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 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") 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 June 2023 together with the comparative figures for the six months ended 30 June 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

	Notes	**2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
REVENUE			
– Goods		**5,440**	6,614
– Rental		**5,035**	13,773
Total revenue	*4*	**10,475**	20,387
Cost of Inventory		**(4,240)**	(4,132)
Decrease in fair value of investment properties		**(24,271)**	(1,497)
Other income	*4*	**1,293**	13,916
Other gains and losses	*4*	**138**	2,588
Impairment loss on financial assets, net		**–**	(1,369)
Employee benefits expenses		**(6,968)**	(7,316)
Other operating expenses		**(9,476)**	(8,144)
Finance costs	*5*	**(13,297)**	(11,773)
Share of losses of joint ventures		**(2,817)**	(817)

	Notes	**2023** **RMB'000** **(Unaudited)**	2022 *RMB'000* (Unaudited)
(LOSS)/PROFIT BEFORE TAX	*6*	**(49,163)**	1,843
Income tax credit/(expense)	*7*	**5,854**	(1,532)
(LOSS)/PROFIT FOR THE PERIOD		**(43,309)**	311
Attributable to:			
Owners of the parent		**(37,775)**	3,120
Non-controlling interests		**(5,534)**	(2,809)
		(43,309)	311
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic (RMB cents), profit for the period		**(3.78)**	0.31
– Diluted (RMB cents), profit for the period		**(3.78)**	0.31

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(43,309)**	311
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7,255**	8,103
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**7,255**	8,103
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(36,054)**	8,414
Attributable to:		
Owners of the Company	**(30,520)**	11,223
Non-controlling interests	**(5,534)**	(2,809)
	(36,054)	8,414

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	**30 June 2023 *RMB'000* (Unaudited)**	31 December 2022 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**43,291**	43,904
Investment properties	*10*	**440,995**	460,875
Right-of-use assets		**403**	812
Goodwill		**1,970**	1,970
Other intangible assets		**11,583**	12,578
Investments in joint ventures		**1,100**	3,918
Deferred tax assets		**7,833**	5,058
Total non-current asset		**507,175**	529,115
CURRENT ASSETS			
Inventories	*11*	**313,198**	228,920
Trade and other receivables	*12*	**10,836**	12,351
Amounts due from joint ventures	*17*	**158,215**	154,912
Financial assets at fair value through profit or loss		**2,202**	2,133
Cash and cash equivalents	*13*	**155,103**	173,011
Total current assets		**639,554**	571,327
CURRENT LIABILITIES			
Trade and other payables	*14*	**274,169**	187,707
Contract liabilities		**359**	1,271
Interest-bearing bank borrowings		**42,797**	42,361
Amount due to ultimate holding company		**115,100**	115,100
Income tax payable		**286**	140
Total current liabilities		**432,710**	346,579
NET CURRENT ASSETS		**206,844**	224,748
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,019**	753,863

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Rental deposits from tenants		**438**	445
Interest-bearing bank and other borrowings		**6,492**	7,095
Loan from the ultimate holding company		**344,000**	344,000
Deferred tax liabilities		**748**	3,928
Total non-current liabilities		**351,678**	355,468
Net assets		**362,341**	398,395
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**81,257**	81,257
Reserves		**226,462**	256,988
		307,719	338,245
Non-controlling interests		**54,622**	60,150
Total equity		**362,341**	398,395

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment revenue and results

For the six months ended 30 June 2023 (Unaudited)

	Segment revenue *RMB'000* (Unaudited)	Segment results *RMB'000* (Unaudited)
Leasing of properties	**5,035**	**1,647**
Production and sale of education equipment	**5,440**	**(6,437)**
Consulting service	**–**	**(4,632)**
Loan financing	**–**	**(22)**
Real estate development	**–**	**(9)**
Segment total	**10,475**	**(9,453)**
Decrease in fair value of investment properties		**(24,271)**
Unallocated income		**1,222**
Unallocated expenses		**(16,661)**
Loss before tax		**(49,163)**

For the six months ended 30 June 2022 (Unaudited)

	Segment revenue *RMB'000* (Unaudited)	Segment results *RMB'000* (Unaudited)
Leasing of properties	13,773	9,618
Production and sale of education equipment	6,614	(5,636)
Consulting service	–	(1,762)
Loan financing	–	(14)
Real estate development	–	(2)
Segment total	20,387	2,204
Increase in fair value of investment properties		(1,497)
Unallocated income		13,658
Unallocated expenses		(12,522)
Profit before tax		1,843

Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Leasing of properties	**601,269**	617,150	**467,709**	463,968
Production and sale of education equipment	**67,236**	69,655	**9,808**	13,370
Consulting service	**10,590**	10,326	**9,534**	10,704
Loan financing	**–**	–	**14**	27
Real estate development	**295,968**	213,550	**257,500**	175,091
Segment total	**975,063**	910,681	**744,565**	663,160
Unallocated:				
Cash and cash equivalents	**155,103**	173,011	**–**	–
Others	**16,563**	16,750	**39,823**	38,887
Total	**1,146,729**	1,100,442	**784,388**	702,047

Geographical information

(a) Revenue from external customers

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**9,112**	18,771
Hong Kong	**1,363**	1,616
	10,475	20,387

(b) ***Non-current assets***

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Mainland China	**345,853**	369,646
Hong Kong	**153,489**	154,411
	499,342	524,057

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

Revenue

An analysis of revenue from contracts with customers is as follows:

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of education equipment	**5,440**	6,614
Revenue from other sources		
Gross rental income from investment property operating leases with fixed payments	**5,035**	13,773
	10,475	20,387

