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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 2022

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 2022 together with the comparative figures for the six months ended 30 June 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE			
– Goods		6,614	11,043
– Rental		13,773	13,710
Total revenue	4	20,387	24,753
Cost of Inventory		(4,132)	(5,974)
(Decrease)/Increase in fair value of investment properties		(1,497)	10,584
Other income	4	13,916	10,985
Other gains and losses	4	2,588	918
Impairment loss on financial assets, net		(1,396)	(30)
Employee benefits expenses		(7,316)	(7,965)
Other operating expenses		(8,144)	(18,596)
Finance costs	5	(11,773)	(11,274)
Share of losses of joint ventures		(817)	–

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
PROFIT BEFORE TAX	6	1,843	3,401
Income tax expense	7	<u>(1,532)</u>	<u>(3,040)</u>
PROFIT FOR THE PERIOD		<u>311</u>	<u>361</u>
Attributable to:			
Owners of the parent		3,120	3,520
Non-controlling interests		<u>(2,809)</u>	<u>(3,159)</u>
		<u>311</u>	<u>361</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (<i>RMB cents</i>), profit for the period	9	<u>0.31</u>	<u>0.57</u>
– Diluted (<i>RMB cents</i>), profit for the period	9	<u>0.31</u>	<u>0.57</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
PROFIT FOR THE PERIOD	<u>311</u>	<u>361</u>
OTHER COMPREHENSIVE INCOME/(LOSS) <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>8,103</u>	<u>(1,611)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>8,103</u>	<u>(1,611)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>8,414</u>	<u>(1,250)</u>
Attributable to:		
Owners of the Company	11,223	1,909
Non-controlling interests	<u>(2,809)</u>	<u>(3,159)</u>
	<u>8,414</u>	<u>(1,250)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	44,033	42,158
Investment properties	11	493,400	488,523
Right-of-use assets		1,222	1,632
Goodwill		5,210	5,210
Other intangible assets		13,794	15,012
Investments in joint ventures		4,996	2,813
Deferred tax assets		4,972	3,670
		567,627	559,018
TOTAL non-current assets			
CURRENT ASSETS			
Inventories	12	59,954	56,487
Trade and other receivables	13	26,402	12,793
Amount due from a joint venture	17	175,824	173,984
Financial assets at fair value through profit or loss		3,735	2,390
Cash and cash equivalents		215,221	232,777
		481,136	478,431
TOTAL current assets			
CURRENT LIABILITIES			
Trade and other payables	14	6,020	8,464
Contract liabilities		3,157	2,891
Interest-bearing bank borrowings		77,131	73,567
Amount due to ultimate holding company		130,100	130,100
Income tax payable		4	30
		216,412	215,052
TOTAL current liabilities			
NET CURRENT ASSETS		264,724	263,379
TOTAL ASSETS LESS CURRENT LIABILITIES			
		832,351	822,397

		30 June 2022	31 December 2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Rental deposits from tenants		647	605
Interest-bearing bank and other borrowings		7,590	9,001
Loan from the ultimate holding company		344,000	344,000
Deferred tax liabilities		21,367	18,458
		<hr/>	<hr/>
Total non-current liabilities		373,604	372,064
		<hr/>	<hr/>
Net assets		458,747	450,333
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	81,257	81,257
Reserves		314,839	303,616
		<hr/>	<hr/>
		396,096	384,873
Non-controlling interests		62,651	65,460
		<hr/>	<hr/>
Total equity		458,747	450,333
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 year ended 31 December 2021, 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>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

3. SEGMENT INFORMATION

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

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

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, certain 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, certain other receivables of the corporate office and assets classified as held for sale.

