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 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Qingdao Holdings International Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures for 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Revenue			
– Goods		**31,094**	41,854
– Rental		**25,507**	27,406
Total revenue	4	**56,601**	69,260
Cost of inventories sold		**(18,574)**	(24,572)
(Decrease)/increase in fair value of investment properties		**(39,902)**	10,911
Other income	4	**21,967**	24,523
Other gains and losses	4	**4,392**	34
Impairment of financial assets, net	5	**(43,455)**	(1,626)
Impairment of inventories	5	**(35)**	(185)
Impairment of goodwill	5	**(3,240)**	–
Employee benefit expenses		**(14,001)**	(14,438)
Other operating expenses		**(18,041)**	(27,838)
Finance costs	6	**(23,680)**	(23,379)
Share of losses of joint ventures		**(6,795)**	(187)
(Loss)/profit before tax	5	**(84,763)**	12,503
Income tax credit/(expense)	7	**15,922**	(7,084)
(Loss)/profit for the year		**(68,841)**	5,419

	Note	**2022**	2021
		RMB'000	*RMB'000*
Attributable to:			
Owners of the parent		**(63,531)**	8,362
Non-controlling interests		**(5,310)**	(2,943)
		(68,841)	5,419
(Loss)/Earnings per share attributable to ordinary equity holders of the parent:	9		
– Basic *(RMB cents)*		**(6.36)**	1.00
– Diluted *(RMB cents)*		**(6.36)**	1.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(68,841)**	5,419
Other comprehensive income/(loss)		
Exchange differences:		
Exchange differences arising on translation of foreign operations	**15,743**	(5,457)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**15,743**	(5,457)
Other comprehensive income/(loss) for the year, net of tax	**15,743**	(5,457)
Total comprehensive loss for the year	**(53,098)**	(38)
Attributable to:		
Owners of the parent	**(47,788)**	2,905
Non-controlling interests	**(5,310)**	(2,943)
	(53,098)	(38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**43,904**	42,158
Investment properties		**460,875**	488,523
Right-of-use assets		**812**	1,632
Goodwill		**1,970**	5,210
Other intangible assets		**12,578**	15,012
Investments in joint ventures		**3,918**	2,813
Deferred tax assets		**5,058**	3,670
Total non-current assets		**529,115**	559,018
CURRENT ASSETS			
Inventories	10	**228,920**	56,487
Trade and other receivables	11	**12,351**	12,793
Amount due from a joint venture	16	**154,912**	173,984
Financial assets at fair value through profit or loss		**2,133**	2,390
Cash and cash equivalents		**173,011**	232,777
Total current assets		**571,327**	478,431
CURRENT LIABILITIES			
Trade and other payables	12	**187,707**	8,464
Contract liabilities		**1,271**	2,891
Interest-bearing bank and other borrowings		**42,361**	73,567
Amount due to the ultimate holding company	16	**115,100**	130,100
Income tax payable		**140**	30
Total current liabilities		**346,579**	215,052
NET CURRENT ASSETS		**224,748**	263,379
TOTAL ASSETS LESS CURRENT LIABILITIES		**753,863**	822,397

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Rental deposits from tenants		**445**	605
Interest-bearing bank and other borrowings		**7,095**	9,001
Loan from the ultimate holding company	16	**344,000**	344,000
Deferred tax liabilities		**3,928**	18,458
Total non-current liabilities		**355,468**	372,064
Net assets		**398,395**	450,333
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**81,257**	81,257
Other reserves		**256,988**	303,616
		338,245	384,873
Non-controlling interests		**60,150**	65,460
TOTAL EQUITY		**398,395**	450,333

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1 CORPORATE AND GROUP INFORMATION

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

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

The Group is involved in the following principal activities:

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

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

(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 and bidding consulting services in Mainland China; and

(e) Real estate development: this segment provides real estate development services in Mainland China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to *HKFRSs 2018–2020*	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improve*ments to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING 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 digital Chinese calligraphy education equipment together with relevant learning and tutorial sessions;