Revenue from contracts with customers

(a) Disaggregated revenue information

For the period ended 30 June 2023

Segments	**Sale of education equipment** *RMB'000*
Geographical markets	
Mainland China	**5,440**
Timing of revenue recognition	
Goods transferred at a point in time	**5,440**

For the period ended 30 June 2022

Segments	Sale of education equipment *RMB'000*
Geographical markets	
Mainland China	6,614
Timing of revenue recognition	
Goods transferred at a point in time	6,614

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the period ended 30 June 2023

Segments	**Sale of education equipment** *RMB'000*
Revenue from contracts with customers	
External customers	**5,440**

For the period ended 30 June 2022

Segments	Sale of education equipment *RMB'000*
Revenue from contracts with customers	
External customers	6,614

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of education equipment

The performance obligation of the 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 30 June 2023 and 30 June 2022, the variable consideration was assessed to be minimal.

Consulting service

The performance obligation of consulting service is satisfied upon winning the bid in accordance with the service contract.

An analysis of other income is as follows:

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**660**	386
Investment income from financial assets at fair value through profit or loss	**499**	470
Interest from entrusted loans	**–**	12,555
Government grant	**117**	411
Others	**17**	94
	1,293	13,916

Other gains and losses

An analysis of other gains and losses is as follows:

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**129**	2,772
(Loss)/Gain from change in fair value of financial assets at fair value through profit or loss, net	**9**	(184)
	138	2,588

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Loan from the ultimate holding company	**11,983**	10,793
Bank loans	**1,314**	956
Lease liabilities	**–**	24
	13,297	11,773

6. (LOSS)/PROFIT BEFORE TAX

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

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**1,091**	733
Depreciation of right-of-use assets	**409**	410
Amortisation of intangible assets	**995**	1,218
Impairment loss on financial assets, net	**–**	1,369
Investment income from financial assets at fair value through profit or loss	**(499)**	(470)
Government grant	**(117)**	(411)
Net foreign exchange gain	**(129)**	(2,772)
Loss/(Gain) from change in fair value of financial assets at fair value through profit or loss, net	**(1)**	184
Cost of inventories sold	**4,240**	4,132

7. INCOME TAX EXPENSE

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 six months ended 30 June 2023 and 30 June 2022.

Mainland China

Under the Law of Mainland China on Entity Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate for high-tech enterprises in Mainland China was 15%,and the tax rate for other Mainland China subsidiaries was 25% for the six months ended 30 June 2023 and 30 June 2022.

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong		
Underprovision in prior years	**141**	–
Current tax – Mainland China		
Overprovision in prior years	**–**	(8)
Deferred	**(5,995)**	1,540
Total tax (credit)/charge for the period	**(5,854)**	1,532

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2023 and 30 June 2022, nor has any dividend been proposed since the end of the reporting period (30 June 2022: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(37,775)**	3,120

	For six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period	**998,553,360**	998,553,360

The Company had no potentially dilutive shares in issue for both periods.

10. INVESTMENT PROPERTIES

The investment properties of the Group are located in Hong Kong and Mainland China. The valuations for investment properties have been arrived at on a basis of valuations carried out at the end of the reporting period by Bon Vision International Appraisals Limited (30 June 2022: Asia-Pacific Consulting and Appraisal Limited) by adopting the income capitalisation method.

For the six months ended 30 June 2023, an unrealised loss on investment properties revaluation of RMB24,271,000 (six months ended 30 June 2022: RMB1,497,000) has been recognised in profit or loss.

11. INVENTORIES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**13,596**	12,111
Finished goods	**7,060**	6,897
Properties under development	**292,784**	210,132
Less: impairment loss on inventories	**(242)**	(220)
	313,198	228,920

12. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**7,538**	7,522
Less: Allowance for credit losses	**(1,462)**	(1,462)
	6,076	6,060
Deposits, prepayments and other receivables	**2,295**	3,932
Less: Allowance for credit losses	**(195)**	(195)
	2,100	3,737
Advance payment of income tax	**2,423**	2,423
Value-added tax recoverable	**237**	131
	10,836	12,351

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:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**2,871**	4,738
1 to 2 months	**9**	–
Over 3 months	**3,196**	1,322
	6,076	6,060

13. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**71,436**	173,011
Short term bank deposit	**83,667**	–
	155,103	173,011

14. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**256,903**	176,098
Accrued charges	**4,249**	4,624
Other payables	**12,349**	5,889
Other taxes payable	**667**	1,096
	274,168	187,707

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**652**	174,813
1 to 2 months	**9,183**	1,016
2 to 3 months	**–**	26
Over 3 months	**247,068**	243
	256,903	176,098

15. SHARE CAPITAL

Shares

The number of authorised capital is 20,000,000,000. The par value per share is HK$0.1.

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Issued and fully paid 998,553,360 (2022: 998,553,360) ordinary shares	**81,257**	81,257

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *RMB'000*
At 1 January 2021 (Audited)	499,276,680	39,942
Rights issue *(Note)*	499,276,680	41,315
At 31 December 2021, 1 January 2022, 31 December 2022 and 30 June 2023 (Unaudited)	998,553,360	81,257

Note:

A rights issue of one rights share for every existing share held by members on the register of members on 11 May 2021 was made, at an issue price of approximately RMB0.32 (HK$0.39) per rights share, resulting in the issue of 499,276,680 shares for a total cash consideration, before expenses, of RMB161,539,154.

