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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 2020

The Board of Directors (the “Board”) of Qingdao Holdings International Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the six months ended 30 September 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
	<i>Notes</i>		
Revenue			
– Goods		7,432	11,858
– Rental		15,378	15,819
– Interest		67	600
		<hr/>	<hr/>
Total revenue	4	22,877	28,277
Finished goods purchased		(4,855)	(8,935)
Change in inventories of finished goods		334	1,932
Increase/(decrease) in fair value of investment properties		4,673	(2,400)
Other income	4	706	578
Other gains and losses	4	1,493	7,128
Impairment reversal on financial assets, net		330	–
Employee benefits expenses		(4,335)	(3,490)
Other operating expenses		(9,072)	(9,083)
Finance costs	5	(10,231)	(10,392)
		<hr/>	<hr/>

		Six months ended 30 June 2020 <i>HK\$'000</i> (unaudited)	Six months ended 30 September 2019 <i>HK\$'000</i> (unaudited)
	<i>Notes</i>		
Profit before tax	6	1,920	3,615
Income tax expense	7	<u>(1,875)</u>	<u>(276)</u>
Profit for the period		<u><u>45</u></u>	<u><u>3,339</u></u>
Attributable to:			
Owners of the parent		1,626	3,829
Non-controlling interests		<u>(1,581)</u>	<u>(490)</u>
		<u><u>45</u></u>	<u><u>3,339</u></u>
Earnings per share			
– Basic (<i>HK cents</i>)	9	<u><u>0.33</u></u>	<u><u>0.76</u></u>
– Diluted (<i>HK cents</i>)	9	<u><u>0.33</u></u>	<u><u>0.76</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Other comprehensive income/(loss)		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements from functional currency to presentation currency	(3,830)	(18,949)
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<u>661</u>	<u>6,404</u>
Other comprehensive loss for the period	<u>(3,169)</u>	<u>(12,545)</u>
Total comprehensive loss for the period	<u><u>(3,124)</u></u>	<u><u>(9,206)</u></u>
Attributable to:		
Owners of the parent	(990)	(6,339)
Non-controlling interests	<u>(2,134)</u>	<u>(2,867)</u>
	<u><u>(3,124)</u></u>	<u><u>(9,206)</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		22,806	23,499
Investment properties	10	539,201	538,656
Right-of-use assets		3,877	1,278
Goodwill		5,725	5,789
Intangible assets		20,509	22,089
Financial asset at fair value through profit or loss		12,500	13,102
Deferred tax assets		3,195	3,396
 Total non-current assets		 607,813	 607,809
Current assets			
Inventories		15,133	14,799
Trade and other receivables	11	26,387	29,503
Loan and interest receivables		–	9,043
Other financial assets		–	11,111
Financial asset at fair value through profit or loss		2,208	–
Cash and cash equivalents		90,202	72,765
 Total current assets		 133,930	 137,221
Current liabilities			
Trade and other payables	12	6,832	9,030
Contract liabilities		3,065	4,614
Rental deposits from tenants		503	503
Interest-bearing bank borrowings		49,370	49,573
Lease liabilities		1,358	1,006
Income tax payable		28	61
 Total current liabilities		 61,156	 64,787
 Net current assets		 72,774	 72,434
 Total assets less current liabilities		 680,587	 680,243

		30 June	31 December
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current liabilities			
Rental deposits from tenants		294	294
Lease liabilities		1,911	254
Loan from ultimate holding company		378,022	382,222
Deferred tax liabilities		7,092	5,269
		<hr/>	<hr/>
Total non-current liabilities		387,319	388,039
		<hr/>	<hr/>
Net assets		293,268	292,204
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the parent			
Share capital	13	49,928	49,928
Reserves		207,540	208,530
		<hr/>	<hr/>
		257,468	258,458
Non-controlling interests		35,800	33,746
		<hr/>	<hr/>
		293,268	292,204
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 nine months ended 31 December 2019.

Pursuant to a resolution of the Board dated 6 December 2019, the Company’s financial year end date has been changed from 31 March to 31 December commencing from the financial year of 2019 in order to align the financial year end date with its controlling shareholder and principal operating subsidiaries. Accordingly, the interim condensed consolidated financial information for the current financial period cover a period of six months from 1 January 2020 to 30 June 2020. The comparative figures presented for the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of change in equity, interim condensed consolidated statement of cash flows and related notes cover the unaudited figures of the financial period from 1 April 2019 to 30 September 2019, which may not be comparable with the amounts shown for the current financial period.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the nine months ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for the amendment to HKFRS 16, the new and revised HKFRSs are not relevant to the preparation of the Group’s interim condensed consolidated financial information.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. There is no impact on the Group’s financial statements upon adoption of the amendment.