(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 in Mainland China; and

(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 deferred tax assets and 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 offices 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

Year ended 31 December 2022

	Segment revenue *RMB'000*	**Segment results** *RMB'000*
Leasing of properties	**25,507**	**(22,676)**
Production and sale of education equipment	**31,094**	**(6,019)**
Consulting service	**–**	**(9,816)**
Loan financing	**–**	**(29)**
Real estate development	**–**	**(1)**
Segment total	**56,601**	**(38,541)**
Decrease in fair value of investment properties		**(39,902)**
Unallocated income		**21,348**
Unallocated expenses		**(27,668)**
Loss before tax		**(84,763)**

Year ended 31 December 2021

	Segment revenue *RMB'000*	Segment results *RMB'000*
Leasing of properties	27,406	22,672
Production and sale of education equipment	41,854	(2,109)
Consulting service	–	(5,296)
Loan financing	–	(23)
Real estate development	–	(2)
Segment total	69,260	15,242
Increase in fair value of investment properties		10,911
Unallocated income		24,314
Unallocated expenses		(37,964)
Profit before tax		12,503

Segment assets and liabilities

	Segment assets		**Segment liabilities**	
	2022 ***RMB'000***	2021 *RMB'000*	**2022** ***RMB'000***	2021 *RMB'000*
Leasing of properties	**617,150**	665,203	**463,968**	494,098
Production and sale of education equipment	**69,655**	70,926	**13,370**	55,243
Consulting service	**10,326**	8,558	**10,704**	2,874
Loan financing	**–**	–	**27**	12
Real estate development	**213,550**	40,149	**175,091**	900
Segment total	**910,681**	784,836	**663,160**	553,127
Unallocated:				
Cash and cash equivalents	**173,011**	232,777	**–**	–
Others	**16,750**	19,836	**38,887**	33,989
Total	**1,100,442**	1,037,449	**702,047**	587,116

Other segment information

Year ended 31 December 2022

Other segment information	**Leasing of properties** *RMB'000*	**Production and sale of education equipment** *RMB'000*	**Consulting service** *RMB'000*	**Loan financing** *RMB'000*	**Real estate development** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Share of losses of:							
Joint ventures	**–**	**–**	**(6,795)**	**–**	**–**	**–**	**(6,795)**
Impairment losses recognised in the statement of profit or (loss), net	**43,578**	**3,853**	**(701)**	**–**	**–**	**–**	**46,730**
Depreciation and amortization	**1,255**	**2,624**	**862**	**–**	**–**	**26**	**4,767**
Investments in joint ventures	**–**	**–**	**3,918**	**–**	**–**	**–**	**3,918**
Capital expenditure*	**12**	**1,506**	**–**	**–**	**–**	**339**	**1,857**

Year ended 31 December 2021

Other segment information	Leasing of properties *RMB'000*	Production and sale of education equipment *RMB'000*	Consulting service *RMB'000*	Loan financing *RMB'000*	Real estate development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Share of losses of:							
Joint ventures	–	–	(187)	–	–	–	(187)
Impairment losses recognised in the statement of profit or (loss), net	101	1,157	553	–	–	–	1,811
Depreciation and amortization	1,212	2,791	865	–	–	5	4,873
Investments in joint ventures	–	–	2,813	–	–	–	2,813
Capital expenditure*	9	24,556	102	–	–	905	25,572

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**53,638**	66,166
Hong Kong	**2,963**	3,094
	56,601	69,260

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**369,646**	405,849
Hong Kong	**154,411**	149,499
	524,057	555,348

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

Information about a major customer

Revenue of approximately RMB19,240,000 (year ended 31 December 2021: RMB20,711,000) was derived from rental income received from a single customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of education equipment	**31,094**	41,854
Revenue from other sources		
Gross rental income from investment property operating leases with fixed payments	**25,507**	27,406
	56,601	69,260

Revenue from contracts with customers

(a) *Disaggregated revenue information*

Segments **Sale of education equipment**	**2022** ***RMB'000***	2021 *RMB'000*
Geographical markets		
Mainland China	**31,094**	41,854
Timing of revenue recognition		
Goods transferred at a point in time	**31,094**	41,854

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

Segments **Sale of education equipment**	**2022** ***RMB'000***	2021 *RMB'000*
Revenue from contracts with customers		
External customers	**31,094**	41,854

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 ***RMB'000***	2021 *RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of education equipment	**2,891**	5,066

(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 31 December 2022 and 31 December 2021, the variable consideration was assessed to be minimal.

