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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board (the "Board") of directors (the "Directors") of Qingdao Holdings International Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019, together with the comparative figures for 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue			
– Goods		**23,586**	458
– Rental		**31,152**	7,368
– Interest		**1,200**	580
Total revenue	3	**55,938**	8,406
Finished goods purchased		**(28,998)**	(476)
Change in inventories of finished goods		**15,411**	236
Increase in fair value of investment properties		**1,698**	18,713
Other income	5	**2,141**	2,090
Other gains and losses	5	**11,211**	490
Impairment losses, net of reversal	6	**(71)**	–
Employee benefit expenses		**(6,896)**	(1,943)
Other operating expenses		**(17,991)**	(12,718)
Finance costs	7	**(20,124)**	(6,881)
Profit before taxation		**12,319**	7,917
Taxation	8	**(1,845)**	(2,812)
Profit for the year	9	**10,474**	5,105

* *For identification purposes only*

	NOTE	2019 HK$'000	2018 HK$'000
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(21,845)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**6,475**	1,597
Fair value loss on available-for-sale financial asset		**–**	(427)
Other comprehensive (expenses) income for the year		**(15,370)**	1,170
Total comprehensive (expense)income for the year		**(4,896)**	6,275
Profit (loss) for the year attributable to:			
– Owners of the Company		**9,535**	5,817
– Non-controlling interests		**939**	(712)
		10,474	5,105
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(3,007)**	6,613
– Non-controlling interests		**(1,889)**	(338)
		(4,896)	6,275
Earnings per share			
– Basic (HK cents)	11	**1.91**	1.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**24,688**	25,506
Investment properties		**546,479**	576,250
Goodwill		**6,058**	6,513
Intangible assets		**25,239**	30,175
Financial asset at fair value through profit or loss	12	**13,122**	–
Available-for-sale financial asset	12	**–**	13,264
Deferred tax assets		**3,530**	4,182
		619,116	655,890
Current assets			
Inventories		**15,647**	236
Trade and other receivables	13	**20,790**	19,885
Loan and interest receivables	14	**11,821**	12,080
Tax recoverable		**–**	798
Bank balances and cash		**71,375**	103,861
		119,633	136,860
Assets classified as held for sale	15	**4,003**	–
		123,636	136,860
Current liabilities			
Trade and other payables	16	**5,017**	17,536
Contract liabilities		**162**	–
Rental deposits from tenants		**219**	319
Amount due to ultimate holding company		**4,169**	6,901
Amount due to an intermediate holding company		**276**	275
Income tax payable		**154**	802
		9,997	25,833
Net current assets		**113,639**	111,027
Total assets less current liabilities		**732,755**	766,917

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Rental deposits from tenants	**819**	467
Loan from ultimate holding company	**400,000**	430,000
Loan from an intermediate holding company	**39,150**	39,000
Deferred tax liabilities	**3,712**	3,221
	443,681	472,688
	289,074	294,229
Capital and reserves		
Share capital	**49,928**	49,928
Reserves	**203,330**	206,596
Equity attributable to owners of the Company	**253,258**	256,524
Non-controlling interests	**35,816**	37,705
	289,074	294,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

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 (the "PRC").

The Company acts as an investment holding company.

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

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

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

* The English name is for identification only.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard, recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and related interpretations.

The Group recognises revenue from the sale of education equipment which arise from contract with customers.

Summary of effect arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018	Adjustments	Carrying amounts under HKFRS 15 at 1 April 2018
		HK$'000	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	(a)	17,536	(436)	17,100
Contract liabilities	(a)	–	436	436

Note: As at 1 April 2018, advances from customers of HK$436,000 in respect of sales contracts signed with customers previously included in trade and other payables are reclassified to contract liabilities.

The application of HKFRS 15 has had no material impact on the Group's accumulated losses as at 1 April 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statements of cash flows for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	5,017	162	5,179
Contract liabilities	162	(162)	–

As at 31 March 2019, an amount of HK$162,000 in respect of advances from customers for future purchases to be made by customers was classified as contract liabilities and the amount will remain included in trade and other payables if without the application of HKFRS 15.

2.2 *HKFRS 9 "Financial Instruments"*

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The differences between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the effect arising from application of HKFRS 9 at the date of initial application, 1 April 2018. Line items or reserves that were not affected by the changes have not been included.