3. SEGMENT INFORMATION

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

- (a) Leasing of properties: this segment mainly leases residential, industrial and commercial premises to generate rental income;
- (b) Production and sale of education equipment: this segment is engaged in the research and development, production and sale of education equipment together with relevant learning and tutorial systems; and
- (c) Loan financing: this segment provides loan financing services to individuals or corporate customers. The Group possesses a money lender licence and its money lending business is mainly carried out in Hong Kong.

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

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

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

Segment revenue and results

For the six months ended 30 June 2020 (unaudited)

	Segment revenue <i>HK\$'000</i> (unaudited)	Segment results <i>HK\$'000</i> (unaudited)
Leasing of properties	15,378	13,597
Production and sale of education equipment	7,432	(324)
Loan financing	67	245
Segment total	<u>22,877</u>	13,518
Increase in fair value of investment properties		4,673
Unallocated income		706
Unallocated expenses		<u>(16,977)</u>
Profit before tax		<u>1,920</u>

For the six months ended 30 September 2019 (unaudited)

	Segment revenue <i>HK\$'000</i> (unaudited)	Segment results <i>HK\$'000</i> (unaudited)
Leasing of properties	15,819	13,736
Production and sale of education equipment	11,858	(983)
Loan financing	<u>600</u>	<u>582</u>
Segment total	<u><u>28,277</u></u>	13,335
Decrease in fair value of investment properties		(2,400)
Unallocated income		578
Unallocated expenses		<u>(7,898)</u>
Profit before tax		<u><u>3,615</u></u>

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 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Leasing of properties	560,478	551,216	387,359	389,624
Production and sale of education equipment	49,316	52,811	45,483	49,166
Loan financing	<u>–</u>	<u>9,043</u>	<u>–</u>	<u>–</u>
Segment total	609,794	613,070	432,842	438,790
Unallocated:				
Cash and cash equivalents	90,202	72,765	–	–
Others	<u>41,747</u>	<u>59,195</u>	<u>15,633</u>	<u>14,036</u>
Total	<u><u>741,743</u></u>	<u><u>745,030</u></u>	<u><u>448,475</u></u>	<u><u>452,826</u></u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2020 <i>HK\$'000</i> (unaudited)	Six months ended 30 September 2019 <i>HK\$'000</i> (unaudited)
Mainland China	20,790	25,671
Hong Kong	2,087	2,606
	<u>22,877</u>	<u>28,277</u>

(b) Non-current assets

	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Mainland China	409,680	405,345
Hong Kong	182,438	185,966
	<u>592,118</u>	<u>591,311</u>

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

Revenue

An analysis of revenue is as follows:

	Six months ended 30 June 2020 <i>HK\$'000</i> (unaudited)	Six months ended 30 September 2019 <i>HK\$'000</i> (unaudited)
<i>Revenue from contracts with customers</i>		
Sale of education equipment	7,432	11,858
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases with fixed payments	15,378	15,819
Loan financing	67	600
	<u>22,877</u>	<u>28,277</u>

The performance obligation of sale of education equipment is satisfied upon delivery of goods and payment in advance is generally required.

Other income

An analysis of other income is as follows:

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Bank interest income	250	211
Investment income from financial assets at fair value through profit or loss	398	366
Investment income from other financial assets	36	–
Others	22	1
	<u>706</u>	<u>578</u>

Other gains and losses

An analysis of other gains and losses is as follows:

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Net foreign exchange gain	2,020	7,012
Gain/(Loss) from change in fair value of financial assets at fair value through profit or loss, net	(527)	116
	<u>1,493</u>	<u>7,128</u>

5. FINANCE COSTS

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Interest expenses on:		
Loan from the ultimate holding company	9,128	10,033
Bank loans	1,093	330
Lease liabilities	10	29
	<u>10,231</u>	<u>10,392</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	842	834
Depreciation of right-of-use assets	1,012	399
Amortisation of intangible assets	1,337	1,383
Impairment reversal on financial assets, net	(330)	–
Investment income from financial assets at fair value through profit or loss	398	366
Investment income from other financial assets	36	–
Net foreign exchange gain	2,020	7,012
Gain/(Loss) from change in fair value of financial assets at fair value through profit or loss, net	(527)	116
Cost of inventories sold	4,521	7,003
	<u>4,521</u>	<u>7,003</u>

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 both periods.

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 of Mainland China subsidiaries was 25% for both periods.

