a subsidiary of the Group upon establishment, the formation of the Joint Venture will in effect result in an acquisition of the Business IP by the Company.

The registered capital of the Joint Venture shall be RMB72,900,000 (equivalent to approximately HK\$85,293,000). The Joint Venture will be 51% owned by HK Hanhe and 49% owned by the JV Partner, respectively. The JV Partner shall make a capital contribution of RMB35,720,000 (equivalent to approximately HK\$41,792,000) by way of injection of assets (being the Business IP) to the Joint Venture. HK Hanhe shall make a capital contribution of (i) RMB34,900,000 (equivalent to approximately HK\$40,833,000) in cash; and (ii) RMB2,280,000 (equivalent to approximately HK\$2,667,000) by way of injection of assets (being the Design Patents) to the Joint Venture.

Acquisition of Design Patents

On 2 November 2017, HK Hanhe and Ms. Li Fengxian (“Ms. Li”), an independent third party and the spouse of Mr. Lv, entered into an acquisition agreement (the “Acquisition Agreement”), pursuant to which HK Hanhe has agreed to purchase, and Ms. Li has agreed to sell, all such intellectual property rights in connection with two design patents (外觀設計專利) to be acquired by HK Hanhe from Ms. Li in accordance with the Acquisition Agreement and to be contributed into the Joint Venture by HK Hanhe in accordance with the Joint Venture Agreement and the Formal Joint Venture Agreement (the “Design Patents”) at the purchase price in the sum of RMB2,280,000 (equivalent to approximately HK\$2,667,000).

As the deemed acquisition of the Business IP by the Company pursuant to the Joint Venture Agreement and the acquisition of the Design Patents by the Company are entered into by the Group with parties connected with one another (being Mr. Lv and Ms. Li, the spouse of Mr. Lv, respectively) and will be contributed into the Joint Venture for the business of the Joint Venture, the deemed acquisition of the Business IP and the acquisition of the Design Patents were aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

In recent years, calligraphy training was made as a compulsory course for primary and secondary schools according to certain PRC regulatory requirements. The PRC regulatory requirements promoting the calligraphy training course as a compulsory course for primary schools. In addition, the relevant authority in the PRC issued an Opinion Concerning Preserving and Enhancing Exemplary Chinese Cultural Heritage* (關於實施中華優秀傳統文化傳承發展工程的意見) on 25 January 2017 (the “Opinion”). Pursuant to the Opinion, various forms of traditional arts and Chinese culture including calligraphy shall be preserved and carried forward. It is expected that the implementation of the various PRC regulations will generate huge market demand for the calligraphy related products, especially in primary and secondary schools adopting the compulsory calligraphy training course.

The Joint Venture, by engaging in the business in the research, manufacture and sales of the digital Chinese calligraphy education equipment as well as various other digital business activities, will be able to capture the above business opportunities in the PRC. The key products of the Joint Venture, that is the digital Chinese calligraphy education equipment, will be supported by various intellectual property rights developed and owned or to be owned by the JV Partner and HK Hanhe. The Business IP and the Design Patents are the key intellectual properties for the production of the digital Chinese calligraphy education equipment and the injection of the Business IP and the Design Patents to the Joint Venture enables the Joint Venture to obtain the core technologies for the production of the digital Chinese calligraphy education equipment and resources for development of the business of the Joint Venture.

Therefore, the Directors consider the formation of the Joint Venture under the Joint Venture Agreement and the Formal Joint Venture Agreement and the acquisition of the Design Patents under the Acquisition Agreement will enable the Company to leverage on the resources, expertise and/or experience of the JV Partner and Mr. Lv and allow the Group to diversify its business and investment.

The formation of the Joint Venture, the deemed acquisition of the Business IP and the acquisition of the Design Patents, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Completion of the formation of the Joint Venture and the deemed acquisition of the Business IP is conditional upon fulfillment of the conditions precedent stated in the Joint Venture Agreement and as at the date of this announcement, the formation of the Joint Venture and the deemed acquisition of the Business IP have not yet completed.