	Notes	Available-for-sale financial asset HK$'000	Financial asset at FVTPL required by HKFRS 9 HK$'000	Loan and interest receivables HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000
Closing balance at 31 March 2018 – HKAS 39		13,264	–	12,080	(716)	(122,842)
Effect arising from initial application of HKFRS 9:						
Reclassification from available-for-sale financial asset	(a)	(13,264)	13,264	–	716	(716)
Remeasurement from impairment under ECL model	(b)	–	–	(259)	–	(259)
Opening balance at 1 April 2018		–	13,264	11,821	–	(123,817)

Notes:

(a) Available-for-sale financial asset ("AFS")

From AFS investments to financial assets at fair value through profit or loss ("FVTPL").

At the date of initial application of HKFRS 9, the Group's equity investments of HK$13,264,000 were reclassified from AFS to financial asset at FVTPL. The fair value loss of HK$716,000 relating to those investments were transferred from the investment revaluation reserve to accumulated losses as at 1 April 2018.

(b) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans and interest receivables, bank balances and cash), as opposed to an incurred credit loss model under HKAS 39. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of pledged bank deposits, bank balances, loan receivable, other receivables and amounts due from related companies and are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of HK$259,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

Loss allowance of loan and interest receivables as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Loan and interest receivables *HK$'000*
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening accumulated losses	259
At 1 April 2018 – HKFRS 9	259

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

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

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1st January, 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.
5 Effective for annual periods beginning on or after 1st January, 2020.

3. REVENUE

Disaggregation of revenue

	2019
	HK$'000
Revenue from contracts with customers	
– Sale of education equipment	**23,586**
Revenue from leasing of properties	**31,152**
Revenue from interest from loan financing	**1,200**
Total revenue	**55,938**

	2019	**2018**
	HK$'000	*HK$'000*
Geographical markets		
– Mainland China	**51,578**	3,944
– Hong Kong	**4,360**	4,462
	55,938	8,406

Revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The sales prices is fixed by agreement between customer and the Group and the normal credit term is 30 to 90 days upon delivery. A contract liability is recognised for sales in which revenue has yet been recognised.

All the sales of education equipment are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. **SEGMENTS**

The segment information reported externally was analysed on the basis of the types of good delivered or services rendered by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

Details of the Group's three operating and reportable segments are as follows:

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

(ii) 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.

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

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment.

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 taxation		**12,319**

For the year ended 31 March 2018

	Segment revenue *HK$'000*	Segment results *HK$'000*
Leasing of properties	7,368	5,184
Production and sale of education equipment	458	(1,207)
Loan financing	580	489
Segment total	8,406	4,466
Increase in fair value of investment properties		18,713
Unallocated income		2,090
Unallocated expenses		(17,352)
Profit before taxation		7,917

Other segment information

During the year ended 31 March 2018, an addition to non-current assets relating to leasing of properties segment amounted to HK$390,863,000 (2019: nil) was included in the measurement of segment assets.

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of increase in fair value of investment properties, legal and professional fees, other income, certain other gains and losses, certain employee benefit expenses and certain other operating expenses. Besides, segment results are analysed before taxation whereas deferred tax assets, income tax payable and deferred tax liabilities are allocated to operating segments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Leasing of properties	**560,023**	595,544	**410,492**	454,581
Production and sale of education equipment	**55,483**	41,486	**40,962**	40,891
Loan financing	**12,080**	12,080	**100**	80
Segment total	**627,586**	649,110	**451,554**	495,552
Unallocated:				
Bank balances and cash	**71,375**	103,861	**–**	–
Others	**43,791**	39,779	**2,124**	2,969
Total	**742,752**	792,750	**453,678**	498,521

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain other receivables of the corporate office, financial asset at FVTPL, available-for-sale financial asset, tax recoverable, bank balances and cash and assets classified as held for sale.

- all liabilities including income tax payables and deferred tax liabilities are allocated to operating segments other than certain other payables and accrued charges of the corporate offices.

- investment properties were allocated to the leasing of properties segment while the change in fair value of investment properties was not reported to the CODM as part of the segment results.

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

5. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**695**	260
Investment income from financial asset at FVTPL	**733**	–
Government grant *(Note)*	**366**	–
Investment income from available-for-sale financial asset	**–**	727
Agency and advisory service income	**–**	1,046
Others	**347**	57
	2,141	2,090
Other gains and losses, net		
Net foreign exchange gain	**11,402**	490
Loss from change in fair value of financial asset at FVTPL	**(191)**	–
	11,211	490

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

6. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Impairment losses recognised on:		
– Trade receivables	**71**	–

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on:		
Loan from ultimate holding company	**18,419**	6,604
Loan from an intermediate holding company	**1,703**	275
Others	**2**	2
	20,124	6,881

8. TAXATION

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The PRC

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible allowance and expenditures including sales charges, borrowing costs and all property development expenditures.

