QINGDAO HOLDINGS INTERNATIONAL LIMITED
青島控股國際有限公司*

(Incorporated in Bermuda with limited litability)

(Stock Code: 00499)

RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Qingdao Holdings International Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2019, together with the comparative figures for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine months ended 31 December 2019

	NOTES	**Nine months ended 31 December 2019** ***HK$'000***	Year ended 31 March 2019 *HK$'000*
Revenue			
– Goods		**21,193**	23,586
– Rental		**23,736**	31,152
– Interest		**895**	1,200
Total revenue	5	**45,824**	55,938
Finished goods purchased		**(10,702)**	(28,998)
Change in inventories of finished goods		**(848)**	15,411
Increase in fair value of investment properties		**10,963**	1,698
Other income and gains	5	**6,177**	13,352
Impairment losses on financial assets, net		**(96)**	(71)
Employee benefit expenses		**(5,893)**	(6,896)
Other operating expenses		**(15,300)**	(17,991)
Finance costs	6	**(15,562)**	(20,124)

* *For identification purposes only*

	NOTES	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Profit before tax	7	**14,563**	12,319
Income tax expense	8	**(1,776)**	(1,845)
Profit for the period/year		**12,787**	10,474
Attributable to:			
Owners of the parent		**12,929**	9,535
Non-controlling interests		**(142)**	939
		12,787	10,474
Earnings per share attributable to ordinary equity holders of the parent:	10		
– Basic *(HK cents)*		**2.59**	1.91
– Diluted *(HK cents)*		**2.59**	1.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2019

	Nine months ended 31 December 2019	Year ended 31 March 2019
	HK$'000	*HK$'000*
Other comprehensive (loss)/income		
Item that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements from functional currency to presentation currency	**(15,599)**	(21,845)
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**5,942**	6,475
Other comprehensive loss for the period/year	**(9,657)**	(15,370)
Total comprehensive income/(loss) for the period/year	**3,130**	(4,896)
Attributable to:		
Owners of the parent	**5,200**	(3,007)
Non-controlling interests	**(2,070)**	(1,889)
	3,130	(4,896)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	NOTES	**31 December 2019** *HK$'000*	31 March 2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**23,499**	24,688
Investment properties		**538,656**	546,479
Right-of-use assets		**1,278**	–
Goodwill		**5,789**	6,058
Intangible assets		**22,089**	25,239
Financial asset at fair value through profit or loss	11	**13,102**	13,122
Deferred tax assets		**3,396**	3,530
Total non-current assets		**607,809**	619,116
Current assets			
Inventories		**14,799**	15,647
Trade and other receivables	12	**29,503**	20,790
Loan and interest receivables	13	**9,043**	11,821
Other financial assets		**11,111**	–
Cash and cash equivalents		**72,765**	71,375
		137,221	119,633
Assets of a disposal group classified as held for sale		**–**	4,003
Total current assets		**137,221**	123,636
Current liabilities			
Trade and other payables	14	**9,030**	5,017
Contract liabilities		**4,614**	162
Rental deposits from tenants		**503**	219
Interest-bearing bank and other borrowings		**50,579**	–
Amount due to the ultimate holding company		**–**	4,169
Amount due to an intermediate holding company		**–**	276
Income tax payable		**61**	154
Total current liabilities		**64,787**	9,997

	31 December 2019 HK$'000	31 March 2019 HK$'000
Net current assets	**72,434**	113,639
Total assets less current liabilities	**680,243**	732,755
Non-current liabilities		
Rental deposits from tenants	**294**	819
Interest-bearing bank and other borrowings	**254**	–
Loan from the ultimate holding company	**382,222**	400,000
Loan from an intermediate holding company	**–**	39,150
Deferred tax liabilities	**5,269**	3,712
Total non-current liabilities	**388,039**	443,681
Net assets	**292,204**	289,074
Equity		
Equity attributable to owners of the parent		
Share capital	**49,928**	49,928
Reserves	**208,530**	203,330
	258,458	253,258
Non-controlling interests	**33,746**	35,816
	292,204	289,074

1. CORPORATE AND GROUP INFORMATION

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Unit 8, 26th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company's immediate holding company is China Qingdao International (Holdings) Company Limited, an indirect wholly-owned subsidiary of 青島城市建設投資(集團)有限責任公司 (Qingdao City Construction Investment (Group) Limited*), which is a state-owned enterprise controlled by Qingdao Municipal Government of the People's Republic of China.