An analysis of other income is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Other income		
Bank interest income	**642**	501
Investment income from financial assets at fair value through profit or loss	**154**	149
Investment income from other financial assets	**799**	823
Interest from a loan	**19,165**	22,422
Government grant *(Note)*	**1,095**	590
Gain on disposal of items of property, plant and equipment	**57**	–
Others	**55**	38
	21,967	24,523

An analysis of other gains and losses is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Other gains and losses		
Net foreign exchange gain	**4,857**	94
Loss from change in fair value of financial assets at fair value through profit or loss	**(465)**	(60)
	4,392	34
	26,359	24,557

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

5. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Auditor's remuneration	**2,173**	2,090
Depreciation of property, plant and equipment	**1,513**	1,440
Depreciation of right-of-use assets	**820**	999
Amortization of intangible assets	**2,434**	2,434
Impairment losses on financial assets, net	**43,455**	1,626
Impairment losses on goodwill	**3,240**	–
Impairment losses on inventories	**35**	185
Investment income from financial assets at fair value through profit or loss	**(154)**	(149)
Gain on disposal of items of property, plant and equipment	**(57)**	–
Investment income from other financial assets	**(799)**	(823)
Government grant	**(1,095)**	(590)
Net foreign exchange gain	**(4,857)**	(94)
Loss from change in fair value of financial assets at fair value through profit or loss	**465**	60
Expense relating to short-term leases	**79**	1,134
Cost of inventories sold	**18,574**	24,572
Directors' fees	**400**	400
Other staff costs:		
– Salaries and other benefits	**12,682**	13,197
– Retirement benefit scheme contributions	**919**	841
Total staff costs	**14,001**	14,438
Gross rental income	**(25,507)**	(27,406)
Less: Direct operating expenses that generate rental income during the year	**270**	238
	(25,237)	(27,168)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on loan from the ultimate holding company	**21,514**	21,099
Interest on loan from an intermediate holding company	**–**	1,025
Interest on bank loan	**2,120**	1,170
Interest on lease liabilities	**46**	85
	23,680	23,379

7. INCOME TAX

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2021:16.5%) on the estimated assessable profits arising in Hong Kong for the current year and prior year.

Mainland China

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

	2022	2021
	RMB'000	*RMB'000*
Current tax – Hong Kong		
Charge for the year	**132**	90
Underprovision in prior years	**–**	8
Current tax – Mainland China		
Charge for the year	**–**	80
Over provision in prior years	**(8)**	(304)
Deferred	**(16,046)**	7,210
Total tax (credit)/charge for the year	**(15,922)**	7,084

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022 (31 December 2021: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to ordinary equity holders of the parent are based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(63,531)**	8,362

	Number of shares	
	2022	2021
Number of shares		
Weighted average number of ordinary shares in issue during the year	**998,553,360**	836,554,537

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

10. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**12,111**	12,342
Finished goods	**6,897**	4,181
Properties under development	**210,132**	40,149
	229,140	56,672
Less: impairment of inventories	**(220)**	(185)
	228,920	56,487

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Current portion:		
Trade receivables	**7,522**	5,020
Less: Allowance for credit losses	**(1,462)**	(1,280)
	6,060	3,740
Deposits, prepayments and other receivables	**3,932**	6,613
Less: Allowance for credit losses	**(195)**	(500)
	3,737	6,113
Advance payment of income tax	**2,423**	–
Value-added tax recoverable	**131**	2,940
	12,351	12,793