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**2**	197
Under-provision in prior years	**463**	–
Current tax – The PRC		
Charge for the year	**750**	490
Over-provision in prior years	**(405)**	–
Deferred tax – current year	**1,035**	2,125
	1,845	2,812

9. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,100**	1,300
Depreciation of property, plant and equipment	**1,595**	1,478
Amortisation of intangible assets	**2,831**	243
Cost of inventories recognised as an expense	**13,587**	240
Directors' emoluments	**593**	480
Other staff costs:		
– Salaries and other benefits	**5,725**	1,338
– Retirement benefit scheme contributions	**578**	125
Total staff costs	**6,896**	1,943
Gross rental income	**(31,152)**	(7,368)
Less: direct operating expenses that generated rental income during the year	**171**	95
	(30,981)	(7,273)

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

11. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**9,535**	5,817

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**499,276,680**	499,276,680

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

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

	2019	2018
	HK$'000	*HK$'000*
Unlisted investments in Hong Kong, at fair value	**13,122**	13,264

As detailed in note 2, the Group's AFS financial asset as at 31 March 2018 has been reclassified to an appropriate category of financial assets upon adoption of HKFRS 9 on 1 April 2018.

On 29 June 2016, a wholly-owned subsidiary of the Company (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber agreed to subscribe for the Class A shares in the Asian Bond Fund Segregated Portfolio ("the Sub-Fund") of CMBI SPC (an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability) for an aggregate consideration of US$1,795,000 (equivalent to approximately HK$13,980,000). The Sub-Fund is a segregated portfolio of 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 equals to the net asset value per share after adjusting for all liabilities accrued or contingent upon the liquidation of the Sub-Fund.

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

The investment in the Sub-Fund has been classified as financial asset at FVTPL upon application of HKFRS 9 on 1 April 2018 and are measured at fair value on a recurring basis at the end of each reporting period. Prior to 1 April 2018, the investment in the Sub-Fund was classified as AFS financial assets. As at 31 March 2019, the fair value of the investment in the Sub-Fund of approximately HK$13,122,000 (2018: HK$13,264,000) is determined by reference to the quoted price provided by the issuing financial institution (Level 2 measurement).

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**1,928**	–
Less: Allowance for credit losses	**(71)**	–
	1,857	–
Deposits, prepayments and other receivables	**5,456**	683
Value-added tax recoverable	**13,477**	19,202
	20,790	19,885

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

The following is an analysis of trade receivables net of allowance for credit losses by age, presented based on the invoice dates at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 30 days	**–**	–
31 – 60 days	**367**	–
91 – 120 days	**244**	–
Over 120 days	**1,246**	–
	1,857	–

14. LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**12,000**	12,000
Loan interest receivables	**80**	80
	12,080	12,080
Less: Allowance for credit impaired	**(259)**	–
	11,821	12,080

The borrowers are private companies incorporated in Hong Kong and independent to the Group. The loans are repayable within one year from the end of the reporting period, secured by personal guarantees from shareholders of the borrowers and carry interest at the fixed rate of 10% per annum. The interests are repayable monthly or quarterly. The management of the Group reviews the recoverable amounts of its loan and interest receivables by assessing the borrower's financial positions.

15. ASSETS CLASSIFIED AS HELD FOR SALE

In March 2019, the directors of the Company resolved to dispose of two parking lot which were classified as investment properties, and a provisional sales and purchase agreement was signed. These investment properties, which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position.

16. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**837**	563
Other payables	**2**	1
Other taxes payable	**969**	12,487
Accrued charges	**2,977**	3,877
Receipt in advance	**232**	608
	5,017	17,536

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**490**	563
31 – 60 days	**97**	–
61 – 90 days	**31**	–
Over 90 days	**219**	–
	837	563

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Leasing of Properties

During the financial year ended 31 March 2019, the Group recorded rental income amounted to approximately HK$31.2 million (2018: HK$7.4 million) from properties located in Hong Kong and the PRC, which accounted for 55.7% of the Group's total revenue. Taking into consideration of the tenancy agreements for the property (comprising 13-upperground floors and 136 underground carpark units) acquired by the Group in December 2017 (the "22nd Century Plaza"/"Property") entered in the second half of the financial year ended 31 March 2018, the entire Property owned by the Group was leased out and therefore, the revenue from the leasing of properties of the Group in Hong Kong and the PRC has increased significantly for the 12 months ended 31 March 2019. For details, please refer to the section headed "Acquisition of Property" below. The Group continues to seek to optimise its investment properties portfolio in both Hong Kong and the PRC.