During the period, the Group was involved in the following principal activities:

(a) Leasing of properties: this segment mainly leases residential, industrial and commercial premises to generate rental income;

(b) Production and sale of education equipment: this segment is engaged in the research and development, production and sale of digital Chinese calligraphy education equipment together with relevant learning and tutorial systems; and

(c) Loan financing: this segment provides loan financing services to individuals or corporate customers. The Group possesses a money lender licence and its money lending business is mainly carried out in Hong Kong.

* *The English name is for identification only*

Change of financial year end date

Pursuant to a resolution of the Board dated 6 December 2019, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial year of 2019 in order to in line with the financial year end date of its major subsidiaries. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of nine months from 1 April 2019 to 31 December 2019. The comparative figures presented for the consolidated statement of profit or loss, consolidated statement of comprehensive income, and related notes cover the figures of the financial year from 1 April 2018 to 31 March 2019 which may not be comparable with the amounts shown for the current period.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for year ended 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application, when applying HKFRS 16 at 1 April 2019.

Financial impact at 1 April 2019

Accordingly, the Group recognised right-of-use assets of HK$2,098,000 and lease liabilities of HK$1,972,000 as at 1 April 2019. Prepaid rental of HK$126,000 was derecognised, resulting in a decrease in trade and other receivables, as at 1 April 2019.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	2,433
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(306)
	2,127
Weighted average incremental borrowing rate as at 1 April 2019	4.75%
Discounted operating lease commitments as at 1 April 2019	1,972
Lease liabilities as at 1 April 2019	1,972

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. There is no significant impact on the Group's financial statements upon adoption of the interpretation.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) Leasing of properties: this segment mainly leases residential, industrial and commercial premises to generate rental income.

(b) Production and sale of education equipment: this segment is engaged in the research and development, production and sale of education equipment together with relevant learning and tutorial systems.

(c) Loan financing: this segment provides loan financing services to individuals or corporate customers. The Group possesses a money lender licence and its money lending business is mainly carried out in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that fair value changes of investment properties, certain other income and gains, certain employee benefit expenses, finance costs as well as certain other operating expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, a financial asset at fair value through profit or loss, other financial assets, tax recoverable, certain property, plant and equipment, certain other receivables of the corporate office and assets classified as held for sale.

Segment liabilities exclude certain other payables and accrued charges of the corporate offices as these liabilities are managed on a group basis.

Segment revenue and results

For the nine months ended 31 December 2019

	Segment revenue *HK$'000*	Segment results *HK$'000*
Leasing of properties	**23,736**	**20,343**
Production and sale of education equipment	**21,193**	**(107)**
Loan financing	**895**	**828**
Segment total	**45,824**	**21,064**
Increase in fair value of investment properties		**10,963**
Unallocated income and gains		**1,018**
Unallocated expenses		**(18,482)**
Profit before tax		**14,563**

For the year ended 31 March 2019

	Segment revenue *HK$'000*	Segment results *HK$'000*
Leasing of properties	31,152	25,986
Production and sale of education equipment	23,586	(1,011)
Loan financing	1,200	1,085
Segment total	55,938	26,060
Increase in fair value of investment properties		1,698
Unallocated income		2,141
Unallocated expenses		(17,580)
Profit before tax		12,319

Segment assets and liabilities

	Segment assets		**Segment liabilities**	
	31 December 2019 ***HK$'000***	31 March 2019 *HK$'000*	**31 December 2019** ***HK$'000***	31 March 2019 *HK$'000*
Leasing of properties	**551,216**	560,023	**389,624**	410,492
Production and sale of education equipment	**52,811**	55,483	**49,166**	40,962
Loan financing	**9,043**	12,080	**–**	100
Segment total	**613,070**	627,586	**438,790**	451,554
Unallocated:				
Cash and cash equivalents	**72,765**	71,375	**–**	–
Others	**59,195**	43,791	**14,036**	2,124
Total	**745,030**	742,752	**452,826**	453,678

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Revenue from contracts with customers		
Sale of education equipment	**21,193**	23,586
Revenue from other sources		
Gross rental income from investment property operating leases with fixed payments	**23,736**	31,152
Loan financing	**895**	1,200
	45,824	55,938

The performance obligation of sale of education equipment is satisfied upon delivery of goods and payment in advance is generally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint. As at 31 December 2019 and 31 March 2019, the variable consideration was assessed to be minimal.