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

The current portion of deposits, prepayments and other receivables mainly represents prepayments and the deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. During the current year, a credit loss is fully accrued on an uncollectible prepayment by RMB195,000 (31 December 2021: RMB500,000). Except this, the credit quality of the financial assets included in prepayments and other receivables is considered normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**4,738**	1,238
1 to 2 months	**–**	259
Over 3 months	**1,322**	2,243
	6,060	3,740

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**1,280**	107
Impairment losses, net	**182**	1,173
At end of year	**1,462**	1,280

12. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**176,098**	957
Other payables	**5,889**	1,385
Other taxes payable	**1,096**	1,717
Accrued charges	**4,624**	4,405
	187,707	8,464

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**174,813**	70
1 to 2 months	**1,016**	33
2 to 3 months	**26**	1
Over 3 months	**243**	853
	176,098	957

The trade and other payables are non-interest-bearing and are normally settled on 90-day terms.

13. SHARE CAPITAL

Shares

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

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Issued and fully paid 998,553,360 (2021: 998,553,360) ordinary shares	**81,257**	81,257

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

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

Note: A rights issue of one rights share for every one 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.

14. PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged certain of its investment properties with market value of RMB136,675,000 (31 December 2021: RMB132,323,000) to a bank in Hong Kong to obtain mortgage bank loans in Hong Kong of approximately RMB40,454,000 (31 December 2021: RMB71,729,000). As at 31 December 2022, the Group pledged its property, plant and equipment with a net carrying amount of approximately RMB25,630,000 (31 December 2021: RMB25,445,000) to a bank in Mainland China to obtain mortgage bank loan in Mainland China of approximately RMB8,085,000 (31 December 2021: 9,074,000). As at 31 December 2022, the Group had no unutilised banking facilities (31 December 2021: Nil).

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of subsidiary *(Note)*	–	1,982,300
Leasehold land and buildings	–	310
Capital contributions payable to Joint Ventures	**28,900**	31,900
	28,900	2,014,510

Note: On 17 March 2021, Yangfan (Holdings) Group Limited (the Purchaser, an indirect wholly owned subsidiary of the Company) and CQDHG (the Vendor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Target Equity Interest, being approximately 81.91% of the equity interest in the Qingdao Rural Construction Financial Leasing Company Limited (the Target Company), at a consideration of approximately RMB1,982.3 million (approximately HK$2,378.7 million). The Consideration shall be satisfied as follows: (i) approximately RMB128.8 million (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; and (ii) approximately RMB1,853.5 million (approximately HK$2,224.2 million) shall be payable by the issue of the Consideration CB by the Company to the Vendor (or its nominee(s)) upon Completion. As at 31 December 2022, this transaction has been terminated.

16. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties during the year:

	Notes	**2022** **RMB'000**	2021 RMB'000
A joint venture:			
Interest income from a loan		**19,165**	22,422
The ultimate holding company:			
Interest expense on loans	(i)	**16,567**	16,567
Interest expense on loans	(ii)	**4,947**	4,532
An intermediate holding company:			
Rental Income	(iii)	**237**	229
Interest expense on loans		**–**	1,025

(b) Balance with related parties

	Notes	**2022** **RMB'000**	2021 RMB'000
Amounts due from related parties			
Current portion			
Amount due from a joint venture	(ii)	**198,606**	174,100
Impairment provision	(ii)	**(43,694)**	(116)
		154,912	173,984
Amounts due to related parties			
Current portion			
Amount due to the ultimate holding company	(ii)	**115,100**	130,100
Amount due to a non-controlling shareholder of a subsidiary (included in trade and other payables)	(iv)	**174,582**	–
		289,682	130,100
Non-current portion			
Amount due to the ultimate holding company	(i)	**344,000**	344,000
Amount due to an intermediate holding company (included in rental deposits from tenants)	(iii)	**21**	20
		344,021	344,020

Notes:

(i) As 31 December 2022, the RMB-denominated loan from the ultimate holding company of RMB344,000,000 (31 December 2021: RMB344,000,000) was unsecured with the maturity date of 31 December 2024. The fixed interest rate on the loan is 4.75% per year. The Company has recognized an interest expense on the loan amounting to RMB16,567,000 for the year ended 31 December 2022 (31 December 2021: RMB16,567,000).