16. PLEDGE OF ASSETS

(a) As at 30 June 2023, the Group pledged certain of its investment properties with a market value of RMB135,995,000 (31 December 2022: RMB136,675,000) to a bank in Hong Kong to secure banking facility granted to the Group to obtain a mortgage financing from a bank in Hong Kong of approximately RMB41,490,000 (31 December 2022: RMB40,454,000). As at 30 June 2023, the Group had no unutilised banking facilities (31 December 2022: nil).

(b) As at 30 June 2023, the Group pledged certain of its property, plant and equipment with book value of RMB25,325,000 (31 December 2022: RMB25,630,000) to a bank in Mainland China to obtain a mortgage financing from a bank in Mainland China of RMB7,590,000 (31 December 2022: RMB8,085,000).

17. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

The remuneration of the directors during the period was as follows:

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**221**	199

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		For six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
A joint venture:			
Interest income from a loan			
The ultimate holding company:			
Interest expense on loans	*(i)*	**8,964**	8,261
Interest expense on loans	*(ii)*	**3,019**	2,532
An intermediate holding company:			
Rental Income	*(iii)*	**127**	114

(c) Balance with related parties:

		For six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Amounts due from related parties			
Amount due from a joint venture	*(ii)*	**198,606**	177,600
Impairment losses, net	*(ii)*	**43,694**	1,776
		154,912	175,824
Amount due from another joint venture	*(ii)*	**3,303**	–
		158,215	175,824
Amounts due to related parties			
Current portion			
Amount due to the ultimate holding company	*(ii)*	**115,100**	130,100
Amount due to a non- controlling shareholder of a subsidiary (included in trade and other payables)	*(iv)*	**256,845**	–
		372,003	130,100
Non-current portion			
Amount due to the ultimate holding company	*(i)*	**344,000**	344,000

(i) As at 30 June 2023, a RMB-denominated loan from the ultimate holding company of RMB344,000,000 (31 December 2022: RMB344,000,000) was unsecured with the maturity date of 31 December 2024. The fixed interest rate on the loan is 4.75% per year and revised to 5.55% since 1 April 2023 (2022: 4.75%). The Company has recognized an interest expense on the loan amounting to RMB8,964,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB8,261,000).

(ii) On 7 May 2020, Qingdao Qifeng Technology Services Co., Ltd. ("**Qifeng**", an indirect wholly owned subsidiary of the Company), Qingdao Urban Rural Construction Micro-credit Loan Co. Ltd. ("**QURC Micro-credit Loan Company**") and Huizhou Jiuyu Real Estate Company Limited ("**Huizhou Jiuyu**", a joint venture of the Group) entered into a loan arrangement, pursuant to which QURC Micro-credit Loan Company, acting as the lending agent, will release a loan in the principal amount of RMB195,100,000, which will be funded by Qifeng, to Huizhou Jiuyu, with a loan term of 2 years in accordance with the terms of the loan contract. As at 30 June 2023, the RMB-denominated loan has been provided to Huizhou Jiuyu of RMB191,600,000 (31 December 2022: RMB191,600,000) and bears interest at a fixed rate of 15% per year. The interest receivable of Huizhou Jiuyu is RMB7,006,000 (31 December 2022: Nil). The Company has recognized interest income on the loan amounting to RMB nil for the six months ended 30 June 2023 (2022: RMB12,555,000). Pursuant to the Loan Contract, the loan is guaranteed by the leasehold land and buildings owned by Huizhou Jiuyu and an interest in Huizhou Yanlong Land Company Limited ("**Huizhou Yanlong**", the shareholder of Huizhou Jiuyu) owned by Huizhou Meile Land Company Limited.

Out of the total balance due from a joint venture, an amount of RMB191,600,000 was overdue by 30 June 2023 (31 December 2022: RMB191,600,000). As at 30 June 2023, the expected credit losses amounting to RMB43,694,000 (30 June 2022: RMB1,776,000) were estimated by fair value of collateral and recovery rate. The loss rate applied at 30 June 2023 was 22% (31 December 2022: 1%).

Qingdao City Construction Investment (Group) Limited ("**QCCIG**"), the ultimate controlling shareholder of the Company, entered into the loan agreement with Qifeng on the same day, pursuant to which, QCCIG has agreed to provide, upon Qifeng's request, an unsecured loan of RMB182,000,000 to Qifeng. Such loan will be available for drawdown by Qifeng in accordance with Qifeng's actual needs within two years from the first drawdown under the loan agreement at an interest rate of 3.85% per annum. The Group intends to use the loan provided by QCCIG to fund the loan to be made to Huizhou Jiuyu. As 30 June 2023, the RMB-denominated loan from the ultimate holding company of RMB115,100,000 (31 December 2022: RMB115,100,000) was unsecured and bears interest at a average rate of 5.25% per annum (30 June 2022: 3.85%). The loan was due on 24 December 2022 and was required to repay on demand.

On 17 May 2023, Hejian Qingkong Development Construction Co., Ltd (核建青控開發建設有限公司), an indirect non-wholly owned subsidiary of the Company, has entered a loan agreement with Hejian Qingkong Construction Engineering Co., Ltd (核建青控建設工程有限公司), a joint venture of the Group, with a loan in the principal amount of RMB5 million, with a loan term of 6 months in accordance with the loan contract. As at 30 June 2023, the RMB-denominated loan has been provided to Hejian Qingkong Construction Engineering Co., Ltd of RMB3.3 million and bears interest rate of 10% per annum.