An analysis of other income and gains is as follows:

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Other income		
Bank interest income	**298**	695
Investment income from a financial asset at fair value through profit or loss	**551**	733
Investment income from other financial assets	**121**	–
Government grant *(Note)*	**–**	366
Others	**–**	347
	970	2,141

Note: The amount of the government grant represents the incentive subsidies received from the local district authorities in the PRC for business activities carried out by the Group in the district. There are no unfulfilled conditions related to the grants.

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Gains, net		
Net foreign exchange gain	**5,159**	11,402
Gain (Loss) from change in fair value of a financial asset at fair value through profit or loss	**48**	(191)
	5,207	11,211

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Interest expenses on:		
Loan from the ultimate holding company	**14,184**	18,419
Loan from an intermediate holding company	**542**	1,703
Bank loan Interest	**794**	–
Lease liabilities	**42**	–
Others	**–**	2
	15,562	20,124

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**Nine months ended 31 December 2019** *HK$'000*	Year ended 31 March 2019 *HK$'000*
Auditor's remuneration		**1,780**	2,100
Research and development expenses*		**1,934**	1,438
Depreciation of property, plant and equipment		**1,251**	1,595
Depreciation of right-of-use assets		**744**	–
Amortisation of intangible assets		**2,075**	2,831
Impairment losses on financial assets, net	12, 13	**96**	71
Investment income from a financial asset at fair value through profit or loss		**551**	733
Investment income from other financial assets		**121**	–
Government grant		**–**	366
Net foreign exchange gain		**5,159**	11,402
Gain (Loss) from change in fair value of a financial asset at fair value through profit or loss		**48**	(191)
Cost of inventories sold		**11,550**	13,587
Directors' fees		**510**	593
Other staff costs:			
– Salaries and other benefits		**5,213**	5,725
– Retirement benefit scheme contributions		**170**	578
Total staff costs		**5,893**	6,896
Gross rental income		**(23,736)**	(31,152)
Less: Direct operating expenses that generated rental income during the period/year		**225**	171
		(23,511)	(30,981)

* The research and development expenses are included in other operating expenses in the consolidated statement of profit or loss.

8. INCOME TAX

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the current period and prior year.

Mainland China

Under the Law of Mainland China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Mainland China subsidiaries was 25% for both the current period and prior year.

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Current tax – Hong Kong		
Charge for the period/year	**35**	2
Under provision in prior years	**–**	463
Current tax – Mainland China		
Charge for the period/year	**–**	750
Under (Over) provision in prior years	**57**	(405)
Deferred	**1,684**	1,035
Total tax charge for the period/year	**1,776**	1,845

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the nine months ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (31 March 2019: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the parent is based on the following data:

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**12,929**	9,535

	Number of shares	
	Nine months ended 31 December 2019	Year ended 31 March 2019
Number of shares		
Weighted average number of ordinary shares in issue during the period/year	**499,276,680**	499,276,680

	Nine months ended 31 December 2019	Year ended 31 March 2019
Earnings per shares		
Basic and diluted earnings per share attributable to ordinary equity holders of the parent	**HK2.59 cents**	HK1.91 cents

The Company had no potentially dilutive ordinary shares in issue for both the current period and prior year.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
Unlisted investment, at fair value	**13,102**	13,122

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 (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 a fund (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 equal 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.

As at 31 December 2019, the fair value of the investment in the sub-fund of HK$13,102,000 (31 March 2019: HK$13,122,000) is determined by reference to the quoted price provided by the issuing financial institution (level 2 measurement).