(ii) On 7 May 2020, Qingdao Qifeng Technology Services Co., Ltd. ("**Qifeng**", an indirect wholly-owned subsidiary of the Company), Qingdao Urban Rural Construction Micro-credit Loan Co. Ltd. ("**QURC Micro-credit Loan Company**") and Huizhou Jiuyu Real Estate Company Limited ("**Huizhou Jiuyu**", a joint venture of the Group) entered into a loan arrangement, pursuant to which QURC Micro-credit Loan Company, acting as the lending agent, will release a loan in the principal amount of RMB195,100,000, which will be funded by Qifeng, to Huizhou Jiuyu, with a loan term of 2 years in accordance with the terms of the loan contract. As at 31 December 2022, the RMB-denominated loan has been provided to Huizhou Jiuyu of RMB191,600,000 (31 December 2021: RMB174,100,000) and bears interest at a fixed rate of 15% per year. The interest receivable of Huizhou Jiuyu is RMB 7,006,000 (31 December 2021: Nil). The Company has recognized interest income on the loan amounting to RMB19,165,000 during 2022 (2021: RMB22,422,000). Pursuant to the Loan Contract, the loan is guaranteed by the leasehold land and buildings owned by Huizhou Jiuyu and an interest in Huizhou Yanlong Land Company Limited ("**Huizhou Yanlong**", the shareholder of Huizhou Jiuyu) owned by Huizhou Meile Land Company Limited.

Out of the total balance due from a joint venture, an amount of RMB191,600,000 was overdue by 31 December 2022. As at 31 December 2022, the expected credit losses amounting to RMB43,694,000 (31 December 2021: RMB116,000) were estimated by fair value of collateral and recovery rate. The loss rate applied at 31 December 2022 was 22.00% (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 loan to be made to Huizhou Jiuyu. As 31 December 2022, the RMB-denominated loan from the ultimate holding company of RMB115,100,000 (31 December 2021: RMB130,100,000) was unsecured and bears interest at a fixed rate of 3.85% per annum. The loan was due on 24 December 2022 and was required to repay on demand.

(iii) The Group has leased one of its commercial properties in Hong Kong under an operating lease agreement to an intermediate holding company, China Qingdao Development (Holdings) Group Company Limited. The initial lease period was from 1 June 2019 to 31 May 2020, and was renewed to extend the maturity date to 31 May 2023. The Group has recognized rental income of RMB237,000 for the year ended 31 December 2022 (year ended 31 December 2021: RMB229,000), and the outstanding balances due to the intermediate holding company of RMB21,000 (year ended 31 December 2021: RMB20,000), which are included in rental deposits from tenants in the consolidated statement of financial position as at the end of the reporting period respectively are unsecured, interest-free and have no fixed terms of repayment.

(iv) In June 2021, Bengbu City Huai Yi Construction and Development Ltd. (an indirect subsidiary of the Company) issued a construction bidding announcement for the resettlement housing project of Yongkang Yuan, with a project budget of RMB470,000,000. In January 2022, it was announced that the winning bidder for construction was China Nuclear Industry Zhongyuan Construction Co., Ltd. (a non-controlling shareholder), with a winning bid amount of RMB444,677,000. On 30 December 2022, Bengbu City Huai Yi Construction and Development Ltd. signed a construction project contract with China Nuclear Industry Zhongyuan Construction Co., Ltd. for a total consideration of RMB444,677,000. Construction of the project has begun in 2022, and as at 31 December 2022, the amount of trade payable to China Nuclear Industry Zhongyuan Construction Co., Ltd. was RMB174,582,000.

(c) Compensation of key management personnel of the Group:

	2022	2021
	RMB'000	*RMB'000*
Short-term benefits	**960**	915

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Leasing of Properties

During the Year, the rental income from the leasing of investment properties located in Hong Kong and the People's Republic of China (the "**PRC**") amounted to approximately RMB25.5 million (2021: RMB27.4 million), which accounted for 45% of the Group's total revenue. Due to the impact of the fifth wave of the COVID-19 pandemic, rental income for our Hong Kong portfolio was down by 4% as one of the investment properties was vacant in the second half of 2022.

