



Qingdao Holdings International Limited
青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 499)



*For identification purposes only

INTERIM REPORT **2016**

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF QINGDAO HOLDINGS INTERNATIONAL LIMITED

青島控股國際有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Qingdao Holdings International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 14, which comprise the condensed consolidated statement of financial position as at 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	2,055	2,654
Other income	4	361	264
Other gains and losses	4	(940)	109
Employee benefits expenses		(1,224)	(2,745)
Other operating expenses		(3,181)	(3,284)
Share of profits of joint ventures		–	175
Loss before taxation	5	(2,929)	(2,827)
Taxation	6	(27)	(65)
Loss for the period		<u>(2,956)</u>	<u>(2,892)</u>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale financial assets		220	–
Total comprehensive expense for the period		<u>(2,736)</u>	<u>(2,892)</u>
Loss for the period attributable to:			
Owners of the Company		(2,955)	(2,891)
Non-controlling interests		(1)	(1)
		<u>(2,956)</u>	<u>(2,892)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(2,735)	(2,891)
Non-controlling interests		(1)	(1)
		<u>(2,736)</u>	<u>(2,892)</u>
Loss per share			
– Basic (HK cents)	8	<u>(0.59)</u>	<u>(0.58)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

	Notes	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		27,606	27,991
Investment properties	9	89,700	90,640
Available-for-sale financial assets	10	14,200	–
		<u>131,506</u>	<u>118,631</u>
Current assets			
Trade and other receivables	11	297	738
Tax recoverable		300	–
Bank balances and cash		112,457	127,645
		<u>113,054</u>	<u>128,383</u>
Current liabilities			
Other payables and accrued charges	12	1,765	1,511
Income tax payable		122	94
		<u>1,887</u>	<u>1,605</u>
Net current assets		<u>111,167</u>	<u>126,778</u>
Total assets less current liabilities		<u>242,673</u>	<u>245,409</u>
Non-current liabilities			
Deferred tax liabilities		951	951
		<u>241,722</u>	<u>244,458</u>
Capital and reserves			
Share capital	14	49,928	49,928
Reserves		191,601	194,336
		<u>241,529</u>	<u>244,264</u>
Equity attributable to owners of the Company		241,529	244,264
Non-controlling interests		193	194
		<u>241,722</u>	<u>244,458</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Surplus account HK\$'000 (note)	Available- for-sale financial assets reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 April 2015 (audited)	49,928	328,931	-	(123,136)	255,723	198	255,921
Loss and total comprehensive expense for the period	-	-	-	(2,891)	(2,891)	(1)	(2,892)
At 30 September 2015 (unaudited)	<u>49,928</u>	<u>328,931</u>	<u>-</u>	<u>(126,027)</u>	<u>252,832</u>	<u>197</u>	<u>253,029</u>
At 1 April 2016 (audited)	49,928	328,931	-	(134,595)	244,264	194	244,458
Fair value gain on available-for-sale financial assets	-	-	220	-	220	-	220
Loss for the period	-	-	-	(2,955)	(2,955)	(1)	(2,956)
Total comprehensive (expense) income	-	-	220	(2,955)	(2,735)	(1)	(2,736)
At 30 September 2016 (unaudited)	<u>49,928</u>	<u>328,931</u>	<u>220</u>	<u>(137,550)</u>	<u>241,529</u>	<u>193</u>	<u>241,722</u>

note: The surplus account represented the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve of a subsidiary which was acquired by the Company pursuant to the Group reorganisation in 1997.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended 30 September	
	<i>Note</i>	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(1,097)	(3,354)
INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		(13,980)	–
Purchase of property, plant and equipment		(351)	(48)
Interest income received		240	81
Net proceeds from disposal of subsidiaries	13	–	29,911
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		(14,091)	29,944
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(15,188)	26,590
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		127,645	132,153
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		112,457	158,743

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for sale financial assets reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for sale financial assets reserve is reclassified to profit or loss.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Details of the Group's four operating and reporting segments are as follow:

- (i) Leasing of properties: this segment mainly leases residential, industrial and commercial premises in Hong Kong to generate rental income.
- (ii) Property investments: this segment mainly holds commercial properties in Hong Kong through investments in joint ventures to gain from appreciation in property value. During the year ended 31 March 2016, the Group disposed of its interests in joint ventures through disposal of subsidiaries on 24 August 2015 (the "Disposal"). In the opinion of the directors of the Company (the "Directors"), the Group is going to seek for potential investment opportunity in respect of property investments with or without joint venture partners. Thus, the Disposal for prior period was not considered as a discontinued operation.
- (iii) Carpark management: this segment mainly sub-leases carparks in Hong Kong to generate rental income.
- (iv) Loan financing: this segment provides loan financing services to individual and corporate customers. The Group possesses a money lender license and its money lending business is mainly carried out in Hong Kong.