(iii) The Group has leased one of its commercial properties in Hong Kong under an operating lease agreement to an intermediate holding company, China Qingdao Development (Holdings) Group Company Limited. The initial lease period was from 1 June 2019 to 31 May 2020, and was renewed to extend the maturity date to 31 May 2024. The Group has recognized rental income of RMB127,000 for six months ended 30 June 2023 (six months ended 30 June 2022: RMB114,000), and the outstanding balances due to the intermediate holding company of RMB21,000 (year ended 31 December 2022: RMB21,000), which are included in rental deposits from tenants in the consolidated statement of financial position as at the end of the reporting period respectively are unsecured, interest-free and have no fixed terms of repayment.

(iv) In June 2021, Bengbu City Huai Yi Construction and Development Ltd. (an indirect subsidiary of the Company) issued a construction bidding announcement for the resettlement housing project of Yongkang Yuan, with a project budget of RMB470,000,000. In January 2022, it was announced that the winning bidder for construction was China Nuclear Industry Zhongyuan Construction Co., Ltd. (a non-controlling shareholder), with a winning bid amount of RMB444,677,000. On 30 December 2022, Bengbu City Huai Yi Construction and Development Ltd. signed a construction project contract with China Nuclear Industry Zhongyuan Construction Co., Ltd. for a total consideration of RMB444,677,000. Construction of the project has begun in 2022, and as at 30 June 2023, the amount of trade payable to China Nuclear Industry Zhongyuan Construction Co., Ltd. was RMB256,845,000 (31 December 2022: 174,582,000).

18. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 22 August 2023.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (the "**Period**") (30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Leasing of Investment Properties

During the six months ended 30 June 2023, the rental income from the leasing of investment properties located in Hong Kong and the People's Republic of China (the "**PRC**") amounted to approximately RMB5.0 million (2022: RMB13.8 million), which accounted for 48% of the Group's total revenue.

The performance was negatively affected in the first half of 2023 as approximately RMB3 million of rental amount was waived in the first half of 2023 due to regulatory requirements by local PRC authorities. The Group's investment property in Qingdao City known as "22nd Century Plaza", which comprises 13 upperground floors and 136 underground carpark units, and approximately 40% of properties located in the PRC became vacant after the corresponding tenancy agreement expired in early March 2023.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the six months ended 30 June 2023, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to RMB5.4 million (2022: RMB6.6 million), which accounted for 52% of the Group's total revenue.

The resurgence of COVID-19 cases in various cities and provinces in the PRC and lockdowns that followed and affected business performance of this segment during 2022 has not been fully recovered in first half of 2023. Due to weak customers' confidence, they become more prudent for entering the sales contract and the installation works for our digital Chinese calligraphy education equipment in classrooms were delayed.

Loan Financing

The Group's money lending business is conducted through its wholly-owned subsidiary and principally carrying out loan financing business by providing secured and unsecured loans to its customers. Through the business and social networks of the management of the Company, corporate customers and individual customers with personal wealth are identified. Before carrying out the money lending process, the Company would assess the credit of such potential customers based on its credit policy and procedure. The Group struck a balance by adhering to an effective comprehensive policy as well as prudent procedures relating to loan approvals, loan renewals, loan top-ups, loan recovery, loan compliance, monitoring and anti-money laundering. During the six months ended 30 June 2023, the Group's loan financing business did not generate any revenue (2022: Nil) and the Group did not grant any new loans during the six months ended 30 June 2023. All loan receivables were settled in early 2020 with no outstanding loan receivables during the six months ended 30 June 2023.

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

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

Provision of Consulting Services

During the Period, the provision of consulting services segment did not generate any revenue (2022: RMB nil). The consulting services are mainly provided to developers engaged in the construction and development of properties in new districts selected by PRC provincial governments for urbanization.

Property Development

The Group had, through Bengbu City Huai Yi Construction and Development Ltd.* (蚌埠市淮翼建設發展有限公司) ("**BCHYCDL**"), an indirect owned subsidiary of the Company, successfully acquired the land use right in respect of a land where Yong Kang Yuan Southern District Project ("**Project**") is located by way of bidding in March 2021. Upon completion of the acquisition of BCHYCDL, property development became one of the principal business activities of the Group. For details, please refer to the announcements of the Company dated 30 December 2022 and 30 January 2023, respectively.

As at 30 June 2023, cost in relation to the construction of the Project has been recognized as inventory in the amount of RMB292.8 million (31 December 2022: RMB 210.0 million).

FINANCIAL REVIEW

Revenue and Results

During the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB10.5 million (2022: RMB20.4 million). The Group recorded a loss attributable to the equity holders of the parent in the amount of approximately RMB37.78 million for the six months ended 30 June 2023 (2022: a profit of RMB3.1 million). Loss per share was RMB3.78 cents for the six months ended 30 June 2023 (2022: an earning of RMB0.31 cent). The significant decline was mainly attributable to (i) the decrease in fair value of investment properties of the Group, in particular the properties located in the PRC, as a result of the unfavourable market conditions; and (ii) no interest income was recognised for the loan due from a joint venture because of the breach of the contract by Huizhou Jiuyu Real Estate Company Limited* (惠州市九煜置業有限公司) during the six months ended 30 June 2023 (interest income for the six months ended 30 June 2022: RMB12.6 million).

Cost of inventory sold for the six months ended 30 June 2023 was approximately RMB4.2 million (2022: RMB4.1 million).

Other income for the six months ended 30 June 2023 was approximately RMB1.3 million (2022 RMB13.9 million), representing a significant decrease of approximately RMB12.6 million. The decrease was attributable to no interest income recognized from the Loan (as defined below) and the income of RMB1.3 million was bank interest income and investment income.