Production and Sale of Digital Chinese Calligraphy Education Equipment

In December 2017, the Group formed Shandong Qihua Education Technology Co., Ltd. (山東啟華教育科技有限公司) to engage in the production and sale of digital Chinese calligraphy education equipment and relevant learning and tutorial systems. For the year ended 31 March 2019, revenue generated from the sale of digital Chinese calligraphy education equipment amounted to HK$23.6 million (2018: HK$0.5 million), which accounted for 42.2% of the Group's total revenue. The Board is confident that the Group will be able to capture the business opportunities in the PRC and this business segment is expected to contribute satisfactory growth to the Group's revenue in the forthcoming financial year.

Loan Financing

During the year ended 31 March 2019, the Group's loan financing segment managed to contribute a consistent return and recorded a revenue of approximately HK$1.2 million (2018: HK$0.6 million).

The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential. 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 risk management.

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$55.9 million (2018: HK$8.4 million). The significant increase in the revenue was mainly attributable to (i) the increase in revenue from the leasing of properties in the PRC as the Group entered into several tenancy agreements to lease out the entire Property owned by the Group in the PRC in the second half of the financial year ended 31 March 2018, and (ii) the positive contribution from the production and sale of digital Chinese calligraphy education equipment segment, which commenced operation in March 2018.

Cost of inventories sold for the year ended 31 March 2019 was approximately HK$13.6 million (2018: HK$0.2 million).

Other income for the year ended 31 March 2019 was approximately HK$2.1 million (2018: HK$2.1 million).

Employee benefit expenses for the year ended 31 March 2019 were approximately HK$6.9 million (2018: HK$1.9 million), representing an increase of HK$5.0 million. The increase was mainly attributable to the need to increase more manpower in the operation of production and sale of digital Chinese calligraphy education equipment segment during its development phase.

Exchange gains arising from the translation of monetary items denominated in foreign currencies other than the functional currencies of the respective Group entities were approximately HK$11.4 million for the year ended 31 March 2019 (2018: HK$0.5 million). Such unrealised gain was mainly due to the depreciation of RMB against US dollars and Hong Kong dollars and the change of the Group's functional currency from HK dollars to RMB starting from 1 April 2018.

Other operating expenses for the year ended 31 March 2019 were approximately HK$18.0 million (2018: HK$12.7 million), representing an increase of HK$5.3 million. The increase was mainly attributable to the increase in indirect taxes arising from the leasing of the properties in the PRC and the general expenses arising from the production and sale of digital Chinese calligraphy education equipment segment, which include expenses for hosting several exhibitions to build brand awareness, provide product experience and attract potential customers.

Finance costs for the year ended 31 March 2019 were approximately HK$20.1 million (2018: HK$6.9 million). The significant increase in the finance costs was mainly due to the increase of the interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company on a full-year basis in the year ended 31 March 2019 since the loans were advanced by an intermediate holding company and the ultimate holding company of the Company during the year ended 31 March 2018.

Taxation for the year ended 31 March 2019 was approximately HK$1.8 million (2018: HK$2.8 million). The decrease was mainly because of the decrease in the deferred tax provided for the Property during the year ended 31 March 2019.

The Group recorded a profit for the year attributable to owners of the Company in the amount of approximately HK$9.5 million (2018: HK$5.8 million) for the year ended 31 March 2019. Earnings per share was 1.91 HK cents (2018: 1.17 HK cents) for the year ended 31 March 2019. The favourable impacts from the increase in revenue, exchange gain and fair value of investment properties were partially offset by the significant increase in interest expenses payable to an intermediate holding company and the ultimate holding company of the Company.

Dividends

The Board does not recommend the payment of any dividends for the year ended 31 March 2019 (2018: nil).

Liquidity and Financial Resources

As at 31 March 2019, the Group had total assets of approximately HK$742.8 million (2018: HK$792.8 million), whereas total liabilities of the Group amounted to approximately HK$453.7 million (2018: HK$498.5 million).