Information regarding these segments is reported below.

For the six months ended 30 September 2016 (unaudited)

	Segment revenue HK\$'000 (note)	Operating loss HK\$'000	Segment results HK\$'000
Leasing of properties	1,092	(396)	(396)
Property investments	-	-	-
Carpark management	963	(178)	(178)
Loan financing	-	-	-
Segment total	<u>2,055</u>	<u>(574)</u>	<u>(574)</u>
Unallocated			<u>(2,355)</u>
Loss before taxation			<u>(2,929)</u>

For the six months ended 30 September 2015 (unaudited)

	Segment revenue HK\$'000 (note)	Operating profit (loss) HK\$'000	Share of profits of joint ventures HK\$'000	Segment results HK\$'000
Leasing of properties	1,110	404	–	404
Property investments through joint ventures	–	–	175	175
Carpark management	1,544	(172)	–	(172)
Loan financing	–	(6)	–	(6)
Segment total	<u>2,654</u>	<u>226</u>	<u>175</u>	401
Unallocated				<u>(3,228)</u>
Loss before taxation				<u>(2,827)</u>

note: The segment revenue includes rental income from leasing of residential, industrial and commercial properties, rental income from sub-leasing of carparks and interest from loan financing.

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of certain other income, certain other losses, certain employee benefits expenses and certain other operating expenses. Besides, segment results are analysed before taxation whereas tax payable and deferred tax liabilities are allocated to operating segments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
Leasing of properties	89,803	90,903	1,575	1,471
Carpark management	–	–	558	400
Loan financing	–	–	–	10
Segment total	89,803	90,903	2,133	1,881
Unallocated:				
Bank balances and cash	112,457	127,645	–	–
Others	42,300	28,466	705	675
Total	244,560	247,014	2,838	2,556

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

- all assets are allocated to operating segments other than certain property, plant and equipment, available-for-sale financial assets, tax recoverable and certain other receivables of the corporate office.
- all liabilities including tax payables and deferred tax liabilities are allocated to operating segments other than certain other payables and accrued charges of the corporate offices.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other income		
Bank interest income	240	81
Dividend income from available-for-sale financial assets	121	–
Loan interest income from joint ventures	–	183
	361	264
Other gains and losses		
Gain on disposal of subsidiaries	–	109
Net fair value loss on investment properties	(940)	–

5. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>736</u>	<u>9</u>

6. TAXATION

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	27	35
Deferred tax	<u>-</u>	<u>30</u>
	<u>27</u>	<u>65</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

7. DIVIDENDS

The Board does not recommend the payment of any dividends for both periods ended 30 September 2016 and 30 September 2015.

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss:		
Loss for the period attributable to owners of the Company	<u>2,955</u>	<u>2,891</u>

**Six months
ended 30 September**

	2016	2015
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	499,276,680	499,276,680

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

9. INVESTMENT PROPERTIES

The investment properties of the Group are located in Hong Kong and the valuations for investment properties have been arrived on a basis of valuations carried out at the end of the reporting period by Ascent Partners Valuation Service Limited by adopting the direct comparison method.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 29 June 2016, a wholly-owned subsidiary of the Company (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber conditionally agreed to subscribe for the Class A shares in the Asian Bond Fund Segregated Portfolio (the "Shares") for an aggregate consideration of approximately US\$1,794,871 (equivalent to HK\$13,980,000).

The Group's available-for-sale investments are measured at fair value on a recurring basis at the end of each reporting period. As at 30 September 2016, the fair value of the investments of approximately HK\$14,200,000 is based on Level 2 measurement (inputs which are derived from other than quoted prices included within Level 1 that are observable for the asset or liability). The fair value of the investments are determined by reference to prices provided by the issuing financial institution.

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Trade receivables	–	37
Other receivables, deposits and prepayments	297	701
	297	738

For leasing of properties and carpark management, due to the nature of businesses, the Group generally grants no credit period to these customers. There was no trade debtor from carpark management at the end of the reporting period (31 March 2016: HK\$37,000 which was aged within 60 days).

