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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 (the "Year"), together with the comparative figures for the nine months ended 31 December 2019 (the "Previous Period").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2020

	Notes	**Year ended 31 December 2020** *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Revenue			
– Goods		**34,065**	18,650
– Rental		**27,870**	20,888
– Interest		**60**	787
– Consultation		**4,655**	–
Total revenue	4	**66,650**	40,325
Cost of inventory		**(17,812)**	(10,164)
Increase in fair value of investment properties		**6,387**	9,647
Other income	4	**2,812**	854
Other gains and losses	4	**3,092**	4,582
Impairment of financial assets, net		**112**	(85)
Employee benefit expenses		**(10,588)**	(5,186)
Other operating expenses		**(21,881)**	(13,463)
Finance costs	6	**(18,236)**	(13,695)

	Notes	**Year ended 31 December 2020** *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Profit before tax	5	**10,536**	12,815
Income tax expense	7	**(6,327)**	(1,563)
Profit for the year/period		**4,209**	11,252
Attributable to:			
Owners of the parent		**2,435**	11,377
Non-controlling interests		**1,774**	(125)
		4,209	11,252
Earnings per share attributable to ordinary equity holders of the parent:	8		
– Basic *(RMB cents)*		**0.49**	2.28
– Diluted *(RMB cents)*		**0.49**	2.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(12,488)**	3,125
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(12,488)**	3,125
Other comprehensive (loss)/income for the year/period	**(12,488)**	3,125
Total comprehensive (loss)/income for the year/period	**(8,279)**	14,377
Attributable to:		
Owners of the parent	**(10,053)**	14,502
Non-controlling interests	**1,774**	(125)
	(8,279)	14,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020**	2019	1 April 2019
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	(restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**18,573**	21,149	21,233
Investment properties		**481,857**	484,790	469,972
Right-of-use assets		**2,655**	1,150	1,805
Goodwill		**5,210**	5,210	5,210
Other intangible assets		**17,446**	19,880	21,706
Investments in joint ventures		**1,000**	–	–
Financial assets at fair value through profit or loss		**–**	11,792	11,285
Deferred tax assets		**2,571**	3,057	3,036
Trade and other receivables	9	**3,000**	–	–
Amount due from a joint venture		**126,085**	–	–
Total non-current assets		**658,397**	547,028	534,247
CURRENT ASSETS				
Inventories		**10,523**	13,319	13,456
Trade and other receivables	9	**13,949**	26,553	17,770
Contract assets		**4,787**	–	–
Loan and interest receivables	10	**–**	8,138	10,166
Amount due from a joint venture		**1,273**	–	–
Other financial assets		**–**	10,000	–
Financial assets at fair value through profit or loss		**2,671**	–	–
Cash and cash equivalents		**108,156**	65,489	61,382
		141,359	123,499	102,774
Assets of a disposal group classified as held for sale		**–**	–	3,443
Total current assets		**141,359**	123,499	106,217

	Notes	2020 RMB'000	2019 RMB'000 (restated)	1 April 2019 RMB'000 (restated)
CURRENT LIABILITIES				
Trade and other payables	11	**11,369**	8,127	4,315
Contract liabilities		**5,066**	4,153	139
Rental deposits from tenants		**19**	453	188
Interest-bearing bank and other borrowings		**37,716**	45,521	808
Amount due to the ultimate holding company		**–**	–	3,585
Amount due to an intermediate holding company		**–**	–	237
Income tax payable		**388**	55	132
Total current liabilities		**54,558**	58,309	9,404
NET CURRENT LIABILITIES		**86,801**	65,190	96,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**745,198**	612,218	631,060
NON-CURRENT LIABILITIES				
Rental deposits from tenants		**588**	264	704
Interest-bearing bank and other borrowings		**1,781**	229	889
Loan from the ultimate holding company	14(a)&(b)	**444,100**	344,000	344,000
Loan from an intermediate holding company		**–**	–	33,669
Deferred tax liabilities		**10,194**	4,742	3,192
Total non-current liabilities		**456,663**	349,235	382,454
Net assets		**288,535**	262,983	248,606
EQUITY				
Equity attributable to owners of the parent				
Share capital		**39,942**	39,942	39,942
Other reserves		**182,135**	192,188	177,686
		222,077	232,130	217,628
Non-controlling interests		**66,458**	30,853	30,978
		288,535	262,983	248,606

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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.