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

Segment revenue and results

For the six months ended 30 June 2022 (Unaudited)

	Segment revenue <i>RMB'000</i> (Unaudited)	Segment results <i>RMB'000</i> (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)
	<hr/>	<hr/>
Segment total	20,387	2,204
	<hr/> <hr/>	
Increase in fair value of investment properties		(1,497)
Unallocated income		13,658
Unallocated expenses		(12,522)
		<hr/>
Profit before tax		1,843
		<hr/> <hr/>

For the six months ended 30 June 2021 (Unaudited)

	Segment revenue <i>RMB'000</i> (Unaudited)	Segment results <i>RMB'000</i> (Unaudited)
Leasing of properties	13,710	11,295
Production and sale of education equipment	11,043	(5,727)
Consulting service	–	(3,209)
Loan financing	–	(9)
	<hr/>	<hr/>
Segment total	24,753	2,350
	<hr/> <hr/>	
Increase in fair value of investment properties		10,584
Unallocated income		11,073
Unallocated expenses		(20,606)
		<hr/>
Profit before tax		3,401
		<hr/> <hr/>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Leasing of properties	684,491	665,203	497,048	494,098
Production and sale of education equipment	75,523	70,926	56,404	55,243
Consulting service	13,302	8,558	982	2,874
Loan financing	–	–	13	12
Real estate development	40,149	40,149	600	900
Segment total	813,465	784,836	555,047	553,127
Unallocated:				
Cash and cash equivalents	215,221	232,777	–	–
Others	20,077	19,836	34,969	33,989
Total	1,048,763	1,037,449	590,016	587,116

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	18,771	23,199
Hong Kong	1,616	1,554
	20,387	24,753

(b) Non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Mainland China	406,942
Hong Kong	155,713	149,499
	562,655	555,348

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 the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of education equipment	6,614	11,043
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases with fixed payments	13,773	13,710
	20,387	24,753

Revenue from contracts with customers

(a) *Disaggregated revenue information*

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

For the period ended 30 June 2021

Segments	Sale of education equipment RMB'000
Geographical markets	
Mainland China	11,043
Timing of revenue recognition	
Goods transferred at a point in time	11,043

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 2022

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

For the period ended 30 June 2021

Segments	Sale of education equipment RMB'000
Revenue from contracts with customers	
External customers	11,043

(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 2022 and 30 June 2021, 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 the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	386	178
Investment income from financial assets at fair value through profit or loss	470	75
Investment income from other financial assets	–	431
Interest from entrusted loans	12,555	10,192
Government grant	411	85
Others	94	24
	13,916	10,985

Other gains and losses

An analysis of other gains and losses is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net foreign exchange gain	2,772	830
(Loss)/Gain from change in fair value of financial assets at fair value through profit or loss, net	(184)	88
	2,588	918

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on:		
Loan from the ultimate holding company	10,793	10,248
Bank loans	956	442
Lease liabilities	24	44
Amount due to an intermediate holding company	–	540
	11,773	11,274

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	733	735
Depreciation of right-of-use assets	410	593
Amortisation of intangible assets	1,218	1,217
Impairment loss on financial assets, net	1,369	30
Investment income from financial assets at fair value through profit or loss	(470)	(75)
Investment income from other financial assets	–	(431)
Government grant	(411)	(85)
Net foreign exchange gain	(2,772)	(830)
Loss/(Gain) from change in fair value of financial assets at fair value through profit or loss, net	184	(88)
Cost of inventories sold	4,132	5,974
	<u>4,132</u>	<u>5,974</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 the six months ended 30 June 2022 and 30 June 2021.

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 2022 and 30 June 2021.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong		
Underprovision in prior years	–	30
Current tax – Mainland China		
Overprovision in prior years	(8)	(303)
Deferred	1,540	3,313
Total tax charge for the period	<u>1,532</u>	<u>3,040</u>

12. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Leasehold land <i>(Note (a))</i>	40,149	40,149
Raw materials	11,438	12,342
Finished goods	8,552	4,181
	<u>60,139</u>	<u>56,672</u>
Less: impairment loss on inventories	(185)	(185)
	<u>59,954</u>	<u>56,487</u>

Note:

- (a) The leasehold land was obtained by the acquisition of a subsidiary, which was recognised as an asset acquisition instead of a business combination.

13. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	4,482	5,020
Less: Allowance for credit losses	(1,041)	(1,280)
	<u>3,441</u>	<u>3,740</u>
Deposits, prepayments and other receivables	5,870	6,613
Less: Allowance for credit losses	(447)	(500)
Interest receivable	13,309	–
Advance payment of income tax	2,423	–
Value-added tax recoverable	1,806	2,940
	<u>26,402</u>	<u>12,793</u>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	146	1,238
1 to 2 months	1,787	259
Over 3 months	1,508	2,243
	<u>3,441</u>	<u>3,740</u>

14. TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	1,175	957
Accrued charges	2,957	4,405
Other payables	984	1,385
Other taxes payable	904	1,717
	<u>6,020</u>	<u>8,464</u>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	67	70
1 to 2 months	32	33
2 to 3 months	–	1
Over 3 months	1,076	853
	<u>1,175</u>	<u>957</u>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid 998,553,360 (2021: 998,553,360) ordinary shares	<u>81,257</u>	<u>81,257</u>

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 2020, 31 December 2020 and 1 January 2021 (Audited)	499,276,680	39,942
Rights issue (<i>Note</i>)	499,276,680	41,315
	<u>499,276,680</u>	<u>41,315</u>
At 31 December 2021 and 30 June 2022 (Unaudited)	998,553,360	81,257
	<u>998,553,360</u>	<u>81,257</u>

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 2022, the Group pledged certain of its investment properties with a market value of RMB138,200,000 (31 December 2021: RMB132,323,000) 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 RMB75,246,000 (31 December 2021: RMB71,729,000). As at 30 June 2022, the Group had no unutilised banking facilities (31 December 2021: none).
- (b) As at 30 June 2022, the Group pledged certain of its property, plant and equipment with book value of RMB26,971,000 (31 December 2021: RMB25,445,000) to a bank in Mainland China to obtain a mortgage financing from a bank in Mainland China of RMB8,580,000 (31 December 2021: RMB9,074,000).

17. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term benefits	199	200
	<u>199</u>	<u>200</u>

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

	<i>Notes</i>	For the six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Joint ventures:			
Interest income from entrusted loans	(ii)	12,555	10,192
The ultimate holding company:			
Interest expense on loans	(i)	8,261	8,261
Interest expense on loans	(ii)	2,532	1,987
An intermediate holding company:			
Rental Income	(iii)	114	115
Interest expense on loans		–	540

- (c) Balance with related parties:

	<i>Notes</i>	30 June	31 December
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties			
Amount due from a joint venture	(ii)	177,600	174,100
Impairment losses, net	(ii)	1,776	116
		<u>175,824</u>	<u>173,984</u>
Amounts due to related parties			
Current portion			
Amount due to the ultimate holding company	(ii)	130,100	130,100
Non-current portion			
Amount due to the ultimate holding company	(i)	344,000	344,000

Notes:

- (i) As at 30 June 2022, a RMB-denominated loan from the ultimate holding company of RMB344,000,000 with the maturity date of 31 December 2024 (31 December 2021: RMB344,000,000) took effect. The loan is unsecured and bears interest at a fixed rate of 4.75% per annum. The Company has recognised an interest expense on the loan amounting to RMB8,261,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 an entrusted 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 entrusted loan contract. As at 30 June 2022, the RMB-denominated loan was provided to Huizhou Jiuyu of RMB177,600,000 (31 December 2021: RMB174,100,000) and bears interest at a fixed rate of 15% per annum. The Company has recognised interest income from the loan amounting to RMB12,555,000 (30 June 2021: RMB10,192,000) for six months ended 30 June 2022, and the outstanding balance of interest receivable due to Huizhou Jiuyu was RMB13,309,000 (31 December 2021: nil) as at 30 June 2022. Pursuant to the Entrusted 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 parent company of Huizhou Jiuyu) owned by Huizhou Meile Land Company Limited.