12. TRADE AND OTHER RECEIVABLES

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
Trade receivables	**1,923**	1,928
Less: Allowance for credit losses	**(228)**	(71)
	1,695	1,857
Deposits, prepayments and other receivables	**3,932**	5,456
Cash in transit	**11,380**	–
Value-added tax recoverable	**12,496**	13,477
	29,503	20,790

According to the Group's trading terms with its customers, payment in advance is normally required, except for certain customers, where credit period is allowed. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Deposits, prepayments and other receivables mainly represent prepayments and the deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected losses for the deposits, prepayment and other receivables are immaterial to the Group. The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

Cash in transit represent the Company's capital injection to the newly established subsidiary. On 31 December 2019, it was still subject to the approval of State Administration of Foreign Exchange, and the subsidiary has not yet received the payment. The subsidiary received the payment on 2 January 2020.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2019	31 March 2019
	HK$'000	*HK$'000*
Within 1 month	**1,204**	–
1 to 2 months	**–**	367
2 to 3 months	**93**	–
Over 3 months	**398**	1,490
	1,695	1,857

13. LOAN AND INTEREST RECEIVABLES

	31 December 2019	31 March 2019
	HK$'000	*HK$'000*
Loan	**9,000**	12,000
Interest receivables	**241**	80
	9,241	12,080
Less: Allowance for credit losses	**(198)**	(259)
	9,043	11,821

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 interest is repayable monthly or quarterly. The management of the Group reviews the recoverable amounts of its loan and interest receivables by assessing the borrowers' financial position.

The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current condition as appropriate. The loss rate applied at 31 December 2019 was 2.1% (31 March 2019: 2.1%)

14. TRADE AND OTHER PAYABLES

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
Trade payables	**1,119**	837
Other payables	**790**	2
Other taxes payable	**1,191**	969
Accrued charges	**5,772**	2,977
Receipt in advance	**158**	232
	9,030	5,017

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
Within 1 month	**392**	490
1 to 2 months	**726**	97
2 to 3 months	**–**	31
Over 3 months	**1**	219
	1,119	837

The trade and other payables are non-interest-bearing.

15. PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged certain of its investment properties with market value of HK$163,100,000 (31 March 2019: HK$96,203,000) to a bank in Hong Kong to obtain mortgage bank loans in Hong Kong of approximately HK$49,573,000 (31 March 2019: the Group had unutilised banking facilities of HK$57,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL YEAR END DATE

On 6 December 2019, the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December of each year. Therefore, the current financial period end date is 31 December 2019 and the final results of the Group contained in the consolidated financial statements covers the nine months period from 1 April 2019 to 31 December 2019 (the "Reporting Period"). The results for the twelve months period from 1 April 2018 to 31 March 2019 (the "Previous Period") are used as comparative figures.

BUSINESS REVIEW

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

Leasing of Investment Properties

During the Reporting Period, the rental income from investment properties located in Hong Kong and the PRC amounted to approximately HK$23.7 million (Previous Period: HK$31.2 million, representing a decrease of HK$7.5 million), which accounted for 51.7% of the Group's total revenue.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the Reporting Period, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to HK$21.2 million (Previous Period: HK$23.6 million), which accounted for 46.2% of the Group's total revenue.

The Group has a solid foundation in this business segment as it has invested substantial capital for the research and development as well as the innovation of digital Chinese calligraphy education equipment. The Group expects that more personalised products will be launched, although the launch timetable may be postponed due to the coronavirus disease 2019 ("COVID-19") outbreak.

Loan Financing

During the Reporting Period, the Group's loan financing segment managed to contribute a consistent return and recorded a revenue of approximately HK$0.9 million (Previous Period: HK$1.2 million), which accounted for 2.1% of the Group's total revenue.

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. The Group will continue to develop this business by employing prudent credit control procedures and strategies to maintain a balance between the business growth and the risk management.

FINANCIAL REVIEW

Revenue and Results

During the Reporting Period, the Group recorded a revenue of approximately HK$45.8 million (Previous Period: HK$55.9 million). The Group recorded a profit attributable to the equity holders of the parent in the amount of approximately HK$12.9 million (Previous Period: HK$9.5 million) for the Reporting Period. Earnings per share was 2.59 HK cents (Previous Period: 1.91 HK cents) for the Reporting Period.

Cost of inventories sold for the Reporting Period was approximately HK$11.6 million (Previous Period: HK$13.6 million).