The outbreak of the highly contagious Omicron variant in the first half of 2022 negatively affected our performance as approximately RMB1.6 million of rental amount was waived in the second half of 2022 due to regulatory requirements by local PRC authorities.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the Year, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to RMB31.1 million (2021: RMB41.9 million), which accounted for 55% of the Group's total revenue.

The resurgence of COVID-19 cases in various cities and provinces in the PRC and lockdowns that followed affected business performance of this segment during 2022. 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.

Loan Financing

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

The Group continues to maintain a 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.

Consulting Services

During the Year, 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.

Property Development

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

FINANCIAL REVIEW

Revenue and Results

During the Year, the Group recorded a revenue of approximately RMB56.6 million (2021: RMB69.3 million). The Group recorded a loss attributable to the equity holders of the parent in the amount of approximately RMB63.5 million for the Year (2021: profit attributable to the equity holders of the parent of RMB8.4 million). Loss per Share was RMB6.36 cents for the Year (2021: earning per Share of RMB1 cent). The significant decline was mainly attributable to (i) the substantial decrease in fair value of investment properties of the Group, in particular the properties located in the PRC, as a result of the unfavourable market conditions; (ii) the substantial increase in expected credit loss of amount due from a joint venture because of the breach of contract by Huizhou Jiuyu Real Estate Company Limited* (惠州市九煜置業有限公司) ("**Huizhou Jiuyu**"); and (iii) the impairment of goodwill due to the unfavourable business performance of the digital Chinese calligraphy education equipment segment during the Year.

Cost of inventories sold for the Year was approximately RMB18.6 million (2021: RMB24.6 million).

Other income for the Year was approximately RMB22.0 million (2021: RMB24.5 million), representing a decrease of approximately RMB2.5 million. The decrease was attributable to the decrease of interest income from loans which has been drawn.

In 2022, Huizhou Jiuyu failed to repay RMB191,600,000 of the principal of the loan (the "**Loan**") granted by the Group and approximately RMB7,006,000 of the interests of such loan (the "**Breach**"). Accordingly, an impairment loss for the amount of RMB43.58 million has been made.

The Board is currently seeking legal advice in respect of the Breach and is considering the options available to the Company, including but not limited to the commencement of legal proceedings, enforcement of the pledge on the parcel of land which is located at No. 1 Court, Zhongkai Gaoxin District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市仲愷高新區1號小區) (the "**Land**") or requesting additional guarantees for the Loan. For more details, please refer to the announcements of the Company dated 30 December 2022 and 3 January 2023, respectively. The Board is of the view that the Breach does not affect the normal operation of the Group.

Employee benefit expenses for the Year were approximately RMB14.0 million (2021: RMB14.4 million), representing a slight decrease of approximately RMB0.4 million.

Other operating expenses for the Year were approximately RMB18.0 million (2021: RMB27.8 million), representing an decrease of approximately RMB9.8 million. The decrease was mainly attributable to (i) the decrease in marketing expenses to promote our Chinese calligraphy education equipment as a resurgence of COVID-19 cases in various cities and provinces in the PRC, and (ii) the decrease in legal and professional fees arising from proposed acquisitions in 2021.

During the Year, the Group record a significant decrease of fair value of investment properties owing to the pandemic fueled office vacancies and decrease in demand particularly starting from the second half of the Year in both the PRC and Hong Kong property market.

Finance costs for the Year were approximately RMB23.7 million (2021: RMB23.4 million), representing an increase of RMB0.3 million.

Income tax credit for the Year was approximately RMB15.9 million (2021: income tax expense of RMB7.1 million). The increase was mainly because of the decrease in the deferred tax liabilities as the fair value of the 22nd Century Plaza decreased during the Year.

Segmental Information

An analysis of the Group's performance for the Year by business segment is set out in note 3 to the consolidated financial statements of this announcement.