As at 30 June 2022, the expected credit losses which amounted to RMB1,776,000 (31 December 2021: RMB116,000) were estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current condition as appropriate. The loss rate applied at 30 June 2022 was 1% (31 December 2021: 0.07%).

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 entrusted loan to be made to Huizhou Jiuyu. As at 30 June 2022, a RMB-denominated loan from the ultimate holding company of RMB130,100,000 was unsecured and bears interest at a fixed rate of 3.85% per annum (as at 31 December 2021: RMB130,100,000). The Company has recognised an interest expense on the loan amounting to RMB2,532,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB1,987,000).

- (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 is from 1 June 2019 to 31 May 2021, and was renewed to extend the maturity date to 31 May 2022. The Group has recognised rental income of RMB114,000 for six months ended 30 June 2022 (six months ended 30 June 2021: RMB115,000), and the outstanding balances due to the intermediate holding company of RMB20,000 and RMB19,000, which are included in rental deposits from tenants and trade and other payables 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.

18. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 30 August 2022.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (the “Period”) (30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Leasing of Properties

During the Period, the Group managed to achieve a stable return and recorded a rental income of approximately RMB13.8 million (2021: RMB13.7 million) from the leasing of investment properties located in the People’s Republic of China (the “PRC”) and Hong Kong.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the Period, the revenue generated from the production and sale of digital Chinese calligraphy education equipment and related learning and tutorial systems amounted to approximately RMB6.6 million (2021: RMB11.0 million), representing an decrease of approximately 40.0%.

A resurgence of COVID-19 cases in various cities and provinces in the PRC and lockdowns that followed affected business performance of this segment during the Period. The installation works for our digital Chinese calligraphy education equipment in classrooms were delayed and the production and sales promotion activities initially scheduled for this business segment were disrupted because of the ravage of COVID-19 pandemic, which resulted in a deterioration in the performance of this segment.

The Directors believed that the revenue of this segment would be rebounded in the traditional peak sales season, especially when China’s economy can continue to recover under stringent and effective anti-epidemic measures.

Provision of Consulting Services

During the Period, the provision of consulting services segment did not generate any revenue (2021: Nil). The consulting services mainly included consulting services provided to property developers engaged in the construction works in new districts in the PRC. Although the real estate industry in general has been in a tough business environment in the Period, the Directors remain optimistic about the significant business opportunities in this business segment in the long run.

Provision of Loan Financing

During the Period, the Group's loan financing business did not generate any revenue (2021: Nil). The Group did not grant any new loans during the Period as business activities had been slowing down due to the continued impact of the COVID-19 pandemic.

The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential. The Group will continue to develop this business by employing prudent credit control procedures and strategies to maintain a balance between the business growth and the risk management.

FINANCIAL REVIEW

Revenue and Results

During the Period, the Group recorded a consolidated revenue of approximately RMB20.4 million (2021: RMB24.8 million), representing a decrease of approximately 17.7% as compared with the corresponding period last year.

Cost of inventory sold for the Period was approximately RMB4.1 million (2021: RMB6.0 million), representing a decrease of approximately 31.7% as compared with the corresponding period last year.

Other income for the Period was approximately RMB13.9 million (2021: RMB11.0 million), representing an increase of approximately 26.4%. The increase was mainly attributable to the interest income of approximately RMB2.4 million from the provision of entrusted loan.

Employee benefit expenses for the Period were approximately RMB7.3 million (2021: RMB8.0 million), representing a slightly decrease of approximately RMB0.7 million as compared with the corresponding period last year. The decrease was mainly due to the decrease in commission for the marketing staff from production and sale of digital Chinese calligraphy education equipment and related learning and tutorial systems segment.

Finance costs for the Period were approximately RMB11.8 million (2021: RMB11.3 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 a bank.

The profit for the Period attributable to owners of the Company was approximately RMB3.1 million (2021: RMB3.5 million) and the earnings per share was RMB0.31 cent (2021: RMB0.57 cent). Such slightly decrease was mainly attributable to the decrease in fair value of investment properties and the impairment loss on financial assets, which was partially offset by (i) the decrease in legal and professional fees paid or payable; and (ii) the increase in other interest income in provision of entrusted loan.

