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 2018

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 2018 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 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3A	**28,093**	1,979
Finished goods purchased		**(8,999)**	–
Change in inventories of finished goods		**2,064**	–
Increase in fair value of investment properties	9	**1,196**	5,000
Other income	4	**1,128**	596
Other gains and losses	4	**3,414**	–
Employee benefits expenses		**(2,601)**	(579)
Depreciation		**(739)**	(737)
Other operating expenses		**(8,048)**	(2,240)
Finance costs		**(10,625)**	–
Profit before taxation	5	**4,883**	4,019
Income tax expense	6	**(1,566)**	(99)
Profit for the period		**3,317**	3,920

	Notes	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(9,622)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations of subsidiaries		**24**	–
Fair value gain on available-for-sale financial assets		**–**	18
		24	18
Total comprehensive (expense) income for the period		**(6,281)**	3,938
Profit for the period attributable to:			
Owners of the Company		**1,899**	3,920
Non-controlling interests		**1,418**	–
		3,317	3,920
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(4,092)**	3,938
Non-controlling interests		**(2,189)**	–
		(6,281)	3,938
Earnings per share			
– Basic (HK cent)	8	**0.38**	0.79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	Notes	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**25,101**	25,506
Investment properties	9	**542,014**	576,250
Goodwill		**5,954**	6,513
Intangible assets		**25,966**	30,175
Financial asset at fair value through profit or loss	10	**12,834**	–
Available-for-sale financial asset	10	**–**	13,264
Deferred tax asset		**3,664**	4,182
		615,533	655,890
Current assets			
Inventories		**2,300**	236
Trade and other receivables	11	**20,742**	19,885
Loan and interest receivables	12	**11,821**	12,080
Tax recoverable		**336**	798
Bank balances and cash		**95,677**	103,861
		130,876	136,860
Current liabilities			
Trade and other payables	13	**3,772**	17,536
Contract liabilities		**848**	–
Rental deposits from tenants		**319**	319
Amount due to ultimate holding company		**15,647**	6,901
Amount due to an intermediate holding company		**1,127**	275
Income tax payable		**1,193**	802
		22,906	25,833
Net current assets		**107,970**	111,027
Total assets less current liabilities		**723,503**	766,917

	Notes	At **30 September** **2018** ***HK$'000*** **(unaudited)**	At 31 March 2018 *HK$'000* (audited)
Non-current liabilities			
Rental deposits from tenants		**293**	467
Deferred tax liabilities		**3,378**	3,221
Loan from ultimate holding company		**393,143**	430,000
Loan from an intermediate holding company		**39,000**	39,000
		435,814	472,688
		287,689	294,229
Capital and reserves			
Share capital	14	**49,928**	49,928
Reserves		**202,245**	206,596
Equity attributable to owners of the Company		**252,173**	256,524
Non-controlling interests		**35,516**	37,705
		287,689	294,229

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 (the "Listing Rules").

In prior years, the directors of the Company regarded Hong Kong Dollar ("HK$") as the functional currency of the Company since HK$ predominantly influenced the operation and cash flows of the Group's major operating subsidiaries.

During the year ended 31 March 2018, the Group acquired an education equipment business and investment properties in The People's Republic of China (the "PRC"). As a result, there has been an increase in influence of Renminbi ("RMB") over the Group's business operation. The directors of the Company considered that the revenue from the education equipment business and rental income derived in PRC had become more significant having reviewed the Group's interim financial performance. Such changes in circumstance triggered the directors to reassess the Company's functional currency and they have resolved to change the functional currency of the Company from HK$ to RMB as RMB has become the currency that mainly influences the operation and cash flow of the Company. The condensed consolidated financial statements continue to be presented in HK$.

The change in functional currency in presenting the operating results and financial positions of the Group effective from 1 April 2018 and is accounted for Hong Kong Accounting Standard ("HKAS") 21 "*The Effects of Changes in Foreign Exchange Rates*".

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures below.

Impacts on opening condensed consolidated statement of financial position arising from application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 March 2018	**HKFRS 15**	**HKFRS 9**	**1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)			(Restated)
Non-current Assets				
Available-for-sale financial asset	13,264	–	(13,264)	–
Financial asset at FVTPL	–	–	13,264	13,264
Current Assets				
Loan and interest receivables	12,080	–	(259)	11,821
Current Liabilities				
Trade and other payables	17,536	(436)	–	17,100
Contract liabilities	–	436	–	436
Capital and reserves				
Investment revaluation reserve	(716)	–	716	–
Accumulated losses	(122,842)	–	(975)	(123,817)

3A. REVENUE FROM SALE OF GOOD

Revenue represents the sale of education equipment, and interest income from loan financing and gross rental income from property letting during the period.

