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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 MARCH 2017**

The board (the “Board”) of directors (the “Directors”) of Qingdao Holdings International Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2017, together with the comparative figures for 2016 as follows:

#### **Consolidated Statement of Profit or Loss and Other Comprehensive Income**

*For the year ended 31 March 2017*

|                                                            | <i>Notes</i> | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i><br>(Restated) |
|------------------------------------------------------------|--------------|--------------------------------|---------------------------------------|
| <b>Continuing operations</b>                               |              |                                |                                       |
| Revenue                                                    | 3            | <b>2,628</b>                   | 2,170                                 |
| Increase (decrease) in fair value of investment properties |              | <b>9,580</b>                   | (5,660)                               |
| Other income                                               | 4            | <b>1,037</b>                   | 440                                   |
| Other gains and losses                                     | 4            | <b>(24)</b>                    | 101                                   |
| Employee benefit expenses                                  |              | <b>(1,646)</b>                 | (3,848)                               |
| Other operating expenses                                   |              | <b>(5,438)</b>                 | (4,272)                               |
| Share of profits of joint ventures                         |              | <b>–</b>                       | 176                                   |
| Profit (loss) before taxation                              |              | <b>6,137</b>                   | (10,893)                              |
| Taxation                                                   | 6            | <b>(171)</b>                   | (163)                                 |
| Profit (loss) for the year from continuing operations      |              | <b>5,966</b>                   | (11,056)                              |
| <b>Discontinued operation</b>                              |              |                                |                                       |
| Loss for the year from discontinued operation              | 8            | <b>(208)</b>                   | (407)                                 |
| Profit (loss) for the year                                 | 5            | <b>5,758</b>                   | (11,463)                              |

\* *For identification purposes only*

|                                                                      | <i>Note</i> | <b>2017</b><br><b>HK\$'000</b> | 2016<br>HK\$'000 |
|----------------------------------------------------------------------|-------------|--------------------------------|------------------|
| <b>Other comprehensive expense</b>                                   |             |                                |                  |
| <i>Item that may be reclassified subsequently to profit or loss:</i> |             |                                |                  |
| Fair value loss on available-for-sale financial asset                |             | <u>(289)</u>                   | <u>–</u>         |
| Other comprehensive expense for the year                             |             | <u>(289)</u>                   | <u>–</u>         |
| Total comprehensive income (expense) for the year                    |             | <u><b>5,469</b></u>            | <u>(11,463)</u>  |
| Profit (loss) for the year attributable to owners of the Company:    |             |                                |                  |
| – from continuing operations                                         |             | <b>5,967</b>                   | (11,052)         |
| – from discontinued operation                                        |             | <u>(208)</u>                   | <u>(407)</u>     |
|                                                                      |             | <b>5,759</b>                   | (11,459)         |
| Loss for the year attributable to non-controlling interest           |             |                                |                  |
| – from continuing operations                                         |             | <u>(1)</u>                     | <u>(4)</u>       |
|                                                                      |             | <u><b>5,758</b></u>            | <u>(11,463)</u>  |
| Total comprehensive income (expense) for the year attributable to:   |             |                                |                  |
| – Owners of the Company                                              |             | <b>5,470</b>                   | (11,459)         |
| – Non-controlling interests                                          |             | <u>(1)</u>                     | <u>(4)</u>       |
|                                                                      |             | <u><b>5,469</b></u>            | <u>(11,463)</u>  |
| <b>Earnings (loss) per share</b>                                     |             |                                |                  |
| From continuing and discontinued operations                          |             |                                |                  |
| – Basic (HK cents)                                                   | 9           | <u><b>1.15</b></u>             | <u>(2.30)</u>    |
| From continuing operations                                           |             |                                |                  |
| – Basic (HK cents)                                                   |             | <u><b>1.20</b></u>             | <u>(2.21)</u>    |

## Consolidated Statement of Financial Position

At 31 March 2017

|                                              |              | 2017                  | 2016            |
|----------------------------------------------|--------------|-----------------------|-----------------|
|                                              | <i>Notes</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| <b>Non-current assets</b>                    |              |                       |                 |
| Property, plant and equipment                |              | <b>26,867</b>         | 27,991          |
| Investment properties                        |              | <b>148,900</b>        | 90,640          |
| Available-for-sale financial asset           |              | <b>13,691</b>         | –               |
|                                              |              | <u><b>189,458</b></u> | <u>118,631</u>  |
| <b>Current assets</b>                        |              |                       |                 |
| Trade and other receivables                  | 10           | <b>934</b>            | 738             |
| Tax recoverable                              |              | <b>300</b>            | –               |
| Bank balances and cash                       |              | <b>63,975</b>         | 127,645         |
|                                              |              | <u><b>65,209</b></u>  | <u>128,383</u>  |
| <b>Current liabilities</b>                   |              |                       |                 |
| Other payables and accrued charges           | 11           | <b>2,779</b>          | 1,147           |
| Rental deposits from tenants                 |              | <b>37</b>             | 364             |
| Income tax payable                           |              | <b>162</b>            | 94              |
|                                              |              | <u><b>2,978</b></u>   | <u>1,605</u>    |
| <b>Net current assets</b>                    |              | <u><b>62,231</b></u>  | <u>126,778</u>  |
| <b>Total assets less current liabilities</b> |              | <u><b>251,689</b></u> | <u>245,409</u>  |