During the year, the Group was 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 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; and

(d) Consulting service: this segment provides construction project supervision, project cost consulting and bidding consulting services in Chinese mainland.

* *The English name is for identification only.*

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.

Change of presentation currency

The Company's presentation currency for its consolidated financial statements has been changed from HKD to RMB from 1 January 2020. As most of the Group's transactions are denominated and settled in RMB, the Board considers that RMB is more appropriate as the presentation currency for the Group's consolidated financial statements. Further, the Board considers that the change of presentation currency will enable the shareholders and potential investors of the Company to have a clearer picture of the Group's actual financial performance. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 1 April 2019 without related notes.

Change of financial year end date

Pursuant to a resolution of the Board dated 6 December 2019, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial year of 2019 in order to in line with the financial year end date of its major subsidiaries. Accordingly, the comparative figures presented for the audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income, audited consolidated statement of change in equity, audited consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 April 2019 to 31 December 2019 which may not be comparable with the amounts shown for the current year.

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 2020. 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).

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 derecognises (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 recognises (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 recognised 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions that occurred after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial information and 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 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion
6 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

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

Amendments to HKFRS 3 are intended to 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* 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 expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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 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 recognised 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 HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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 in the Chinese mainland.

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

For the year ended 31 December 2020

	Segment revenue *RMB'000*	**Segment results** *RMB'000*
Leasing of properties	**27,870**	**23,813**
Production and sale of education equipment	**34,065**	**5,426**
Consulting service	**4,655**	**623**
Loan financing	**60**	**204**
Segment total	**66,650**	**30,066**
Increase in fair value of investment properties		**6,387**
Unallocated income		**2,601**
Unallocated expenses		**(28,518)**
Profit before tax		**10,536**

For the nine months ended 31 December 2019 (restated)

	Segment revenue *RMB'000*	Segment results *RMB'000*
Leasing of properties	20,888	17,902
Production and sale of education equipment	18,650	(94)
Loan financing	787	728
Segment total	40,325	18,536
Increase in fair value of investment properties		9,647
Unallocated income		896
Unallocated expenses		(16,264)
Profit before tax		12,815

Segment assets and liabilities

	Segment assets		**Segment liabilities**	
	2020 ***RMB'000***	2019 *RMB'000* (restated)	**2020** ***RMB'000***	2019 *RMB'000* (restated)
Leasing of properties	**615,517**	496,095	**447,530**	350,662
Production and sale of education equipment	**45,168**	47,530	**46,070**	44,249
Consulting service	**9,666**	–	**345**	–
Loan financing	**–**	8,138	**–**	–
Segment total	**670,351**	551,763	**493,945**	394,911
Unallocated:				
Cash and cash equivalents	**108,156**	65,489	**–**	–
Others	**21,249**	53,275	**17,276**	12,633
Total	**799,756**	670,527	**511,221**	407,544

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Revenue from contracts with customers		
Sale of education equipment	**34,065**	18,650
Consulting service	**4,655**	–
	38,720	18,650
Revenue from other sources		
Gross rental income from investment property operating leases with fixed payments	**27,870**	20,888
Loan financing	**60**	787
	27,930	21,675
	66,650	40,325

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

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of education equipment	**4,153**	139

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 2020 and 31 December 2019, the variable consideration was assessed to be minimal.