Accordingly, the net assets of the Group as at 31 March 2019 were approximately HK$289.1 million (2018: HK$294.2 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 61.1% as at 31 March 2019 (2018: 62.9%). It is believed that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Capital Structure

The number of issued ordinary shares of the Company (the "Shares") as at 31 March 2019 and 31 March 2018 remained the same at 499,276,680.

Pledge of Assets

As at 31 March 2019, the Group pledged certain of its investment properties with market value of HK$96.2 million (2018: HK$98.5 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 31 March 2019, the Group had unutilised banking facilities of HK$57.0 million (2018: HK$48.7 million).

Foreign Exchange Exposure

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, RMB and United States dollars. During the year ended 31 March 2019, RMB devalued against Hong Kong dollars and United States dollars. The Group did not have any hedging arrangement on foreign exchange but the Group continues to closely monitor its foreign exchange exposure in RMB.

Contingent Liabilities and Capital Commitments

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

MATERIAL TRANSACTIONS

Subscription of Shares

Prime Concept Development Limited ("Prime Concept"), a wholly-owned subsidiary of the Company, subscribed for a total of 17,873.64 class A shares ("Class A Shares") in Asian Bond Fund Segregated Portfolio (the "Portfolio") on 29 June 2016. Details of the subscription of Class A Shares were set out in the announcements of the Company dated 29 June 2016 and 8 July 2016.

During the year, the Group received the investment income of an aggregate amount of approximately HK$0.7 million (2018: HK$0.7 million) from the investment in the Portfolio.

Provision of Loans

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

On 31 August 2018, Classic Charter, the First Borrower and the First Guarantor entered into a supplemental loan agreement to the First Loan Agreement (the "First Supplemental Loan Agreement") to extend the repayment date of the First Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier. Details of the First Loan Agreement were set out in the announcement of the Company dated 29 August 2017 and 31 August 2018, respectively.

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

On 12 November 2018, Classic Charter, the Second Borrower and the Second Guarantor entered into a supplemental loan agreement to the Second Loan Agreement (the "Second Supplemental Loan Agreement") to extend the repayment date of the Second Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier. Details of the Second Loan Agreement were set out in the announcement of the Company dated 10 November 2017 and 12 November 2018, respectively.

Acquisition of Property

The acquisition of "22nd Century Plaza" was completed on 1 December 2017 and the entire Property owned by the Group was leased out. Details of the Acquisition were set out in the announcements of the Company dated 6 September 2017, 6 November 2017, 1 December 2017 and 6 March 2018 and the circular of the Company dated 19 October 2017.

OUTLOOK AND PROSPECTS

The Group will adhere to the prudent financial management, keep the debt ratio at a low level and reserve sufficient cash flow in order to face the challenges in 2019 in a prudent and optimistic manner. Meanwhile, the Group will continue to utilise its existing financial resources, invest in digital Chinese calligraphy education equipment, research and development and innovation, and launches superb products with outstanding functions and quality services in response to market demands in order to deliver increasing value for Shareholders.

Leasing of Properties

22nd Century Plaza, the Group's property in the PRC, was fully leased out during the year under review. This, together with the stable performance of the investment properties in Hong Kong, generated stable income and cash flow for the Group's continuous development.

Education Equipment

The business in the research and development, production and sales of the digital Chinese calligraphy education equipment also recorded significant growth during the year ended 31 March 2019.

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 product 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.

Looking ahead, the Group will seek to overcome challenges and to achieve stable and promising results with concerted effort from all of our staff and full support from our ultimate controlling shareholder, Qingdao City Construction Investment (Group) Limited.

HUMAN RESOURCES

We aim to provide employees a stimulating and harmonious working environment. We also encourage life-long learning and offer trainings to our employees to enhance their performance and provide support to their personal development. As at 31 March 2019, the Group employed a total of 63 full time employees (2018: 42). 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, our employees and Directors are rewarded with performance-related bonuses and other staff welfare benefits.

CORPORATE GOVERNANCE

The Board is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes efforts to 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except for the deviations 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 year ended 31 March 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.

Code provision A.1.3 of the CG Code stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year ended 31 March 2019, one of the Board meetings was convened with less than 14 days’ notice to facilitate the Directors timely decision making process in respect of internal affairs of the Group. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Xing Luzheng, the Chairman of the Company, was unable to attend the annual general meeting of the Company for 2018 due to his other business engagements.

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 year ended 31 March 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 during the year ended 31 March 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 Company's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee with the management of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the 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 year ended 31 March 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, 24 June 2019

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