In 2022, Huizhou Jiuyu failed to repay RMB191,600,000 of the principal of the loan (the "**Loan**") granted by the Group and approximately RMB7,006,000 of the interests of such loan (the "**Breach**"). Accordingly, an impairment loss in the amount of RMB43.58 million has been made. The Board is currently seeking legal advice in respect of the Breach and is considering the options available to the Company, including but not limited to the commencement of legal proceedings, enforcement of the pledge on the parcel of land which is located at No. 1 Court, Zhongkai Gaoxin District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市仲愷高新區1號小區) (the "**Land**") or requesting additional guarantees for the Loan. For more details, please refer to the announcements of the Company dated 30 December 2022 and 3 January 2023, respectively. Furthermore, as the Group holds 49% of the equity interest in Huizhou Jiuyu, the Board expects that the Group shall benefit from the long term business development of Huizhou Jiuyu through providing funding to Huizhou Jiuyu for its business operation. Therefore, the Board is of the view that the loan shall not be classified as part of the Group's loan financing business of the Group. The Board is of the view that the Breach does not affect the normal operation of the Group.

Employee benefit expenses for the six months ended 30 June 2023 were approximately RMB7.0 million (2022: RMB7.3 million), representing a decrease of approximately RMB0.3 million.

Other operating expenses for the six months ended 30 June 2023 were approximately RMB9.5 million (2022: RMB8.1 million). The increase was mainly attributable to the increase in marketing expenses to promote our Chinese calligraphy education equipment in capturing potential business opportunities amidst the recovery of economy activities.

Finance costs for the six months ended 30 June 2023 were approximately RMB13.3 million (2022: RMB11.8 million), representing an increase of RMB1.5 million. Finance costs included interest payable for the unsecured loans provided by the ultimate holding company of the Company and interest payable for the secured loans provided by banks. The increase in finance cost was attributable to the increase of interest rate.

Income tax credit for the six months ended 30 June 2023 were approximately RMB 5.9 million (2022: income tax expense of RMB 1.5 million. The increase was mainly because of the decrease in the deferred tax liabilities as the fair value of the 22nd Century Plaza decreased during the Period.

Liquidity

As at 30 June 2023, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB639,554,000 (31 December 2022: RMB571,327,000) and 1.48 (31 December 2022: 1.65) respectively.

As at 30 June 2023, the outstanding bank and other borrowings of the Group was approximately RMB49.3 million (31 December 2022: RMB49.5 million). Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for construction and acquisition of properties and land use rights, and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and borrowings from third-party financial institutions.

The gearing ratio of the Group, being the net debt to net debt and equity, was 63% as at 30 June 2023 (31 December 2022: 57%). The Directors believe 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 June 2023 was 998,553,360 Shares (31 December 2022: 998,553,360 Shares).

The capital structure of the Group consists of debts, which includes bank borrowings, and equity attributable to owners of the parent, comprising share capital and reserves.

Pledge of Assets

As at 30 June 2023, the Group pledged certain of its investment properties with a market value of RMB136.0 million (31 December 2022: RMB136.7 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 30 June 2023, the Group also pledged its leasehold land and building with a cost of RMB25.3 million (31 December 2022: RMB25.6 million) to a bank in PRC to secure mortgage financing facilities granted to the Group.

As at 30 June 2023, the Group had no unutilized banking facilities (31 December 2022: Nil).

Foreign Exchange Exposure

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

Capital Commitments

The Group did not have capital commitments including acquisition of subsidiary as at 30 June 2023 and 31 December 2022.

The Group's capital commitments including leasehold land and buildings and capital contributions payable to joint ventures amounted to approximately RMB28.9 million as at 30 June 2023 (31 December 2022: RMB28.9 million).

Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

Employees and Remuneration Policy

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 30 June 2023, the Group employed a total of 126 full time employees (31 December 2022: 119). 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.

PROSPECTS

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

The Board is currently seeking legal advice in respect of the Breach (as defined below) and is considering the options available to the Company, including but not limited to the commencement of legal proceedings, enforcement of the pledge on the Land or requesting for additional guarantees for the Loan. The Company will make further announcement(s) to keep its shareholders (the "**Shareholders**") and investors informed of any significant development of the Breach as and when appropriate.

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

In addition, the Directors believe that the sale of the Project (as defined below) with its saleable building area is expected to generate reasonable revenue to the Group and hence benefit the Shareholders ultimately.

MATERIAL TRANSACTIONS

1. The Provision of Loan

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 is principally engaged in urban reconstruction and development, construction and management of parks, construction and management of municipal facilities and equity investment and capital deployment in the PRC.

On 25 February 2020, the Joint Venture Company and Huizhou Meile Land Company Limited* (惠州市美樂實業置地有限公司) ("**Meile Land**"), an independent third party of the Company, established Huizhou Yanlong Land Company Limited* (惠州市炎隆置業有限公司) ("**Huizhou Yanlong**"). Huizhou Yanlong is 49% and 51% owned by the Joint Venture Company and Meile Land, respectively. Huizhou Jiuyu is wholly owned by Huizhou Yanlong. Huizhou Jiuyu is expected to acquire the land use rights of the Land.