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:

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Other income		
Bank interest income	**615**	263
Investment income from financial assets at fair value through profit or loss	**650**	485
Investment income from other financial assets	**80**	106
Interest from entrusted loans	**1,201**	–
Gain on disposal of financial assets at fair value through profit or loss	**71**	–
Government grant *(Note)*	**121**	–
Others	**74**	–
	2,812	854

An analysis of other gains and losses is as follows:

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Other gains and losses		
Net foreign exchange gain	**3,303**	4,540
Gain/(loss) from change in fair value of financial assets at fair value through profit or loss	**(211)**	42
	3,092	4,582
	5,904	5,436

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. PROFIT BEFORE TAX

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

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Auditor's remuneration	**1,957**	1,566
Depreciation of property, plant and equipment	**1,541**	1,116
Depreciation of right-of-use assets	**1,794**	655
Amortisation of intangible assets	**2,434**	1,826
Impairment (reversal)/losses on financial assets, net	**(112)**	85
Investment income from financial assets at fair value through profit or loss	**(650)**	(485)
Investment income from other financial assets	**(80)**	(106)
Government grant	**(121)**	–
Net foreign exchange gain	**(3,303)**	(4,540)
Loss/(gain) from change in fair value of financial assets at fair value through profit or loss	**211**	(42)
Cost of inventory	**17,812**	10,164
Directors' fees	**428**	449
Other staff costs:		
– Salaries and other benefits	**10,070**	4,587
– Retirement benefit scheme contributions	**90**	150
Total staff costs	**10,588**	5,186
Gross rental income	**(27,870)**	(20,888)
Less: Direct operating expenses that generate rental income during the year/period	**329**	198
	(27,541)	(20,690)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2020 *RMB'000*	Nine months ended 31 December 2019 *RMB'000* (restated)
Interest on loan from the ultimate holding company	**16,612**	12,482
Interest on loan from an intermediate holding company	**–**	477
Interest on bank loan	**1,466**	699
Interest on lease liabilities	**158**	37
	18,236	13,695

7. INCOME TAX

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the current year and prior period.

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 period.

	Year ended 31 December 2020 ***RMB'000***	Nine months ended 31 December 2019 *RMB'000* (restated)
Current tax – Hong Kong		
Charge for the year/period	**94**	31
Overprovision in prior years	**(120)**	–
Current tax – Mainland China		
Charge for the year/period	**331**	–
Under provision in prior years	**–**	50
Deferred	**6,022**	1,482
Total tax charge for the year/period	**6,327**	1,563

8. EARNINGS PER SHARE

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

	Year ended 31 December 2020 ***RMB'000***	Nine months ended 31 December 2019 *RMB'000* (restated)
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,435**	11,377

	Number of shares	
	2020	2019
Number of shares		
Weighted average number of ordinary shares in issue during the year/period	**499,276,680**	499,276,680

The Company had no potentially dilutive ordinary shares in issue for both the current year and prior period.

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Current portion:		
Trade receivables	**955**	1,731
Less: Allowance for credit losses	**(107)**	(205)
	848	1,526
Deposits, prepayments and other receivables	**6,948**	3,539
Cash in transit	**–**	10,242
Value-added tax recoverable	**6,153**	11,246
	13,949	26,553
Non-current portion:		
Prepayments	**3,000**	–
	16,949	26,553

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 non-current portion of prepayments represent the prepayments related to the acquisition of leasehold land and buildings. 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. The expected losses for the deposits, prepayments and other receivables are immaterial to the Group. The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

Cash in transit represents the Company's capital injection to the newly established subsidiary. On 31 December 2019, it was still subject to the approval of State Administration of Foreign Exchange, and the subsidiary has not yet received the payment. The subsidiary received the payment on 2 January 2020.

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:

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Within 1 month	**315**	1,084
2 to 3 months	**–**	84
Over 3 months	**533**	358
	848	1,526

10. LOAN AND INTEREST RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Loan	**–**	8,100
Interest receivables	**–**	215
Less: Allowance for credit losses	**–**	(177)
	–	8,138

As at 31 December 2019, the borrowers are private companies incorporated in Hong Kong and independent of the Group. The loans are repayable within one year from the end of the reporting period, secured by personal guarantees from shareholders of the borrowers and carry interest at the fixed rate of 10% per annum. The interest is repayable monthly or quarterly. The management of the Group reviews the recoverable amounts of its loan and interest receivables by assessing the borrowers' financial position.

11. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Trade payables	**965**	1,007
Other payables	**408**	853
Other taxes payable	**2,931**	1,072
Accrued charges	**7,065**	5,195
	11,369	8,127

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

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Within 1 month	**845**	353
1 to 2 months	**21**	653
Over 3 months	**99**	1
	965	1,007

The trade and other payables are non-interest-bearing.

12. PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged certain of its investment properties with market value of RMB135,157,000 (31 December 2019: RMB146,790,000) to a bank in Hong Kong to obtain mortgage bank loans in Hong Kong of approximately RMB36,597,000 (31 December 2019: RMB44,616,000). As at 31 December 2020, the group had unutilised banking facilities of RMB47,613,000 (31 December 2019: the Group had unutilised banking facilities of RMB45,000,000).

13. COMMITMENTS

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

	2020	2019
	RMB'000	*RMB'000*
		(restated)
Contracted, but not provided for:		
Leasehold land and buildings	**19,999**	–
Capital contributions payable to joint ventures	**8,900**	–
	28,899	–

14. RELATED PARTY DISCLOSURES

(a) As at 31 December 2020, a RMB-denominated loan from the ultimate holding company of RMB344,000,000 (31 December 2019: RMB344,000,000) still existed with the maturity date of 31 December 2022. 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 RMB16,612,000 for the year ended 31 December 2020 (nine months ended 31 December 2019: RMB12,482,000).

(b) At 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 31 December 2020, a RMB-denominated loan was provided to Huizhou Jiuyu of RMB126,100,000 and bears interest at a fixed rate of 15% per annum. The Company has recognised interest income on the loan amounting to RMB1,201,000 for year ended 31 December 2020, and the outstanding balance of interest receivable due to Huizhou Jiuyu was RMB1,273,000 as at 31 December 2020. 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 31 December 2020, 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 condition as appropriate. The loss rate applied at 31 December 2020 was 0.01%.

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 31 December 2020, a new RMB-denominated loan from the ultimate holding company of RMB100,100,000 was unsecured and bears interest at a fixed rate of 3.85% per annum.

(c) During the nine months ended 31 December 2019, a United States dollar ("US$") denominated loan from an intermediate holding company of US$5,000,000 was unsecured, bore interest at a fixed rate of 4.30% per annum and was repayable on 25 July 2019. The Company has recognised an interest expense on the loan amounting to US$69,000 (equivalent to RMB482,000) for the nine months ended 31 December 2019.

(d) 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 2020, and renewed to extend the maturity date to 31 May 2021. The Group has recognised rental income of RMB243,000 for the year ended 31 December 2020 (nine months ended 31 December 2019: RMB102,000), and the outstanding balances due to the intermediate holding company of RMB20,000 and RMB20,000, 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.

15. EVENTS AFTER THE REPORTING PERIOD

(a) On 17 March 2021, Yangfan (Holdings) Group Limited (the Purchaser, an indirect wholly owned subsidiary of the Company) and China Qingdao Development (Holdings) Group Company Limited (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. Further details of this transaction are set out in the Company's announcement dated 17 March 2021.

Upon Completion, the Company will issue the Consideration CB in the principal amount of approximately RMB1,853.5 million (approximately HK$2,224.2 million) at nil coupon rate to the Vendor (or its nominee(s)) to settle part of the Consideration. The Initial Conversion Price is approximately RMB1.56 (HK$1.87) per Conversion Share, subject to the adjustment mechanism as set out in the instrument of the Consideration CB.

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 Rights Issue on the basis of one (1) Rights Share for everyone (1) existing Share. The Rights Issue Subscription is approximately RMB0.33 (HK$0.39) per Rights Share. The Number of Rights Shares is up to 499,276,680 Rights Shares.