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Current tax – Hong Kong		
Charge for the period	–	–
Overprovision in prior years	(157)	–
Current tax – Mainland China		
Charge for the period	–	–
Underprovision in prior year	–	57
Deferred	2,032	219
Total tax charge for the period	<u>1,875</u>	<u>276</u>

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2020 and 30 September 2019, nor has any dividend been proposed since the end of the reporting period (30 September 2019: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	<u>1,626</u>	<u>3,829</u>
	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>499,276,680</u>	<u>499,276,680</u>
	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 September 2019 HK\$'000 (unaudited)
Earnings per shares		
Basic and diluted earnings per share attributable to ordinary equity holders of the parent	<u>HK0.33 cents</u>	<u>HK0.76 cents</u>

10. INVESTMENT PROPERTIES

The investment properties of the Group are located in Hong Kong and the mainland China. The valuations for investment properties have been arrived on a basis of valuations carried out at the end of the reporting period by Asia-Pacific Consulting and Appraise Limited (30 September 2019: Asia-Pacific Consulting and Appraise Limited) by adopting the income capitalisation method.

For the six months ended 30 June 2020, an unrealised gain on investment properties revaluation of HK\$4,673,000 (six months ended 30 September 2019: an unrealised loss of HK\$2,400,000) has been recognised in profit or loss.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade receivables	10,433	1,923
Less: Allowance for credit losses	(95)	(228)
	10,338	1,695
Deposits, prepayments and other receivables	3,949	3,932
Cash in transit	–	11,380
Value-added tax recoverable	12,100	12,496
	26,387	29,503

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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 1 month	2,894	1,204
1 to 2 months	2,226	–
2 to 3 months	2,287	93
Over 3 months	2,931	398
	10,338	1,695

12. TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade payables	465	1,119
Accrued charges	4,061	5,772
Other payables	393	790
Other taxes payable	1,797	1,191
Receipt in advance	116	158
	6,832	9,030

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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 1 month	457	392
1 to 2 months	–	726
2 to 3 months	7	–
Over 3 months	<u>1</u>	<u>1</u>
	<u>465</u>	<u>1,119</u>

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2019, 31 December 2019 and 30 June 2020	<u>20,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 April 2019, 31 December 2019 and 30 June 2020	<u>499,277</u>	<u>49,928</u>

14. PLEDGE OF ASSETS

As at 30 June 2020, the Group pledged certain of its investment properties with market value of HK\$160,300,000 (31 December 2019: HK\$163,100,000) 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 HK\$49,370,000 (31 December 2019: HK\$49,573,000). As at 30 June 2020, the Group had unutilised banking facilities of HK\$50,000,000 (31 December 2019: HK\$50,000,000).

15. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 24 August 2020.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (30 September 2019: Nil).

CHANGE OF THE FINANCIAL YEAR END DATE

On 6 December 2019, the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December of each year. For details, please refer to the announcement of the Company dated 6 December 2019. Due to the change of the financial year end date, the results for the six months ended 30 September 2019 (the “Previous Period”) are used as comparative figures.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the business of (i) leasing of investment properties; (ii) production and sale of digital Chinese calligraphy education equipment and related learning and tutorial systems; and (iii) provision of loan financing services.

Leasing of Investment Properties

During the six months ended 30 June 2020, the Group managed to achieve a stable return and recorded a rental income of approximately HK\$15.4 million (Previous Period: HK\$15.8 million) from the leasing of investment properties located in the People’s Republic of China (the “PRC”) and Hong Kong.

As the duration of the coronavirus outbreak (“COVID-19 outbreak”) remains uncertain, the management will continue to closely monitor the development of the leasing market in the PRC and Hong Kong, and adopt suitable measures to achieve the expected performance of its investment property portfolio.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the six months ended 30 June 2020, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to approximately HK\$7.4 million (Previous Period: HK\$11.9 million), representing a decrease of approximately HK\$4.5 million.

Schools are the main customers for this business segment. Due to the implementation of precautionary measures by the PRC as a result of the COVID-19 outbreak, especially in the first quarter of 2020, classes at schools in our major markets in the PRC were suspended. As a result, installation works for our digital Chinese calligraphy education equipment in classrooms according to the purchase orders placed by schools and colleges were delayed and the production and sales promotion activities initially scheduled for this business segment were disrupted, which resulted in a deterioration of the performance of this segment.

Since Chinese calligraphy training has been made compulsory for students in primary and secondary schools across the PRC, the Group remains optimistic about the prospects of its Chinese calligraphy education related products in the long term. The management will continue to closely monitor the development of the situation.