Dividends

The Board does not recommend the payment of any final dividends for the Year (2021: Nil).

Liquidity and Financial Resources

As at 31 December 2022, the Group had total assets of approximately RMB1,100.4 million (31 December 2021: RMB1,037.4 million), whereas total liabilities of the Group amounted to approximately RMB702.0 million (31 December 2021: RMB587.1 million).

Accordingly, the net assets of the Group as at 31 December 2022 was RMB398.4 million (31 December 2021: RMB450.3 million).

As at 31 December 2022, the outstanding bank and other borrowings of the Group was approximately RMB49.5 million (31 December 2021: RMB82.6 million).

The gearing ratio of the Group, being the net debt to net debt and equity, was 57% as at 31 December 2022 (31 December 2021: 42%). 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 31 December 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, and equity attributable to owners of the parent, comprising share capital and reserves.

Pledge of Assets

As at 31 December 2022, the Group pledged certain of its investment properties with a market value of RMB136.7 million (31 December 2021: RMB132.3 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 31 December 2022, the Group also pledged its leasehold land and building with a cost of RMB25.6 million (31 December 2021: RMB25.4 million) to a bank in PRC to secure mortgage financing facilities granted to the Group.

As at 31 December 2022, the Group had no unutilized 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 HK$, RMB and United States dollars. The Group does not have any hedging arrangement on foreign exchange but will continue to closely monitor its foreign exchange exposure.

Capital Commitments

The Group did not have capital commitments including acquisition of subsidiary as at 31 December 2022 (2021: RMB1,982.3 million).

The Group's capital commitments including leasehold land and buildings and capital contributions payable to joint ventures amounted to approximately RMB28.9 million as at 31 December 2022 (2021: RMB32.2 million).

Contingent Liabilities

As at 31 December 2022 and 31 December 2021, the Group did not have any material contingent liabilities.

PROSPECTS

The outbreak of COVID-19 since 2019 has created economic uncertainty and interruption to the PRC and Hong Kong and imposed negative impacts on almost all industries. With the announcements by the governments of PRC and Hong Kong of further relaxation of the pandemic prevention and control measures, the Directors are confident that the business of the Group will gradually recover in the PRC and Hong Kong market. The Board is cautiously optimistic that the overall business environment will improve in 2023.

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

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

In addition, the Directors believe that the sale of the Project with its salable building area is expected to generate reasonable revenue to the Group and hence benefit the Shareholders ultimately.

Material Transactions

1. The Provision of Loan

On 15 November 2019, Qingdao Holdings (Hong Kong) Limited ("**Qingdao (HK)**"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "**Joint Venture Agreement**") with China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("**China Nuclear Industry**") and China Huadong Construction and Engineering Group Limited* (中國華東建設工程集團有限公司) ("**China Huadong**") in relation to the formation of a joint venture company (the "**Joint Venture Company**"). The Joint Venture Company is principally engaged in urban reconstruction and development, construction and management of parks, construction and management of municipal facilities and equity investment and capital deployment in the PRC.

On 25 February 2020, the Joint Venture Company and Huizhou Meile Land Company Limited* (惠州市美樂置地實業有限公司) ("**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 is wholly owned by Huizhou Yanlong. Huizhou Jiuyu is expected to acquire the land use rights of 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 and the entrusted loan entrustment contract. QURC Micro-credit Loan Company is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities and is a connected person of the Company.

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

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

In 2022, Huizhou Jiuyu failed to repay RMB191,600,000 of the principal of the Loan and approximately RMB7,006,000 of the interests of such loan. Accordingly, as at 31 December 2022, the expected credit losses amounting to RMB43,694,000 (31 December 2021: RMB116,000) were estimated by fair value of collateral and recovery rate. The loss rate applied at 31 December 2022 was 22.00% (31 December 2021:0.07%).

The Board is currently seeking legal advice in respect of the Breach and is considering the options available to the Company, including but not limited to the commencement of legal proceedings, enforcement of the pledge on the Land or requesting for additional guarantees for the Loan. The Board is of the view that the Breach does not affect the normal operation of the Group.