Liquidity

As at 30 June 2022, the total assets of the Company amounted to approximately RMB1,046.8 million (31 December 2021: RMB1,037.4 million), whereas the total liabilities of the Group amounted to approximately RMB590.0 million (31 December 2021: RMB587.1 million).

Accordingly, the net assets of the Company as at 30 June 2022 was RMB458.7 million (31 December 2021: RMB450.3 million).

The gearing ratio of the Company, being total liabilities to total assets, was 56.3% as at 30 June 2022 (31 December 2021: 56.6%). 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 2022 was 998,553,360 Shares (31 December 2021: 998,553,360 Shares).

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

Pledge of Assets

As at 30 June 2022, the Group pledged certain of its investment properties with a market value of RMB138.2 million (31 December 2021: RMB132.3 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 30 June 2022, the Group also pledged its construction in progress with a cost of RMB27.0 million (31 December 2021: RMB25.4 million) to a bank in PRC to secure mortgage financing facilities granted to the Group.

As at 30 June 2022, the Group had no unutilised banking facilities (31 December 2021: Nil).

Foreign Exchange Exposure

The Group's financial statements are presented in Renminbi. The Group carried out its business transactions mainly in Hong Kong dollars, Renminbi 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 Hong Kong.

Capital Commitments

The Group's capital commitments including acquisition of subsidiary amounted to nil as at 30 June 2022 (as at 31 December 2021: approximately RMB1,982.3 million).

The Group's capital commitments including capital contributions payable to joint ventures amounted to RMB28.9 million as at 30 June 2022 (as at 31 December 2021: approximately RMB31.9 million).

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, 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 2022, the Group employed a total of 126 full time employees (31 December 2021: 129). 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

The impact of the COVID-19 pandemic continued to be felt across the global economy in the first half of 2022. Midway through the year, there are signs that negative operating factors in the macro environment are stabilising. However, the Board considered that the general outlook of the business environment will remain challenging in the second half of the year. The Group is expected to encounter regulatory requirements to waive certain rental to release the financial burden of its tenants in the PRC to ease their financial burdens brought by the lockdown measures for the year 2022. As at the date of this announcement, based on the information currently available, it is expected that approximately RMB1 million of rental amount will be waived in the second half of 2022. The Company will make further announcement(s) upon receipt of the waiver request from the relevant authorities.

To overcome the challenges caused by the COVID-19 pandemic and the tough business environment, the Group will adhere to prudent financial management and stringent cost control and will continue to explore good business and investment opportunities to drive our business growth. The Group believes the pandemic will ultimately stabilize and should not have a significant impact on the Group's operations in the long term.

We thank our employees for their hard work and perseverance, and the members of the Board for their guidance. Most of all, we thank all our stakeholders, customers, and business partners for their continued support, patronage, and trust.

Looking ahead, the Group will seek to overcome all the unfavourable challenges and endeavour its best to achieve stable and promising results with concerted efforts from all its staff and full support from its ultimate controlling shareholder, Qingdao City Construction Investment (Group) Limited* (青島城市建設投資(集團)有限責任公司) (“QCCIG”). The Group will continue to promote the long term sustainable development of its business, with an aim to bringing a stable return to the Company’s shareholders (“Shareholders”) and maximise Shareholders’ wealth.

MATERIAL TRANSACTIONS

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 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 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 acquire 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 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 (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 would 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 interim results announcement, the land use rights of the Land and its construction-in-progress property project on the Land have 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 used its internal resources and the Financial Assistance to fund the Entrusted Loan for the years ended 31 December 2020 and 2021 and for the Period.

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 interest income of the Group and hence, 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 expects to benefit from Huizhou Jiuyu on a pro-rata basis based on the performance of Huizhou Jiuyu. It is planned 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), 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 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 30 June 2022, the Entrusted Loan in the amount of RMB177,600,000 was drawn down by Huizhou Jiuyu (31 December 2021: RMB174,100,000).