12. OTHER PAYABLES AND ACCRUED CHARGES

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Other payables	140	13
Accrued charges	1,261	1,134
Deposits received	364	364
	1,765	1,511

13. DISPOSAL OF SUBSIDIARIES

On 21 August 2015, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party for the disposal of equity interest in and the shareholder's loan due by Oasis Star Holdings Limited ("Oasis Star"), an indirect wholly-owned subsidiary of the Company, which indirectly holds 50% equity interest in Citi Charm Limited and Riccini Investments Limited (collectively the "JV Companies"), at a cash consideration of HK\$29,973,000. The JV Companies are engaged in property investment and hold two non-residential properties in Hong Kong. On 24 August 2015, the Group completed the disposal of the entire equity interest in Oasis Star and the cash consideration were fully settled. The net cash inflow arising on the disposal amounted to HK\$29,911,000.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	<u>20,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	<u>499,277</u>	<u>49,928</u>

15. PLEDGE OF ASSETS

At 30 September 2016, investment properties with an aggregate carrying amount of HK\$80,800,000 were pledged to a bank to secure credit facilities granted to the Group (31 March 2016: HK\$82,640,000).

16. RELATED PARTY DISCLOSURES

- (a) The Group received interest income in the amount of HK\$183,000 from joint ventures in prior period. No interest income from joint ventures was received for current period.

In prior period, the Company, as tenant, entered into two tenancy agreements, one with the intermediate holding company and the other with a fellow subsidiary, in respect of certain premises. Under the agreements, the Company was granted the rights to use the relevant premises and was required to pay the related building management fees, utility expenses and rates but it was not required to pay any rental. The premises were used by the Group as its office up to 31 December 2015.

(b) Compensation of key management personnel

The remuneration of Directors during the reporting period was as follows:

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Short-term benefits	240	1,385
Post-employment benefits	-	27
	240	1,412

17. EVENT AFTER THE REPORTING PERIOD

On 11 November 2016, an indirect wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to acquire a property for a cash consideration of HK\$44,390,000. On 11 November 2016, the Group paid a deposit of HK\$1,000,000. The transaction will be completed on or before 11 January 2017.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2016, the Group was principally engaged in the business of leasing of investment properties, property investments, provision of loan financing and sub-leasing of car parking spaces.

Business Prospect and Review

For the six months ended 30 September 2016, the Group recorded a turnover of HK\$2,055,000 (2015: HK\$2,654,000), which was represented by the rental income of HK\$1,092,000 and sub-leasing of car parking spaces of HK\$963,000. The Group recorded a loss attributable to owners of the Company of HK\$2,955,000 as compared to a loss attributable to owners of the Company of HK\$2,891,000 recorded for the same period last year.

Despite the increased global economic uncertainties and slowdown in the growth of the economy in the People's Republic of China, the Group will continue to identify and pursue profitable investment opportunities to expand the Group's sources of revenue and enhance the Group's business prospect. The Directors are optimistic about the future development of the Group.

Subscription of Shares

On 29 June 2016, Prime Concept Development Limited (the "Subscriber"), a wholly-owned subsidiary of the Company, subscribed for an aggregate amount of US\$1,795,000 (equivalent to approximately HK\$14.0 million) of Class A Shares at issue price of US\$100.42 per Class A Share in Asian Bond Fund Segregated Portfolio (the "Portfolio"), a segregated portfolio of CMBI SPC, an open-ended investment company organized as an exempted segregated portfolio company with limited liability in the Cayman Islands on 11 June 2010. The investment in the Portfolio is expected to enable the Group to hold a financial investment which can provide economic benefits including dividend income to the Group.

During the period under review, the Group received the dividend income of an aggregate amount of HK\$121,000 from the investment in the Portfolio.

As at 30 September 2016, the market value of the Portfolio was approximately US\$1,832,000 (equivalent to approximately HK\$14.2 million). The Board will closely monitor the performance progress of the investment portfolio from time to time.

Details of the subscription are set out in the announcements of the Company dated 29 June 2016 and 8 July 2016.

Liquidity and Financial Review

The Group maintained a strong cash position with bank and cash balance (including time deposits) of approximately HK\$112,457,000 as at 30 September 2016 (31 March 2016: HK\$127,645,000). The Group's gearing level (total debts to total assets) was 1.0% as at 30 September 2016 (31 March 2016: 1.0%).

Capital Structure

As at 30 September 2016, the Company's issued share capital was HK\$49,927,668 and the total number of issued shares was 499,276,680 shares of HK\$0.1 each.

Pledge of Assets

As at 30 September 2016, the Group pledged certain of its investment properties with market value of HK\$80.8 million to a bank in Hong Kong to secure certain of the Group's credit facilities of HK\$57 million.

Foreign Exchange Exposure

Most of the business transactions conducted by the Group were denominated in Hong Kong dollars. The Group does not undertake any derivative financial instruments or hedging instruments.

Contingent Liabilities and Capital Commitments

As at 30 September 2016, the Group did not have any material contingent liabilities and capital commitments.