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

2. Construction Agreement

On 30 December 2022, BCHYCDL, an indirect owned subsidiary of the Company, entered into the Construction Agreement with the China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("**Contractor**"), pursuant to which BCHYCDL agreed to engage the Contractor to carry out the construction works of the Project (as defined below) at the consideration of RMB444,676,589.37 (subject to adjustments).

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

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

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

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

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

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

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

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

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

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

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

CHANGE IN USE OF PROCEEDS FROM THE RIGHTS ISSUE

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

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

As at the date of this announcement, save for RMB38.16 million, which has been utilised for the settlement of bank loans, and RMB11.14 million, which has been utilised as general working capital of the Group, the remaining Net Proceeds remain unutilised and have been deposited with bank for short term interest income. As disclosed in the announcement of the Company dated 28 March 2023, having considered the business environment and development of the Group (in particular the current business environment in the PRC, being the place where the Group's principal business segments are operating), the Board had resolved to change the use of the Net Proceeds.

The details of the use of the Net Proceeds as at the date of this announcement are set out as follows:

Intended use of Net Proceeds	**Actual use of the Net Proceeds up to the date of this announcement** *(RMB'million)*	**Unutilised balance as at the date of this announcement** *(RMB'million)*	**Proposed use of the unutilised Net Proceeds** *(RMB'million)*
As general working capital of the Group	11.14	4.85	4.85
Investment opportunities	Nil	105.75	105.75
Repayment of bank loans	38.16	N/A	N/A

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

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

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

EVENTS AFTER THE YEAR

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

HUMAN RESOURCES

The Group aims to provide employees a stimulating and harmonious working environment. The Group also encourages life-long learning and offer trainings to its employees to enhance their performance and provide support to their personal development. As at 31 December 2022, the Group employed a total of 119 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.

CORPORATE GOVERNANCE CODE

The Board is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company and devotes efforts to identify and formalise best practices. The Company has applied the principles of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the Year, the Company complied with the code provisions set out in the CG Code, 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 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 ("**2022 AGM**") in person, and instead they joined the 2022 AGM by electronic means. Mr. Li Shaoran, the former non-executive Director, did not attend the 2022 AGM as he had other business engagement on the date of the 2022 AGM.

Code provision C.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the Year, no formal meeting was arranged between the Chairman of the Board and the independent non-executive Directors without the other Directors present due to tight schedules of the Chairman of the Board and the Independent non-executive Directors. The Independent non-executive Directors may communicate and discuss with the Chairman directly at any time to share their view on the Company's affairs. The Company considers that there are sufficient channels and communication for discussion of the Company's affairs between the Chairman and Independent non-executive Directors in the absence of other Directors.

Under code provision C.5.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, the Board held two 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 above Board meetings or otherwise dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

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 outbreak of COVID-19, Mr. Gao Yuzhen, the former Chairman of the Board and the Nomination Committee, could not attend the 2022 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 2022 AGM by electronic means, there were sufficient calibres for answering questions at the 2022 AGM.

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 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 of all Directors and is satisfied that they have complied with the Model Code throughout the Year.

CONFIRMATION OF INDEPENDENCE

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the year.

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 review the auditing and financial reporting processes and the risk management and internal control systems of the Group, including the review of the annual results. The Audit Committee meets the Group's senior management regularly to review the effectiveness of the risk management and internal control systems and also reviews the interim and annual reports of the Group. The Group's results for the Year have been reviewed by the Audit Committee with the management of the Company.

AUDITOR AND SCOPE OF WORK OF MESSRS. ERNST & YOUNG

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 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Ernst & Young ("**EY**") , to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this preliminary announcement.

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

The annual report of the Company for the Year will be published on the websites of the Company (http://www.qingdaohi.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

By order of the Board
Qingdao Holdings International Limited
Wang Yimei
Executive Director, Deputy Chairman and
Chief Executive Officer

Hong Kong, 30 March 2023

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

* *For identification purpose only*