Loan Financing

During the six months ended 30 June 2020, the Group's loan financing business recorded a revenue of approximately HK\$0.07 million (Previous Period: HK\$0.6 million). All loan receivables were settled in early 2020. The Group did not grant any new loans during the six months ended 30 June 2020 as business activities had been slowing down during the review period because of the COVID-19 outbreak.

The Group will continue to employ prudent credit control procedures and strategies to maintain a balance between business growth and risks. The Group is still keen on growing its loan financing business and will explore business opportunities with its best effort. It is expected that such business will continue to be part of the main income streams of the Group when the general economic conditions gradually return to normal as the COVID-19 outbreak stabilises.

FINANCIAL REVIEW

Revenue and Results

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$22.9 million (Previous Period: HK\$28.3 million), representing a decrease of approximately HK\$5.4 million as compared with the Previous Period.

Cost of inventories for the six months ended 30 June 2020 was approximately HK\$4.5 million (Previous Period: HK\$7.0 million), representing a decrease of approximately HK\$2.5 million as compared with the Previous Period.

Employee benefit expenses for the six months ended 30 June 2020 were approximately HK\$4.3 million (Previous Period: HK\$3.5 million), representing an increase of approximately HK\$0.8 million as compared with the Previous Period. The increase was mainly attributable to the additional employees employed for the NEQH Development and Construction Co. Ltd* (核建青控開發建設有限公司) ("the Joint Venture Company"), which was established in December 2019.

Exchange gains arising from the translation of monetary items denominated in foreign currencies other than the functional currencies of the Group entities were approximately HK\$2.0 million for the six months ended 30 June 2020 (Previous Period: HK\$7.0 million). Such unrealised gain was mainly due to the depreciation of Renminbi ("RMB") against United States dollars and Hong Kong dollars and the change of the Group's functional currency from Hong Kong dollars to RMB.

Other operating expenses for the six months ended 30 June 2020 were approximately HK\$9.1 million (Previous Period: HK\$9.1 million).

Finance costs for the six months ended 30 June 2020 were approximately HK\$10.2 million (Previous Period: HK\$10.4 million). Finance costs included interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company and interest payable for the secured loan provided by a bank.

For the six months ended 30 June 2020, the profit for the period attributable to owners of the Company was approximately HK\$1.6 million (Previous Period: HK\$3.8 million) and the earnings per share was 0.33 HK cents (Previous Period: 0.76 HK cents). The decrease was mainly attributable to (i) the COVID-19 outbreak, which adversely interrupted the normal production and sales activities of the digital Chinese calligraphy education equipment segment; and (ii) the decrease in exchange gains due to the depreciation of RMB against United States dollars and Hong Kong dollars.

Liquidity

As at 30 June 2020, the total assets of the Company amounted to approximately HK\$741.7 million (31 December 2019: HK\$745.0 million), whereas the total liabilities of the Group amounted to approximately HK\$448.5 million (31 December 2019: HK\$452.8 million).

Accordingly, the net assets of the Company as at 30 June 2020 was HK\$293.2 million (31 December 2019: HK\$292.2 million).

The gearing ratio of the Company, being total liabilities to total assets, was 60.5% as at 30 June 2020 (31 December 2019: 60.8%). The Group believes that it 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 2020 and 31 December 2019 was 499,276,680 shares.

Pledge of Assets

As at 30 June 2020, the Group pledged certain of its investment properties with a market value of HK\$160.3 million (31 December 2019: HK\$163.1 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 30 June 2020, the Group had unutilised banking facilities of HK\$50.0 million (31 December 2019: HK\$50.0 million).

Foreign Exchange Exposure

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, RMB and United States dollars. During the six months ended 30 June 2020, RMB depreciated against Hong Kong dollars and United States dollars. The Group does not have any hedging arrangement on foreign exchange but will continue to closely monitor its foreign exchange exposure in RMB.

Contingent Liabilities and Capital Commitments

As at 30 June 2020 and 31 December 2019, the Group did not have any material contingent liabilities or capital commitments.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 93 employees. The Directors and the Group's employees are remunerated based on their performance and experience, the current industry practices and the prevailing market conditions and in accordance with the existing labour laws. In addition to basic salaries, the Directors and the Group's employees are rewarded with performance-related bonuses and other staff welfare benefits.

PROSPECTS

The socio-economic impact of the COVID-19 outbreak is being experienced not just in the PRC and Hong Kong, but also across the world. The economic and trading environment of the PRC and Hong Kong may continue to be, to different extents, challenged by the US-China trade tension, COVID-19 outbreak and social unrest in Hong Kong. The Group believes that these extraordinary events, when they ultimately stabilise, will not have a significant impact on the Group's operations in the long term.