Reason for provision of loan and alignment of business strategy of the Group

To provide Huizhou Jiuyu with part of the funding for the acquisition, development and operating expenses of the Land, Qingdao Qifeng Technology Services Co., Ltd.* (青島啟峰科技服務有限公司) ("**Qifeng**"), Qingdao Urban Rural Construction Micro-credit Loan Co. Ltd.* (青島城鄉建設小額貸款有限公司) ("**QURC Micro-credit Loan Company**") and Huizhou Jiuyu entered into an entrusted loan arrangement on 7 May 2020 (the "**Entrusted Loan Arrangement**"). Pursuant to the Entrusted Loan Arrangement, QURC Micro-credit Loan Company, acting as the lending agent, agreed to release a loan in the principal amount of RMB195,100,000 (the "**Entrusted Loan**"), which will be funded by Qifeng, to Huizhou Jiuyu, subject to the terms and conditions of the entrusted loan contract dated 7 May 2020 entered into among Qifeng, QURC Micro-credit Loan Company and Huizhou Jiuyu ("**Entrusted Loan Contract**") and the entrusted loan entrustment contract. QURC Micro-credit Loan Company is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities and is a connected person of the Company. As the Group holds 49% of the equity interest in Huizhou Jiuyu, the Board expects that the Group shall benefit from the long term business development of Huizhou Jiuyu through providing funding to Huizhou Jiuyu for its business operation, which also aligns with the business strategy of the Group.

The major terms of the Entrusted Loan Contract are set out below:

Date:	7 May 2020
Parties:	(i) Qifeng (ii) QURC Micro-credit Loan Company (as the lending agent) (iii) Huizhou Jiuyu (as the borrower)
Principal:	RMB195,100,000
Interest rate:	15% per annum. The accrued interest shall be payable semi-annually
Term:	Two years from the drawdown date (inclusive) under the Entrusted Loan Contract
Condition precedent for the drawdown:	The drawdown of the Entrusted Loan shall be subject to, among other things, the obtaining of the approval of the transactions contemplated under the Entrusted Loan Arrangement by the Board and the Independent Shareholders at the special general meeting of the Company and the provision of other documents and information requested by QURC Micro-credit Loan Company
Handling Fee:	The handling fee shall be 0.3% of the amount of the Entrusted Loan which is payable on yearly basis. The handling fee shall be paid by Huizhou Jiuyu and is payable within five business days after the drawdown date and the first anniversary of the drawdown date, respectively
Use of proceeds:	For the acquisition, development and operating expenses of the Land and the construction-in-progress property project on the Land
Repayment of principal	Huizhou Jiuyu shall repay the principal upon the expiry of the term of the Entrusted Loan

Default interest	If Huizhou Jiuyu fails to (i) repay the principal; or (ii) pay interest within the prescribed time period, QURC Micro-credit Loan Company will charge a default interest at the rate equal to 150% of the interest rate and such default interest will accrue on a daily basis until the full repayment of the overdue amount by Huizhou Jiuyu If Huizhou Jiuyu fails to apply the Entrusted Loan for the specified use of proceeds, QURC Micro-credit Loan Company is entitled to suspend the drawdown of any Entrusted Loan, declare that part or all of the previously drawdown Entrusted Loan become due and payable, and charge a default interest at a rate equal to 100% of the interest rate on the default amount If QURC Micro-credit Loan Company suspends the drawdown of the Entrusted Loan and declares immediate repayment by Huizhou Jiuyu, QURC Micro-credit Loan Company shall, upon receipt of the repayment from Huizhou Jiuyu (after deduction of any expenses arising from the loan collection), transfer the repayment amount to Qifeng
Early payment	Huizhou Jiuyu may make an early repayment of the principal before the expiry of the term with the consent of Qifeng and QURC Micro-credit Loan Company
Security	Upon the obtaining of the land use rights of the Land by Huizhou Jiuyu, Huizhou Jiuyu shall pledge the land use rights of the Land and its construction-in-progress property project on the Land in favour of QURC Micro-credit Loan Company as security for the purposes of the Entrusted Loan. Further, Huizhou Jiuyu shall procure (i) Meile Land to pledge its 51% equity interest in Huizhou Yanlong; (ii) Huizhou Yanlong to pledge its 100% equity interest in Huizhou Jiuyu; and (iii) Meile Land to provide the joint and several liability guarantee on the Entrusted Loan, in favour of QURC Micro-credit Loan Company as security for the purposes of the Entrusted Loan

On 7 May 2020, QCCIG entered into a loan agreement with Qifeng, pursuant to which, QCCIG agreed to provide, upon Qifeng's request, unsecured loan of RMB182,000,000 to Qifeng at an interest rate of 3.85% per annum ("**Financial Assistance**"). The Group used its internal resources and the Financial Assistance to fund the Entrusted Loan for the years ended 31 December 2020, 2021 and 2022.

As at the date of this announcement, the entrusted loan entrustment contract had been terminated, QURC Micro-credit Loan Company ceased to be the lending agent in relation to the Loan and the Loan was provided to Huizhou Jiuyu by Qifeng directly.

Impairment of the loan receivable

Based on the initial business plan of Huizhou Jiuyu, Huizhou Jiuyu intended to repay the principal and interest of the Loan by December 2022 through the proceeds from the sales of the properties on the Land. However, due to the restrictions imposed by the PRC Government due to the outbreak of COVID-19, the construction schedule of the properties on the Land was delayed and slowdown. As a result, Huizhou Jiuyu was not able to obtain the pre-sale permit as initially scheduled and sale of the properties on the Land has not commenced as at the date of this announcement. Accordingly, Huizhou Jiuyu failed to generate proceeds from the pre-sale of properties on the Land to repay the Loan. In addition, given the downturn in the real estate market in the PRC, it is expected that even after the pre-sale permit of the properties on the Land has been obtained and Huizhou Jiuyu proceeds with the pre-sale, the selling price of the properties on the Land will be lower than it was initially expected, and Huizhou Jiuyu may not be able to generate sufficient proceeds to repay the Loan in full.