Material Acquisition and Disposal of Subsidiaries

There are no material acquisition and disposal of subsidiaries and associated companies during the period under review.

Employees

As at 30 September 2016, the Group had 12 staffs. In addition to the basic salary, our employees are rewarded with performance-related bonuses and other staff welfares. The Group also maintains a share option scheme which will be made available to certain staff of the Group at the discretion of the Board.

Event after the Report Period

Acquisition of Property

On 11 November 2016, Royal Asset Investments Limited, an indirect wholly-owned subsidiary of the Company as the purchaser, entered into a provisional agreement with Full Jet Investment Limited as vendor, an independent third party, for the acquisition of a property located at Office Unit No. 1805, 18th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong (the "Property") at the total consideration of HK\$44,390,000 (the "Acquisition"). The Property was leased to an independent third party up to 15 November 2018. The completion of the Acquisition will take place on or before 11 January 2017.

The Acquisition allows the Group to enlarge and diversify its investment properties portfolio with high quality assets, strengthen the income base of the Group and provide capital appreciation potential to the Group. The Company intends to hold the Property for long-term investment purposes. The Board considers that the Acquisition represents a good investment opportunity for the Company and will improve the Company's operating performance in the medium to long run.

Details of the Acquisition are set out in the announcement of the Company dated 11 November 2016.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2016, none of the Directors and the chief executive of the Company and their associates had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules on the Stock Exchange.

SHARE OPTIONS

At the annual general meeting of the Company held on 22 August 2013, the shareholders of the Company conditionally adopted the share option scheme (the "Share Option Scheme"), which became effective on 27 August 2013.

The primary purpose of the Share Option Scheme is to provide incentives to Directors and eligible participants and it remains in force for a period of 10 years commencing from 27 August 2013. Under the Share Option Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

- (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or
- (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or
- (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 22 August 2013 unless approved by the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the shares of the Company in issue or with a value in excess of HK\$5,000,000 in any 12-month period up to and including the date of grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days from the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to a date to be determined and notified by the Directors or, in the absence of such determination, the earlier of the date on which the options lapse or the 10th anniversary of the date of grant. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

There were no options granted under the Share Option Scheme since its adoption and as at 30 September 2016. As at the date of this report, options to subscribe for up to 49,927,668 shares of the Company, representing 10% of the total number of shares in issue of the Company (i.e. 499,276,680 shares), are available for issue under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

During the period, no share options was granted to or exercised by any Directors.

Save as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouses or children under the age of 18 had any rights to subscribe for shares of the Company or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and chief executives of the Company, as at 30 September 2016, the following persons (other than a Director or chief executive of the Company or their associates) had the following interests and short positions (if any) in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO.

Interest in the shares of the Company

Long positions

Name	Capacity	Number of shares held (note)	Approximately percentage of the Company's total number of shares in issue
青島城市建設投資（集團） 有限責任公司 (Qingdao City Construction Investment (Group) Limited*) ("QCCIG")	Interest of a controlled corporation	344,621,633	69.02%
China Qingdao Development (Holdings) Group Company Limited ("CQDHG")	Interest of a controlled corporation	344,621,633	69.02%
China Qingdao International (Holdings) Company Limited ("CQIH")	Beneficial owner	344,621,633	69.02%

note: These 344,621,633 shares of the Company were held by CQIH, which is a wholly-owned subsidiary of CQDHG. CQDHG is wholly-owned by QCCIG. By virtue of the SFO, QCCIG and CQDHG are deemed to be interested in the shares of the Company held by CQIH.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the total number of shares in issue of the Company as at 30 September 2016.

* For identification purpose only

CORPORATE GOVERNANCE

The Board is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes efforts to identifying and formalising best practices. The Company has applied the principles and the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules, except for the deviation set out below.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. Xing Luzheng, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 8 September 2016 due to his other business engagements.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code as and when considered appropriate.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. The Company has made specific and reasonable enquiries of all Directors and is satisfied that they have complied with the Model Code throughout the period under review.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the six months ended 30 September 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors and reports to the Board. The primary duties of the Audit Committee are to review and advise on the accounting principles and practices adopted by the Group, and overview the auditing and financial reporting processes and the risk management and internal control systems of the Group, including the review of the unaudited interim results for the six months ended 30 September 2016. The Audit Committee meets with 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 independent auditors, Messrs. Deloitte Touche Tohmatsu, have been engaged to review the condensed consolidated financial statements. On the basis of their review, nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

By order of the Board

Qingdao Holdings International Limited

Xing Luzheng

Executive Director and Chairman

Hong Kong, 25 November 2016

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