The Group thanks its employees for their hard work and perseverance, and the members of the Board for their guidance. Most of all, the Group thanks its consumers, customers, and business partners for their continued support, patronage, and trust.

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

MATERIAL TRANSACTION IN RELATION TO THE PROVISION OF ENTRUSTED 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 the Joint Venture Company. The Joint Venture Company is mainly engaged in the operation of various businesses in the PRC, and 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.

On 10 December 2019, Qingdao (HK), China Nuclear Industry and China Huadong established the Joint Venture Company pursuant to the Joint Venture Agreement. The Joint Venture Company is 51%, 30% and 19% owned by Qingdao (HK), China Nuclear Industry and China Huadong, respectively.

On 25 February 2020, the Joint Venture Company and Huizhou Meile Land Company Limited* (惠州市美樂置地實業有限公司) (“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 Real Estate Company Limited* (惠州市九煜置業有限公司) (“Huizhou Jiuyu”) is wholly-owned by Huizhou Yanlong. Huizhou Jiuyu is expected to own the land use rights of 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”).

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 Company* (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 (the “Entrusted Loan Arrangement”) on 7 May 2020. 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 between Qifeng, QURC Micro-credit Loan Company and Huizhou Jiuyu (the “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.

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 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 of the Entrusted Loan. As at the date of this announcement, the land use rights of the Land and its construction-in-progress property project on the Land have not been pledged to QURC Micro-credit Loan Company.

On 7 May 2020, QCCIG entered into a loan agreement (the “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 intends to use its internal resources and the Financial Assistance to fund the Entrusted Loan.

One of the Group's principal business activities is the provision of loan financing. Due to the difference between the interest rates under the Loan Agreement and the Entrusted Loan Arrangement, the Group will generate positive interest income under the Entrusted Loan Arrangement. The Directors consider that the Entrusted Loan would increase the income of the Group and the interest income would generate positive cash flow for the Group.

In addition, as the Joint Venture Company (a subsidiary of the Company) indirectly owns 49% of the equity interest in Huizhou Jiuyu, the Company is expected to benefit from Huizhou Jiuyu on a pro-rata basis based on the performance of Huizhou Jiuyu. It is expected that the Entrusted Loan will be applied by Huizhou Jiuyu for the acquisition, development and operating expenses of the Land and the construction-in-progress property project on the Land. Upon completion of the development of the Land, Huizhou Jiuyu is expected to generate revenue by selling the residential properties on the Land. Qingdao (HK), a wholly-owned subsidiary of the Company, as an indirect shareholder of Huizhou Jiuyu, will benefit from the property sales of the Land.

The provision of Entrusted Loan and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the special general meeting of the Company held on 30 June 2020.

The drawdown of the Entrusted Loan is conditional upon, among other things, the provision of other documents and information request by the QURC Micro-credit Loan Company as stated in the Entrusted Loan Contract. As at the date of this interim results announcement, the Entrusted Loan has not been drawn down by Huizhou Jiuyu.

For further details of the Entrusted Loan Arrangement, please refer to the announcements of the Company dated 7 May 2020 and 30 June 2020 and the circular of the Company dated 11 June 2020.

Other than the Entrusted Loan Arrangement disclosed above, there are no important events affecting the business of the Group which have occurred since 31 December 2019 up to the date of this announcement.

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 six months ended 30 June 2020, except for the deviations set out below.

Code provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular board meeting to give all directors an opportunity to include matters in the agenda. During the six months ended 30 June 2020, two of the Board meetings were convened with less than 14 days' notice in order to facilitate timely decision making in respect of certain internal affairs and commercial transaction of the Group. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Gao Yuzhen, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 30 June 2020 in person due to the travel restrictions imposed by the Hong Kong government amid the COVID-19 outbreak.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. The Company has made specific and reasonable enquiries with all Directors and is satisfied that they had complied with the Model Code throughout the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2020.

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.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM REPORT

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 Audit Committee also meets with the Group’s senior management regularly to review the effectiveness of the risk management and internal control systems as well as the interim and annual reports 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
Gao Yuzhen
Executive Director and Chairman

Hong Kong, 24 August 2020

As at the date of this announcement, the Executive Directors are Mr. Gao Yuzhen (Chairman), Mr. Yuan Zhi (Deputy Chairman and Chief Executive Officer) and Mr. Hu Liang; the Non-executive Director is Mr. Li Shaoran; and the Independent Non-executive Directors are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.

* *For identification purposes only*