Basis of impairment assessments

In 2022, Huizhou Jiuyu failed to repay RMB191,600,000 of the principal of the Loan and approximately RMB7,006,000 of the interests of such loan. The Company has taken into account the expected credit losses assessment as set out in Hong Kong Financial Reporting Standard 9 "Financial Instruments" (the "**HKFRS 9**") on the impairment assessment of the Loan in accordance with HKFRS 9. The Company engaged an independent third-party valuer to evaluate expected credit losses on loan receivables and the value of loan collateral. The valuer adopted the general approach for the valuation of the expected credit losses of the Entrusted Loan Arrangement (the "**ECL Approach**"). Under the ECL Approach, the valuation of the expected credit losses was based on the following formula:

ECL (Expected Credit Losses) = EAD x PD x LGD

PD (Probability of Default): the probability of default and the likelihood that the borrowers may fail to pay back the Loan. The Company will perform due diligence on the financial statements and consider the macro-environment and the latest information of the borrowers. The repayment record of the borrowers will also be taken into account;

LGD (Loss given Default): the loss given default and the expected cash shortfall between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. The Company will consider the value of the collaterals pledged for the Loan, if any; and

EAD (Exposure at Default): the balance of the Loan exposed under default risk, including the principal and interests.

In addition, the valuer also adopted scenario analysis on deriving the result of expected credit losses, the valuer used different percentage of weights to base, optimistic and pessimistic scenarios accordingly and calculated the weighted average expected credit losses based on the above assumptions.

The Company considered that the Loan is in stage 3 of financial instrument impairment as at 30 June 2023. Accordingly, as at 30 June 2023, the expected credit losses evaluated by the independent third-party valuer amounted to RMB43,694,000 (31 December 2022: RMB43,694,000) were estimated by fair value of collateral and recovery rate. The loss rate applied at 30 June 2023 was 22.00% (2022: 1%).

Follow up actions

The Group has engaged in ongoing negotiations and discussions with Huizhou Jiuyu on repayment arrangements to endeavour to reach a commercially feasible settlement plan. As at the date of this announcement, the Group had issued three demand letters to Huizhou Jiuyu for the immediate repayment of the Loan and the interest of the Loan. The Group has engaged an independent third-party valuer to conduct the relevant (i) valuation of expected credit losses of the Loan; and (ii) valuation of the collateral of the Loan. The Board is currently seeking legal advice in respect of the Breach and is considering the options available to the Company, including but not limited to the commencement of legal proceedings, enforcement of the pledge on the Land or requesting for additional guarantees for the Loan. The Board is of the view that the Breach does not affect the normal operation of the Group.

For further details, please refer to the announcements of the Company dated 7 May 2020, 30 June 2020, 30 December 2022 and 3 January 2023 and the circular of the Company dated 10 June 2020.

2. Construction Agreement

On 30 December 2022, BCHYCDL, an indirect owned subsidiary of the Company, entered into the Construction Agreement with the China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("**Contractor**"), pursuant to which BCHYCDL agreed to engage the Contractor to carry out the construction works of the Project (as defined below) at the consideration of RMB444,676,589.37 (subject to adjustments). The Contractor held 30% equity interest in NEQH Development and Construction Co. Ltd* (核建青控開發建設有限公司) ("**NEQH**") and the Company held 51% equity interest in NEQH. Accordingly, the Contractor is a connected person of the Company at the subsidiary level under the Listing Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As such, the transactions contemplated under the Construction Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The construction works include the construction of 14 main residential buildings, 2 commercial buildings, a kindergarten, and a basement (of which the aggregate above-ground construction area is about 132,952 sq.m, the aggregate basement construction area is about 36,792 sq.m, and the total construction area is about 169,744 sq.m (the "**Construction Area**")) located at north side of Gui Hua Road, south side of Long Hua Road, east side of Yong An Street and west side of Yong Kang Street, Huaishang District, Bengbu City, Anhui Province, the PRC (the "**Bengbu Land**"). The project is expected to be named as Yong Kang Yuan Southern District Project.

The Consideration was determined after arm's length commercial negotiations between the parties to the Construction Agreement and primarily based on the hourly rates with reference to where applicable, the market position, expertise and work experience of the Contractor, and relevant industry salary level of similar construction works. The Consideration will be subject to adjustment based on the Actual Construction Period and the construction works conducted and with reference to the latest published price of labour and materials in Bengbu City and the cost of major construction materials.

The Group had, through BCHYCDL, successfully acquired the land use right in respect of the Bengbu Land where the Project is situated by way of bidding in March 2021. For details, please refer to the announcements of the Company dated 15 March 2021 and 24 May 2021, respectively. Upon completion of the acquisition of BCHYCDL, property development became one of the principal business activities of the Group. The terms of the Construction Agreement were reached after arm's length negotiations between BCHYCDL and the Contractor, and the entering into of the Construction Agreement is in the ordinary and usual course of business of the Group.

With the engagement of the Contractor through the Construction Agreement, the Group is confident that the Contractor, with strong expertise and profound experience and knowledge in industrial and civil engineering construction, will contribute towards the construction of the Project into a modern residential-commercial self-contained complex district with discernible market value. The sale of the Project with its salable building area is expected to generate reasonable revenue to the Group and hence benefit the Shareholders ultimately. In addition, Bengbu Government had indicated its intention of acquiring the Project.

For further details, please refer to the announcements of the Company dated 30 December 2022 and 30 January 2023, respectively.

Termination of the Very Substantial Acquisition, Issue of Convertible Bonds under the Specific Mandate and Rights Issue

On 17 March 2021, Yangfan (Holdings) Group Limited (揚帆(控股)集團有限公司) (a wholly owned subsidiary of the Company) (the "**Purchaser**") and China Qingdao Development (Holdings) Group Company Limited (華青發展(控股)集團有限公司) (the "**Vendor**"), being a controlling shareholder and a connected person of the Company, entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to acquire (the "**Acquisition**"), and the Vendor conditionally agreed to sell, approximately 81.91% of the equity interest in Qingdao Rural Construction Financial Leasing Company Limited* (青島城鄉建設融資租賃有限公司).