(b) 核建青控開發建設有限公司 (the Purchaser, a non wholly-owned subsidiary of the Company) was notified on 12 March 2021 that it has won the bid to acquire 95% equity interest in the Bengbu City Huai Yi Construction and Development Ltd (the Target Company) in a public listing-for-sale process organised by the Bengbu City Assets and Equity Exchange Center. The consideration for the Acquisition is RMB37,564,000. Upon completion of the Acquisition, the Purchaser and Bengbu City Bin He Construction and Investment Limited (the Vendor, a limited liability company established in the PRC, an independent third party)will hold 95% and 5% equity interest in the Target Company, respectively and the Target Company will become an indirect non wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial results of the Group. Further details of this transaction are set out in the Company's announcement dated 15 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF PRESENTATION CURRENCY

Prior to 1 January 2020, Hong Kong Dollars ("HKD") was regarded as the functional currency of the Company and the consolidated financial statements were presented in HKD. As most of the Group's transactions are denominated and settled in Renminbi ("RMB"), the Board considers that RMB is more appropriate as the presentation currency for the Group's consolidated financial statements. Pursuant to a resolution of the Board passed on 31 December 2020, the Group adopted RMB as its presentation currency for its consolidated financial statements. The Board considers that the change of presentation currency will enable the shareholders and potential investors of the Company to have a clearer picture of the Group's actual financial performance.

BUSINESS REVIEW

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 and the provision of loan financing during the Year.

Leasing of Investment 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 RMB27.9 million (Previous Period: RMB20.9 million), which accounted for 41.8% of the Group's total revenue.

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 RMB34.1 million (Previous Period: RMB18.7 million), which accounted for 51.1% of the Group's total revenue.

The Group has a solid foundation in this business segment as it has invested substantial capital for the research and development as well as the innovation of digital Chinese calligraphy education equipment. Due to the effort of our sales team and the successful containment measures of the PRC government against the COVID-19 outbreak, the performance of this segment rebounded significantly in the second half of the Year.

Provision of Consulting Services

During the Year, the revenue generated from the provision of consulting services amounted to approximately RMB4.7 million (Previous Period: nil). The consulting services mainly included consulting services provided to developers engaged in the construction and development of properties in new districts.

Loan Financing

During the Year, the Group's loan financing business recorded a revenue of approximately RMB0.06 million (Previous Period: RMB0.8 million). All loan receivables were settled in early 2020. 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 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 Year, the Group recorded a revenue of approximately RMB66.7 million (Previous Period: RMB40.3 million). The Group recorded a profit attributable to the equity holders of the parent in the amount of approximately RMB2.4 million for the Year (Previous Period: RMB11.4 million). Earnings per share was 0.49 RMB cents for the Year (Previous Period: 2.28 RMB cents). The decrease was mainly attributable to (i) the increment of the fair value of investment properties for the Year was lower than that of the Previous Period; (ii) the increase in legal and professional fees payable; and (iii) the increase in finance expenses relating to the interest expenses payable to the ultimate holding company of the Company.

Cost of inventory for the Year was approximately RMB17.8 million (Previous Period: RMB10.2 million).

Employee benefit expenses for the Year were approximately RMB10.6 million (Previous Period: RMB5.2 million), representing an increase of approximately RMB5.4 million. The increase was mainly attributable to the additional employees employed by a joint venture company, which was established in December 2019.

Other income and other gains and losses for the Year was approximately RMB5.9 million (Previous Period: RMB5.4 million), representing an increase of approximately RMB0.5 million. The other income and other gains and losses mainly represented the exchange gains arising from the translation of monetary items denominated in foreign currencies other than the functional currencies of the respective Group entities, which were approximately RMB3.3 million for the Reporting Period (Previous Period: RMB4.5 million).

Finance costs for the Year were approximately RMB18.2 million (Previous Period: RMB13.7 million), representing an increase of RMB4.5 million. Finance costs included interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company and interest payable for the secured loan provided by a bank.

Income tax expense for the Year was approximately RMB6.3 million (Previous Period: RMB1.6 million). The increase was mainly because of the increase in the deferred tax provided for the 22nd Century Plaza 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 dividends for the Year (Previous Period: nil).