Employee benefit expenses for the Reporting Period were approximately HK$5.9 million (Previous Period: HK$6.9 million), representing a decrease of approximately HK$1.0 million. Other operating expenses for the Reporting Period were approximately HK$15.3 million (Previous Period: HK$18.0 million), representing a decrease of approximately HK$2.7 million.

Other income and gains for the Reporting Period was approximately HK$6.2 million (Previous Period: HK$13.4 million), representing a decrease of approximately HK$7.2 million. The other income and gains mainly represented the exchange gains arising from the translation of monetary items denominated in foreign currencies other than the functional currencies of the respective Group entities, which were approximately HK$5.2 million for the Reporting Period (Previous Period: HK$11.4 million). Such unrealised gain was mainly due to the depreciation of RMB against US dollars and Hong Kong dollars.

Finance costs for the Reporting Period were approximately HK$15.6 million (Previous Period: HK$20.1 million), representing a decrease of HK$4.5 million. Finance costs included interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company and interest payable for the secured loan provided by a bank.

Income tax expense for the Reporting Period was approximately HK$1.8 million (Previous Period: HK$1.8 million). The increase in the deferred tax provided for the investment properties was offset by the decrease of current tax provided.

Segmental Information

An analysis of the Group's performance for the Reporting Period by business segment is set out in note 4 to the consolidated financial statements of this announcement.

Dividends

The Board does not recommend the payment of any dividends for the Reporting Period (Previous Period: nil).

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of approximately HK$745.0 million (31 March 2019: HK$742.8 million), whereas total liabilities of the Group amounted to approximately HK$452.8 million (31 March 2019: HK$453.7 million).

Accordingly, the net assets of the Group as at 31 December 2019 was HK$292.2 million (31 March 2019: HK$289.1 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 60.8% as at 31 December 2019 (31 March 2019: 61.1%). 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 31 December 2019 and 31 March 2019 remained the same at 499,276,680.

Pledge of Assets

As at 31 December 2019, the Group pledged certain of its investment properties with a market value of HK$163.1 million (31 March 2019: HK$96.2 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 31 December 2019, the Group had unutilised banking facilities of HK$60.0 million (31 March 2019: the Group had unutilised banking facilities of HK$57.0 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 Reporting Period, RMB devalued against Hong Kong dollars and United States dollars. The Group does not have any hedging arrangement on foreign exchange but will continue to closely monitor its foreign exchange exposure in RMB.

Contingent Liabilities and Capital Commitments

As at 31 December 2019, the Group did not have any material contingent liabilities or capital commitments.

MATERIAL TRANSACTION

On 15 November 2019, Qingdao Holdings (Hong Kong) Limited ("Qingdao (HK)"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("China Nuclear Industry") and China Huadong Construction and Engineering Group Limited (中國華東建設工程集團有限公司) ("China Huadong") in relation to the formation of a joint venture company (the "Joint Venture Company"). The Joint Venture Company will engage in the operation of various businesses in the PRC, which include but are not limited to 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).

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 enterprise under direct management of the central government.

The ultimate beneficial owner of China Huadong is Mr. Ding Jun ("Mr. Ding"). Mr. Ding is an entrepreneur with extensive experience in building construction and public facilities industry in the PRC.

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 owners are third parties independent of the Company and its connected persons.

The entering into of the Joint Venture Agreement constituted a discloseable transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of which were set out in the announcements of the Company dated 15 November 2019 and 26 November 2019.

OUTLOOK

2020 is a year of both challenges and opportunities for the Group. The stability of economic and trading environment of Hong Kong and the PRC may continue to be, in different extent, challenged by the US-China trade tension, COVID-19 outbreak and social unrest in Hong Kong. The Group believes the unfortunate extraordinary events, when they ultimately stabilise, will not have a significant impact on the Group's operation in the long term.

Looking ahead, the Group will seek to overcome all these challenges and endeavour its best to achieve stable and promising results with concerted efforts from all of its staff and full support from its ultimate controlling shareholder, Qingdao City Construction Investment (Group) Limited. The Group will continue to promote the long term sustainable development of its business, with an aim to bring a stable return to its shareholders and maximise shareholders' value.