Disaggregation of revenue

	For the six months ended 30 September 2018 *HK$'000* **(unaudited)**
Revenue from contracts with customers	
– Sale of education equipment	**11,526**
Revenue from leasing of properties	**15,967**
Revenue from interest income form loan financing	**600**
Total revenue	**28,093**

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Geographical markets		
– Mainland China	**26,485**	–
– Hong Kong	**1,608**	1,979
Total	**28,093**	1,979

The Group's revenue from sales of education equipment is recognised at a point in time during the six months ended 30 September 2018.

3B. 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.

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

(i) Sale of education equipment: this segment is engaged in the research and development, sale of digital Chinese calligraphy education equipment together with relevant learning and tutorial systems.

(ii) Leasing of properties: this segment mainly leases residential, industrial and commercial premises in Hong Kong and mainland PRC to generate rental income.

(iii) 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.

For the six months ended 30 September 2018 (unaudited)

Segment

	Segment revenue *HK$'000* *(note)*	**Segment results** *HK$'000*
Sale of education equipment	**11,526**	**298**
Leasing of properties	**15,967**	**13,553**
Loan financing	**600**	**586**
Segment total	**28,093**	**14,437**
Increase in fair value of investment properties		**1,196**
Unallocated income		**1,128**
Unallocated expenses		**(11,878)**
Profit before taxation		**4,883**

For the six months ended 30 September 2017 (unaudited)

	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		4,019

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

Other segment information

Segment profit represents the profit earned by each segment without allocation of certain other income, certain other gains and 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	
	30.9.2018	31.3.2018	**30.9.2018**	31.3.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Sale of education equipment	**43,843**	41,486	**57,342**	40,891
Leasing of properties	**557,097**	595,544	**399,445**	454,581
Loan financing	**11,821**	12,080	**80**	80
Segment total	**612,761**	649,110	**456,867**	495,552
Unallocated:				
Bank balances and cash	**95,677**	103,861	**–**	–
Others	**37,971**	39,779	**1,853**	2,969
Total	**746,409**	792,750	**458,720**	498,521

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 asset, financial asset at fair value through profit or loss, 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 of the corporate offices and contract liabilities.

- 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. The above allocation was reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income		
Bank interest income	**415**	232
Investment income from financial asset at fair value through profit or loss ("FVTPL")	**366**	–
Investment income from available-for-sale financial asset	**–**	364
Others	**347**	–
	1,128	596
Other gains and losses, net		
Net foreign exchange gain	**3,844**	–
Fair value changes in financial asset at FVTPL	**(430)**	–
Other gains and losses	**3,414**	–

5. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**739**	737
Amortisation of intangible assets	**1,698**	–
Impairment loss recognised in respect of – trade receivables	**8**	–

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
– Current tax	**60**	41
– Underprovision	**463**	–
	523	41
PRC Enterprise Income Tax	**487**	–
Deferred tax	**556**	58
	1,566	99

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

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current period ended.

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the both periods ended 30 September 2018 and 30 September 2017, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

8. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**1,899**	3,920

	Six months ended 30 September	
	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**499,276,680**	499,276,680

9. INVESTMENT PROPERTIES

The investment properties of the Group are located in Hong Kong and the mainland PRC. The valuations for these properties have been arrived on a basis of valuations carried out at the end of the reporting period by Vigers Appraisal & Consulting Limited (2017: Peak Vision Appraisals Limited) by adopting the income capitalisation method.

For the period ended 30 September 2018, an unrealised gain on investment properties revaluation of HK$1,196,000 (2017: an unrealised gain of HK$5,000,000), has been recognised in profit or loss.

10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE FINANCIAL ASSET

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 financial asset at FVTPL upon application of HKFRS 9 on 1 April 2018 and are measured at fair value on a recurring basis at the end of each reporting period. Prior to 1 April 2018, the investment in the Sub-Fund are classified as available-for-sale financial asset. As at 30 September 2018, the fair value of the investments in the Sub-Fund of approximately HK$12,834,000 (31 March 2018: HK$13,264,000) is determined by reference to the quoted price provided by the issuing financial institution (Level 2 measurement).

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**2,569**	–
Less: Allowance for doubtful debts	**(8)**	–
	2,561	–
Deposits and prepayments	**3,564**	683
Value-added tax recoverable	**14,617**	19,202
	20,742	19,885

The Group allows a credit period normally ranging from cash on delivery to 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the date of invoice at the end of each reporting period.