Liquidity and Financial Resources

As at 31 December 2020, the Group had total assets of approximately RMB799.8 million (31 December 2019: RMB670.5 million), whereas total liabilities of the Group amounted to approximately RMB511.2 million (31 December 2019: RMB407.5 million).

Accordingly, the net assets of the Group as at 31 December 2020 was RMB288.6 million (31 December 2019: RMB263.0 million).

As at 31 December 2020, the outstanding bank and other borrowings of the Group was approximately RMB39.5 million (31 December 2019: RMB45.8 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 63.9% as at 31 December 2020 (31 December 2019: 60.8%). It is believed that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Capital Structure

The number of issued ordinary shares of the Company (the "Shares") as at 31 December 2020 and 31 December 2019 remained the same at 499,276,680.

Pledge of Assets

As at 31 December 2020, the Group pledged certain of its investment properties with a market value of RMB135.2 million (31 December 2019: RMB146.8 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 31 December 2020, the Group had unutilised banking facilities of RMB47.6 million (31 December 2019: RMB45.0 million).

Foreign Exchange Exposure

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

Capital Commitments

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 2020 (31 December 2019: nil).

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Material Transaction in Relation to the Provision of Entrusted Loan

On 15 November 2019, Qingdao Holdings (Hong Kong) Limited ("Qingdao (HK)"), a wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("China Nuclear Industry") and China Huadong Construction and Engineering Group Limited* (中國華東建設工程集團有限公司) ("China Huadong") in relation to the formation of 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 Mirco-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 between Qifeng, QURC Micro-credit Loan Company and Huizhou Jiuyu (the "Entrusted Loan Contract") and the entrusted loan entrustment contract. QURC Micro-credit Loan Company is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities and is a connected person of the Company.

Upon the obtaining of the land use rights of the Land by Huizhou Jiuyu, Huizhou Jiuyu shall pledge the land use rights of the Land and its construction-in-progress property project on the Land in favour of QURC Micro-credit Loan Company as security of the Entrusted Loan. Further, Huizhou Jiuyu shall procure (i) Meile Land to pledge its 51% equity interest in Huizhou Yanlong; (ii) Huizhou Yanlong to pledge its 100% equity interest in Huizhou Jiuyu; and (iii) Meile Land to provide the joint and several liability guarantee on the Entrusted Loan, in favour of QURC Microcredit Loan Company as security of the Entrusted Loan. As at the date of this announcement, the land use rights of the Land and its construction-in-progress property project on the Land have been pledged to QURC Micro-credit Loan Company.

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

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

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

The provision of Entrusted Loan and the transactions contemplated thereunder were approved by the independent shareholders of the Company (the "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 31 December 2020, the Entrusted Loan in the amount of RMB126,100,000 has been drawn down by Huizhou Jiuyu.

For further details of the Entrusted Loan Arrangement, please refer to the announcements of the Company dated 7 May 2020 and 30 June 2020 and the circular of the Company dated 10 June 2020.

EVENTS AFTER THE REPORTING PERIOD

The Acquisition of 95% Equity Interest in Bengbu City Huai Yi Construction and Development Ltd.* (蚌埠市淮翼建設發展有限公司) ("Huai Yi") by a Non Wholly-Owned Subsidiary

NEQH Development and Construction Co. Ltd* (核建青控開發建設有限公司) (a non wholly-owned subsidiary of the Company) was notified on 12 March 2021 that it has won the bid to acquire 95% equity interest in Huai Yi from Bengbu City Bin He Construction and Investment Limited* (蚌埠市濱河建設投資有限公司) ("Bin He Construction"), an independent third party, in a public listing-for-sale process organised by the Bengbu City Assets and Equity Exchange Center* (蚌埠市產權交易中心) (the "Huai Yi Acquisition"). The consideration for the Huai Yi Acquisition is RMB37,564,000. As at the date of the announcement of the Company, there is an outstanding shareholder loan of RMB600,000 owing by Huai Yi to Bin He Construction, which shall be repaid by Huai Yi after the completion of the Huai Yi Acquisition. The transaction is expected to be completed on or before 8 April 2021.