Leasing of Properties

In the first quarter of 2020, the leasing market in Hong Kong is affected by the COVID-19 outbreak. The management expects the disruption caused by the COVID-19 outbreak is temporary but might be significant. The speed of recovery and the extent of any long-term impact on the leasing market remain uncertain as it will depend on the duration and severity of the COVID-19 outbreak and associated containment measures. The management however considers that the COVID-19 outbreak may not have material impact on the Qingdao property market since the current outbreak in Qingdao is not significant and the Group's tenants are generally not small or medium size enterprises. In the meantime, the management will closely monitor the Hong Kong leasing market.

Digital Chinese Calligraphy Education Equipment

The business in the research and development, production and sales of digital Chinese calligraphy education equipment also recorded stable growth in 2019. The sales team of the Group has put its efforts in promoting the products in different major provinces in the PRC.

However, due to the COVID-19 outbreak, classes at schools in a number of provinces and municipalities in the PRC have been suspended and additional precautionary measures implemented by the PRC government to safeguard the health of students. As such, the COVID-19 outbreak has certain impact on the scheduled works for installing digital Chinese calligraphy education equipment in classrooms according to schools' and colleges' purchase orders. Sales promotions for this business segment have also been inevitably affected by the COVID-19 outbreak as schools are the Group's major customers. Meanwhile, the launch timetable of personalised calligraphy education related products may be affected by the outbreak of COVID-19.

Since Chinese calligraphy training has been made compulsory for students in primary and secondary schools across the PRC, the Group remains optimistic about the prospects of its Chinese calligraphy education related products in the long term, although this business segment might experience a difficult time in the short term because of the COVID-19 outbreak. The management is closely monitoring the development of the situation.

The Group strives to the preservation of traditional arts and calligraphy. Meanwhile, in the course of brand building, the Group is aware of the intensifying market competition and importance of innovation and the customer experience.

Committed to delivering the highest standard products to all customers, the Group will continue to put in more resources for developing this business segment further by advancing the software of the products, allocating adequate funds in product research and development, modifying products and enhancing the quality, function and customer experience of the existing products. As the target market is in the PRC, the Group expects that this segment will not be affected by the US-China trade friction, other external uncertainties and fluctuations in the financial markets.

Joint Venture Business

The establishment of the Joint Venture Company in the Reporting Period symbolises an important step of the Group to expand its future revenue base and capture 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 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 and to create a new stream of revenue for the Group through cooperation opportunities. The Group will further update its shareholders of any further significant development of the Joint Venture Company in terms of its business and financial performance as and when appropriate.

HUMAN RESOURCES

The Group aims to provide employees a stimulating and harmonious working environment. The Group also encourages life-long learning and offer trainings to its employees to enhance their performance and provide support to their personal development. As at 31 December 2019, the Group employed a total of 58 full time employees (31 March 2019: 63). 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, the 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 of the Company and devotes efforts to identify and formalise 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 deviation set out below.

Under the code provision A.1.1 of the CG Code, the Board should meet regularly and the board meetings should be held at least four times a year at approximately quarterly intervals. During the nine months ended 31 December 2019, the Board held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

MODEL CODE FOR 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 of 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 nine months ended 31 December 2019.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

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 shares listed on the Stock Exchange during the nine months ended 31 December 2019.

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 annual results. 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 results for the nine months ended 31 December 2019 have been reviewed by the Audit Committee with the management of the Company.

AUDITOR AND SCOPE OF WORK OF MESSRS. ERNST & YOUNG

Messrs. Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Company with effect from 19 November 2019. Messrs. Ernst & Young ("EY") was appointed as the new auditor of the Company with effect from 26 November 2019 to fill the vacancy occasioned by the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcements of the Company dated 19 November 2019 and 26 November 2019.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the nine months ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, EY, to the amounts set out in the Group's consolidated financial statements for the Reporting Period. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this preliminary announcement.

EVENT AFTER THE REPORTING PERIOD

There is no event after the Reporting Period which would have a material impact on the Company's financial position.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

The annual report of the Company for the nine months ended 31 December 2019 will be published on the websites of the Company (http://www.qingdaohi.com) and The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) in due course.

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

Hong Kong, 26 March 2020

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*