The consideration in respect of the Acquisition (the "**Consideration**") shall be satisfied as follows: (i) approximately HK$154.5 million shall be payable by the Purchaser (or its designated corporation) to the Vendor (or its nominee(s)) in cash upon completion of the Acquisition; and (ii) approximately HK$2,224.2 million shall be payable by the issue of the convertible bonds ("**Consideration CB**") by the Company to the Vendor (or its nominee(s)) upon completion of the Acquisition. The Acquisition constitutes a very substantial acquisition of the Company.

In order to raise sufficient funds to settle part of the Consideration and to finance the associated transaction expenses relating to the Acquisition, the Board proposed the offer of new Shares (the "**Rights Issue**"). The Company has completed the Rights Issue and issued 499,276,680 new Shares at the subscription price of HK$0.39 per Rights Share on the basis of one Rights Share for every one existing Share of the Company during the year ended 31 December 2021.

As the Purchaser and the Vendor could not agree on the consideration adjustment which reflects the current market value of the Target Group, the Purchaser and the Vendor agreed to terminate the Acquisition on 30 June 2022. Accordingly, the Consideration CB will not be issued to the Vendor. The Board considers the termination of the Acquisition shall have no material adverse impact on the existing business operation and financial position of the Group.

For details in relation to the Acquisition, please refer to the announcements of the Company dated 17, 22 and 24 March 2021, 13 April 2021, 17 and 31 May 2021, 13 July 2021, 26 November 2021, 29 March 2022, 8 April 2022 and 30 June 2022 and the circular of the Company dated 24 March 2021 and the prospectus of the Company dated 26 April 2021.

CHANGE IN USE OF PROCEEDS FROM THE RIGHTS ISSUE

The net proceeds raised from the Rights Issue (the "**Net Proceeds**") was approximately RMB159.9 million.

As disclosed in the announcement of the Company dated 30 June 2022 in relation to the change of use of proceeds from the Rights Issue, the Company intended to use 90% of the Net Proceeds, being approximately RMB143.91 million, for other suitable investment opportunities.

As at the date of this announcement, save for RMB38.16 million, which has been utilised for the settlement of bank loans during the year ended 31 December 2022, and RMB13.5 million, which has been utilised as general working capital of the Group during the six months ended 30 June 2023, the remaining Net Proceeds remain unutilised and have been deposited with bank for short term interest income. As disclosed in the announcement of the Company dated 28 March 2023, having considered the business environment and development of the Group (in particular the current business environment in the PRC, being the place where the Group's principal business segments are operating), the Board had resolved to change the use of the Net Proceeds.

The details of the use of the Net Proceeds as at the relevant period are set out as follows:

Intended use of Net Proceeds	Planned use of the Net Proceeds (as stated in the announcements dated 30 June 2022) *(RMB million)*	Actual use of the Net Proceeds up to the date of the 2022 annual report *(RMB million)*	Balance of the Net Proceeds as at the date of the 2022 annual report *(RMB million)*	Net movement from the date of the 2022 annual report to the date of this announcement *(RMB million)*	Balance of the Net Proceeds as at the date of this announcement *(RMB million)*
As general working capital of the Group	15.99	11.14	4.85	(2.36)	2.49
Investment opportunities	143.91, (representing 90% of the Net Proceeds)	Nil	105.75	–	105.75
Repayment of bank loans	N/A	38.16 *(Note)*	N/A	–	N/A

Note:

The bank loans were borrowed by the Company from a licensed bank for a term of 3 years commencing in 2019 and 2021 and carry the interest charge of HIBOR plus 2.2% per annum. The bank loans were used to increase the registered capital in the PRC subsidiaries of the Company. Upon maturity of bank loans by December 2022, the Board applied the amount of RMB38.16 million out of the Net Proceeds to repay the bank loans ("**Repayment**").

When making the Repayment, the Board considered that the unutilised Net Proceeds following the Repayment would be adequate to meet the consideration required to acquire the Target Properties under the Potential Acquisition. In view of the wishes to improve the gearing ratio of the Group and strengthen the Group's efficiency and effectiveness of the capital use and overall financial position, the Company decided to proceed with the Repayment using the Net Proceeds. The Board considers that the Repayment with the Net Proceeds to be in the interest of the Group and the shareholders of the Company as a whole. The Company expects to utilize all the Net Proceeds from the Rights Issue by 31 December 2023.

For details, please refer to the announcements of the Company dated 30 June 2022, 19 July 2022, and 28 March 2023, respectively.

CORPORATE GOVERNANCE CODE

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 complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 with all Directors and is satisfied that they had complied with the Model Code throughout the Period.

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 Period.

EVENT AFTER THE PERIOD

Save as disclosed above, there is no event after the Period which would have a material impact on the Company's financial position.

AUDITOR, AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

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 oversee the auditing and financial reporting processes and the risk management and internal control systems of the Group. The financial information in this interim results announcement is unaudited and has been reviewed by the Audit Committee.

By order of the Board
Qingdao Holdings International Limited
Cui Mingshou
Executive Director and Chairman

Hong Kong, 22 August 2023

As at the date of this announcement, the Executive Directors are Mr. Cui Mingshou (Chairman), Mr. Wang Yimei (Deputy Chairman and Chief Executive Officer) and Mr. Hu Liang; and the Independent Non-executive Directors are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.

* *For identification purposes only*