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade debtors aged:		
0 – 60 days	**2,561**	–

12. LOAN AND INTEREST RECEIVABLES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Fixed-rate loan receivables	**12,000**	12,000
Loan interest receivables	**80**	80
	12,080	12,080
Less: allowance for doubtful debts	**(259)**	–
	11,821	12,080

The borrowers are private companies incorporated in Hong Kong and independent to the Group. The loans are repayable within one year from the end of the reporting period, secured by personal guarantees from shareholders of the borrowers and carry interest at the fixed rate of 10% per annum. The interests are repayable monthly or quarterly.

13. OTHER PAYABLES AND ACCRUED CHARGES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Trade payables	**752**	563
Other taxes payable	**226**	12,487
Accrued charges	**2,685**	3,877
Prepaid rental income	**109**	172
Receipt in advance	**–**	436
Other payables	**–**	1
	3,772	17,536

14. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	20,000,000	2,000,000
Issued and fully paid:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	499,277	49,928

15. PLEDGE OF ASSETS

At 30 September 2018, investment properties with an aggregate carrying amount of HK$98,500,000 were pledged to a bank to secure credit facilities granted to the Group (31 March 2018: HK$98,500,000). As at 30 September 2018, the Group has available unutilised banking facilities of HK$48,700,000 (31 March 2018: HK$48,700,000).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Leasing of Properties

During the six months ended 30 September 2018, the Group recorded rental income of approximately HK$16.0 million (2017: HK$1.9 million) from the leasing of properties located in Hong Kong and the PRC. Taking into consideration of the tenancy agreements entered in the second half of the financial year ended 31 March 2018, the revenue from the leasing of properties is expected to increase for the financial year ending 31 March 2019. The Group continues to seek to optimise its investment properties portfolio in both Hong Kong and the PRC.

Production and Sale of Digital Chinese Calligraphy Education Equipment

In December 2017, the Group formed Shandong Qihua Education Technology Co., Ltd. (山東啟華教育科技有限公司) to engage in the production and sale of digital Chinese calligraphy education equipment and relevant learning and tutorial systems. For the six months ended 30 September 2018, the revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to HK$11.5 million (2017: Nil).

Loan Financing

During the six months ended 30 September 2018, the Group's loan financing segment managed to contribute a stable return and recorded a revenue of approximately HK$0.6 million (2017: HK$0.05 million). The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential.

Looking ahead, the Group has confidence in the prospect of its calligraphy related products. The Group will continue to identify and pursue profitable investment opportunities to expand its sources of revenue and enhance its business prospects. The Company is committed to maximising shareholders' wealth.

FINANCIAL REVIEW

Revenue and Results

For the six months ended 30 September 2018, the Group recorded a revenue of approximately HK$28.1 million (2017: HK$2.0 million). The significant increase was mainly attributable to (i) the increase in revenue from the leasing of properties in the PRC as we entered into several tenancy agreements in the second half in the financial year ending 31 March 2018; and (ii) the positive contribution from the production and sale of digital Chinese calligraphy education equipment segment, which commenced operation in March 2018.

Cost of inventories sold for the six months ended 30 September 2018 was approximately HK$6.9 million (2017: Nil).

Employee benefit expenses for the six months ended 30 September 2018 was approximately HK$2.6 million (2017: 0.6 million), representing an increase of HK$2.0 million. The increase was mainly attributable to the workforce employed for the business segment of production and sale of digital Chinese calligraphy education equipment and the leasing of properties in the PRC.

Exchange gains arising on translation of foreign operations changes was approximately HK$3.8 million for the six months ended 30 September 2018 mainly due to depreciation of RMB against US dollars and Hong Kong dollars.

Other operating expenses for the six months ended 30 September 2018 were approximately HK$8.0 million (2017: HK$2.2 million), representing an increase of HK$5.8 million as compared to the six months ended 30 September 2017. The increase was mainly attributable to the increase in indirect taxes arising from the leasing of the properties in the PRC and the general expenses arising from the production and sale of digital Chinese calligraphy education equipment segment, which included expenses for hosting several exhibitions to build brand awareness, provide product experience and attract potential customers.

Finance costs for the period under review were approximately HK$10.6 million (2017: Nil). The significant increase was mainly due to the increase of the interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company.

For the six months ended 30 September 2018, the profit for the period attributable to owners of the Company was approximately HK$1.9 million (2017: HK$3.9 million) and the earnings per share was 0.38 HK cents (2017: 0.79 HK cents). The favourable impact from the increase in revenue, other income and fair value gain on investment properties was partially offset by (i) the increase in interest expenses payable to an intermediate holding company and the ultimate holding company; and (ii) the increase in income tax and deferred tax.