Completion of the acquisition of the Design Patents is conditional upon fulfillment of the conditions stated in the Acquisition Agreement and as at the date of this announcement, the acquisition of the Design Patents have not yet completed.

Details of the formation of the Joint Venture, the deemed acquisition of the Business IP and the acquisition of the Design Patents were set out in the announcements of the Company dated 11 August, 2 November and 23 November 2017, respectively.

Provision of Second Loan

On 10 November 2017, Classic Charter as the Lender entered into the loan agreement (the “Second Loan Agreement”) with a company incorporated in Hong Kong with limited liability as the borrower (the “Second Borrower”), an independent third party, and an individual as the guarantor (the “Second Guarantor”), being a director and a shareholder owning approximately 60% of the issued shares of the Second Borrower, an independent third party, pursuant to which the Lender agreed to grant to the Second Borrower a loan in the principal amount of HK\$6,000,000 (the “Second Loan”), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown and the Second Guarantor provided a personal guarantee against the Second Loan, among others, all sums due and payable to the Lender under the Second Loan Agreement.

The grant of the Second Loan constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Second Loan Agreement were set out in the announcement of the Company dated 10 November 2017.

Liquidity and financial review

The Group enabled to maintain sufficient cash which comprised bank and cash balance (including time deposits) of approximately HK\$57.0 million as at 30 September 2017 (31 March 2017: HK\$64.0 million). The Group’s gearing level (total debts to total assets) was 2.2% as at 30 September 2017 (31 March 2017: 1.9%), which indicates the Group’s healthy position.

Capital Structure

The number of issued ordinary shares of the Company as at 30 September 2017 and 31 March 2017 were 499,276,680.

Pledge of Assets

As at 30 September 2017, the Group pledged certain of its investment properties with market value of HK\$87.9 million (31 March 2017: HK\$87.8 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 30 September 2017, the Group has unutilised banking facilities of HK\$48.7 million (31 March 2017: HK\$57.0 million).

Foreign Exchange Exposure

Most of the business transactions conducted by the Group were denominated in Hong Kong dollars. The Group does not undertake any derivative financial instruments or hedging instruments.

Contingent liabilities

As at 30 September 2017, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 September 2017, the Group had capital commitment of approximately HK\$378 million for acquisition of an investment property.

Employees

As at 30 September 2017, the Group had 11 staff. Employees and Directors are remunerated based on their performance and experience, current industry practices and prevailing market conditions and in accordance with existing labour laws. In addition to basic salaries, employees and Directors are rewarded with performance-related bonuses and other staff welfare benefits.

CORPORATE GOVERNANCE

The Board is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes efforts to identifying and formalising best practices. The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules, except for the deviation set out below.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. Xing Luzheng, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 15 September 2017 due to his other business engagements.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code as and when considered appropriate.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. The Company has made specific and reasonable enquiries of all Directors and is satisfied that they have complied with the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors and reports to the Board. The primary duties of the Audit Committee are to review and advise on the accounting principles and practices adopted by the Group, and overview the auditing and financial reporting processes and the risk management and internal control systems of the Group, including the review of the unaudited interim results for the six months ended 30 September 2017. The Audit Committee meets with the Group's senior management regularly to review the effectiveness of the risk management and internal control systems and also reviews the interim and annual reports of the Group.

The Group's independent auditors, Messrs. Deloitte Touche Tohmatsu, have been engaged to review the condensed consolidated financial statements. On the basis of their review, nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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

Hong Kong, 27 November 2017

As at the date of this announcement, the Executive Directors are Mr. Xing Luzheng (Chairman), Mr. Chen Mingdong (Vice-chairman), Mr. Jiang Yi (Chief Executive Officer), Mr. Wang Yimei and Mr. Yuan Zhi; 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