For details, please refer to the announcement of the Company dated 15 March 2021.

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

On 17 March 2021, Yangfan (Holdings) Group Limited (揚帆(控股)集團有限公司) (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 (the "Sale and Purchase Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire (the "Acquisition"), and the Vendor has 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 "Target Company").

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; 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") 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 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.

For details, please refer to the announcements of the Company dated 17, 22 and 24 March 2021 and the circular of the Company dated 24 March 2021.

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

OUTLOOK

The Board took the view that the general outlook of the business environment in which the Group operates remains challenging in the coming year. The outbreak of COVID-19 since 2019 has created economic uncertainty and interruption to the PRC and Hong Kong and imposed negative impacts on all industries. To overcome the challenges caused by the COVID-19 pandemic, the Group will adhere to prudent financial management and cost control and will continue to explore good business and investment opportunities to drive our business growth.

Leasing of Investment Properties

During the Year, the Group's investment property in Qingdao City known as "22nd Century Plaza", which comprises 13 upperground floors and 136 underground carpark units, was fully leased out. Certain rental concessions however were offered to the tenants of the Group's property in Hong Kong because their business had been adversely affected by the social unrest and outbreak of the COVID-19. Except for this, the overall performance of our investment property portfolio remained stable and generated stable income and cash flow to sustain the Group's continuous development.

Digital Chinese Calligraphy Education Equipment

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

Due to the effort of our sales teams, sales in the second half of the Year rebounded significantly. The Group remains optimistic about the prospects of this segment in the long term.

Provision of Consulting Services

During the Year, the Group's newly established non-wholly owned subsidiary, NEQH Development and Construction Co. Ltd* (核建青控開發建設有限公司) ("the Joint Venture Company") provided consultancy services for projects and works related to construction and development of new urban districts in the PRC.

The Group is optimistic for the significant business opportunities posed to this business segment going forward. While the local governments continue to pursue the national policy of deepening and widening the overall economic development of their governing regions, it is expected that, they shall maintain momentum and initiatives to implement infrastructure projects relating to urban reconstruction and development, construction and development of new districts, building and operating infrastructure and networks of roads, and construction of buildings. It is believed that there will be demand for the consulting services of the Joint Venture Company.

Loan Financing Business

It is expected that loan financing business will continue to be part of the main income streams of the Group when the general economic condition gradually return to normal as the COVID-19 outbreak stabilises.

Provision of Entrusted Loan

The Group has recently expanded its loan financing business in the PRC by entering an entrusted loan contract. As at 31 December 2020, the principal amount of RMB126,100,000 has been drawn down by Huizhou Jiuyu according to the entrusted loan contract. The Group is confident that such entrusted loan arrangement will generate stable interest income to the Group going forward.

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 2020, the Group employed a total of 122 full time employees (31 December 2019: 58). 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

The Board is committed to ensuring high standards of corporate governance in the interests of the Shareholders and devotes efforts to identify and formalise best practices. The Company has applied the principles and the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations set out below:

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

2. Code provision A.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, a formal meeting was not 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.

3. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Due to the outbreak of COVID-19, Mr. Gao Yuzhen, the Chairman of the Board, could not attend the annual general meeting of the Company held on 30 June 2020 ("2020 AGM"). The 2020 AGM was chaired by Mr. Yin Tek Shing, Paul, an independent non-executive Director.

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 ended 31 December 2020 have been reviewed by the Audit Committee with the management of the Company.

AUDITOR AND SCOPE OF WORK OF MESSRS. ERNST & YOUNG

Messrs. Ernst & Young ("EY") was appointed as the auditor of the Company with effect from 26 November 2019 to fill the vacancy occasioned by the resignation of Deloitte.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, 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 ended 31 December 2020 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
Yuan Zhi
Executive Director, Deputy Chairman and
Chief Executive Officer

Hong Kong, 31 March 2021

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

* *For identification purposes only*