As at 30 June 2022, the expected credit losses which amounted to RMB1,776,000 (31 December 2021: RMB116,000) were estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current condition as appropriate. The loss rate applied at 30 June 2022 was 1% (31 December 2021: 0.07%).

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 10 June 2020.

Very Substantial Acquisition, Issue of Convertible Bonds under the Specific Mandate, Rights Issue and Change of Use of Proceeds

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 of the Company (“Share(s)”) (the “Rights Issue”) to Shareholders other than overseas Shareholder(s) in respect of whom the Directors, based on the legal advice provided by the legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place on the basis of one (1) new Share to be allotted in respect of the Rights Issue (the “Rights Share”) for every one (1) existing Share. China Qingdao International (Holdings) Company Limited (“CQIH”), a Controlling Shareholder, was wholly owned by the Vendor. Accordingly, the Vendor is an associate of CQIH and a connected person of the Company. The Acquisition is therefore a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Since one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Rights Issue is also subject to Independent Shareholders’ approval. At the special general meeting of the Company held on 13 April 2021, resolutions for approval of the Acquisition and the Rights Issue were passed by the independent Shareholders. 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 Period.

As the Purchaser and the Vendor cannot 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, 24 March 2021, 13 April 2021, 17, 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 23 April 2021.

CHANGE IN USE OF PROCEEDS FROM THE RIGHTS ISSUE

The net proceeds from the Rights Issue was approximately RMB159.9 million, which has not been utilized and all of the net proceeds were deposited with the Group’s bank account for temporary interest earning.

Given that the Acquisition will not proceed, approximately 90% of the net proceeds initially planned for settling the Consideration, being approximately RMB143.91 million, is not utilized as at the date of this announcement.

The details of the use of proceeds from the Rights Issue are set out as follows:

Intended use of net proceeds	Intended use of net proceeds	Actual use of net proceeds as at 30 June 2022
For settling the Consideration	RMB143.91 million	–
As general working capital of the Group	RMB15.99 million	RMB1.57 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 from the Rights Issue for other suitable investment opportunities.

As at the date of this announcement, the Company is exploring other suitable investment opportunities and is contemplating the acquisition of two commercial properties situated in Qingdao City, the PRC, with an aggregate gross floor area of approximately 102,200 square metres. In addition, the Company intends to pursue acquisition opportunities with properties management companies (especially targets which are engaged in commercial operations with quality residential and commercial properties under management).

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

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

CORPORATE GOVERNANCE CODE

The Board is committed to ensuring high standards of corporate governance in the interests of the Shareholders and devotes efforts in identifying and developing the best practices. The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 14 to the Listing Rules during the Period, except for the deviations set out below.

Code provision C.1.6 of the CG Code stipulates (among others) that generally, independent non-executive directors and other non-executive directors should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to the travel restrictions imposed as a result of the COVID-19 outbreak, all Independent Non-executive Directors (except Mr. Yin Tek Shing, Paul) could not attend the annual general meeting of the Company held on 10 June 2022 ("AGM") in person, and instead they joined the AGM by electronic means. Mr. Li Shaoran, the non-executive Director, did not attend the AGM as he had other business engagement on the date of the AGM.

Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Due to the travel restrictions imposed as a result of the COVID-19 outbreak, Mr. Gao Yuzhen, the Chairman of the Board and the Nomination Committee, could not attend the AGM. Mr. Yin Tek Shing, Paul, the Independent Non-executive Director, was appointed the chairman of the meeting and acted as the delegate of Mr. Gao Yuzhen to answer Shareholders' questions. The Company considers that together with other members of the Board who attended the AGM by electronic means, there were sufficient calibres for answering questions at the AGM.

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 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 in the section headed "Change in use of proceeds from the right issue", there is no material event has occurred after the Period.

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, 30 August 2022

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*