MATERIAL TRANSACTIONS

Provision of Loan

On 29 August 2017, Classic Charter Limited ("Classic Charter"), an indirect wholly-owned subsidiary of the Company as a lender, entered into a loan agreement (the "First Loan Agreement") with a company incorporated in Hong Kong with limited liability as the borrower (the "First Borrower"), an independent third party, and an individual as the guarantor (the "First Guarantor"), a director and a shareholder holding 60% of the issued shares of the First Borrower, an independent third party. Pursuant to the First Loan Agreement, Classic Charter agreed to grant to the First Borrower a loan in the principal amount of HK$6.0 million (the "First Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown. The First Guarantor provided a personal guarantee against the First Loan in respect of, among others, all sums due and payable to Classic Charter under the First Loan Agreement.

On 31 August 2018, Classic Charter, the First Borrower and the First Guarantor entered into a supplemental loan agreement to the First Loan Agreement (the "First Supplemental Loan Agreement") to extend the repayment date of the First Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier.

Details of the First Loan Agreement and the First Supplemental Loan Agreement were set out in the announcements of the Company dated 29 August 2017 and 31 August 2018, respectively.

EVENTS AFTER THE REPORTING PERIOD

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 holding approximately 60% of the issued shares of the Second Borrower, an independent third party, pursuant to which Classic Charter agreed to grant to the Second Borrower a loan in the principal amount of HK$6.0 million (the "Second Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown. The Second Guarantor provided a personal guarantee against the Second Loan, among others, all sums due and payable to the Classic Charter under the Second Loan Agreement.

On 12 November 2018, Classic Charter, the Second Borrower and the Second Guarantor entered into a supplemental loan agreement to the Second Loan Agreement (the "Second Supplemental Loan Agreement") to extend the repayment date of the Second Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier.

Details of the Second Loan Agreement and the Second Supplemental Loan Agreement were set out in the announcements of the Company dated 10 November 2017 and 12 November 2018, respectively.

Liquidity and financial review

As at 30 September 2018, the total assets of the Group amounted to approximately HK$746.4 million (31 March 2018: HK$792.8 million), whereas total liabilities of the Group amounted to approximately HK$458.7 million (31 March 2018: HK$498.5 million).

Accordingly, the net assets of the Group as at 30 September 2018 was HK$287.7 million (31 March 2018: HK$294.2 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 61.5% as at 30 September 2018 (31 March 2018: 62.9%). It is believed that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Capital Structure

The number of issued ordinary shares of the Company as at 30 September 2018 and 31 March 2018 was 499,276,680 shares.

Pledge of Assets

As at 30 September 2018, the Group pledged certain of its investment properties with market value of HK$98.5 million (31 March 2018: HK$98.5 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 30 September 2018, the Group has unutilised banking facilities of HK$48.7 million (31 March 2018: HK$48.7 million).

Foreign Exchange Exposure

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, RMB and United States dollars. During the period under review, RMB devalued against Hong Kong dollars and United States dollars. The Group recorded foreign exchange gain in relation to its cash and cash equivalent of HK$3.8 million. The Group did not have any hedging arrangement on foreign exchange but the Group continues to closely monitor its foreign exchange exposure in RMB.

Contingent liabilities

As at 30 September 2018 and 31 March 2018, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 September 2018, the Group did not have any material capital commitment (31 March 2018: approximately HK$378 million for the acquisition of an investment property).

Employees

As at 30 September 2018, the Group had 69 staff. Employees and Directors are remunerated based on their performance and experience, current industry practices and prevailing market conditions and in accordance with the 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 in identifying and developing the best practices. The Company has applied the principles and the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the deviations set out below.

Code provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular board meeting to give all directors an opportunity to include matters in the agenda. During the six months ended 30 September 2018, one of the Board meetings was convened with less than 14 days' notice in order to facilitate timely decision making in respect of certain internal affairs and commercial transaction of the Group. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision E.1.2 of the CG Code stipulates that 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 7 September 2018 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.

UPDATED INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors since the date of the Company's 2018 Annual Report are set out below:

Name of Directors	Details of change
Mr. Yuan Zhi	• Entitled to performance bonus for the year ending 31 March 2019 with effect from 1 April 2018.
Mr. Li Shaoran	• Appointed as the non-executive Director of the Company on 22 June 2018. • Entitled to Director's remuneration of HK$200,000 for the year ending 31 March 2019 with effect from 7 September 2018.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 2018.

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 2018. The Audit Committee meets 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
Xing Luzheng
Executive Director and Chairman

Hong Kong, 26 November 2018

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; 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 purpose only*