|                                              | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|----------------------------------------------|--------------------------------|-------------------------|
| <b>Non-current liabilities</b>               |                                |                         |
| Rental deposits from tenants                 | <b>740</b>                     | –                       |
| Deferred tax liabilities                     | <b>1,038</b>                   | 951                     |
|                                              | <u><b>1,778</b></u>            | <u>951</u>              |
|                                              | <u><b>249,911</b></u>          | <u>244,458</u>          |
| <b>Capital and reserves</b>                  |                                |                         |
| Share capital                                | <b>49,928</b>                  | 49,928                  |
| Reserves                                     | <b>199,983</b>                 | 194,336                 |
|                                              | <u><b>249,911</b></u>          | <u>244,264</u>          |
| Equity attributable to owners of the Company | <b>–</b>                       | 194                     |
| Non-controlling interests                    | <u><b>249,911</b></u>          | <u>244,458</u>          |

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. SEGMENT INFORMATION

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

An operating segment regarding carpark management was discontinued in the current year. The segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 8. The comparative figures for the year ended 31 March 2016 have been restated to re-present the Group’s segment information accordingly.

Details of the Group's two operating and reportable segments are as follows:

- (i) Leasing of properties: this segment mainly leases residential, industrial and commercial premises in Hong Kong to generate rental income.
- (ii) 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. The management of the Group intends to continue this operation and the Group has been seeking for potential business opportunity for both years.

Information regarding these segments is reported below.

**For the year ended 31 March 2017**

**Continuing operations**

|                                                 | Segment<br>revenue<br><i>HK\$'000</i><br><i>(note)</i> | Operating<br>(loss) profit<br><i>HK\$'000</i> | Segment<br>results<br><i>HK\$'000</i> |
|-------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|---------------------------------------|
| Leasing of properties                           | 2,628                                                  | 1,048                                         | 1,048                                 |
| Loan financing                                  | –                                                      | (21)                                          | (21)                                  |
|                                                 | <u>2,628</u>                                           | <u>1,027</u>                                  |                                       |
| Segment total                                   | <u>2,628</u>                                           | <u>1,027</u>                                  | 1,027                                 |
| Increase in fair value of investment properties |                                                        |                                               | 9,580                                 |
| Unallocated income                              |                                                        |                                               | 1,037                                 |
| Unallocated expenses                            |                                                        |                                               | <u>(5,507)</u>                        |
| Profit before taxation (continuing operations)  |                                                        |                                               | <u>6,137</u>                          |

**For the year ended 31 March 2016**

**Continuing operations**

|                                                 | Segment<br>revenue<br><i>HK\$'000</i><br><i>(note)</i> | Operating<br>profit (loss)<br><i>HK\$'000</i> | Segment<br>results<br><i>HK\$'000</i> |
|-------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|---------------------------------------|
| Leasing of properties                           | 2,170                                                  | 346                                           | 346                                   |
| Loan financing                                  | –                                                      | (93)                                          | (93)                                  |
|                                                 | <u>2,170</u>                                           | <u>253</u>                                    |                                       |
| Segment total                                   | <u>2,170</u>                                           | <u>253</u>                                    | 253                                   |
| Decrease in fair value of investment properties |                                                        |                                               | (5,660)                               |
| Share of profits of joint ventures              |                                                        |                                               | 176                                   |
| Unallocated income                              |                                                        |                                               | 541                                   |
| Unallocated expenses                            |                                                        |                                               | <u>(6,203)</u>                        |
| Loss before taxation (continuing operations)    |                                                        |                                               | <u>(10,893)</u>                       |

*Note:* The segment revenue includes rental income from leasing of residential, industrial and commercial properties.

#### 4. OTHER INCOME, OTHER GAINS AND LOSSES

|                                                           | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|-----------------------------------------------------------|-------------------------|-------------------------|
| <b>Continuing operations</b>                              |                         |                         |
| Other income                                              |                         |                         |
| Bank interest income                                      | 552                     | 257                     |
| Investment income from available-for-sale financial asset | 485                     | –                       |
| Loan interest income from joint ventures                  | –                       | 183                     |
|                                                           | <u>1,037</u>            | <u>440</u>              |
| Other gains and losses, net                               |                         |                         |
| Gain on disposal of subsidiaries                          | –                       | 109                     |
| Others                                                    | (24)                    | (8)                     |
|                                                           | <u>(24)</u>             | <u>101</u>              |

#### 5. PROFIT (LOSS) FOR THE YEAR

|                                                                                                          | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i><br>(Restated) |
|----------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------|
| Profit (loss) for the year from continuing operations<br>has been arrived at after charging (crediting): |                         |                                       |
| Auditor's remuneration:                                                                                  |                         |                                       |
| – Audit services                                                                                         | 490                     | 440                                   |
| – Non-audit services                                                                                     | 20                      | 20                                    |
| Depreciation of property, plant and equipment                                                            | 1,475                   | 374                                   |
| Directors' emoluments                                                                                    | 480                     | 2,340                                 |
| Other staff costs:                                                                                       |                         |                                       |
| – Salaries and other benefits                                                                            | 1,121                   | 1,451                                 |
| – Retirement benefit scheme contributions                                                                | 45                      | 57                                    |
| Total staff costs                                                                                        | <u>1,646</u>            | <u>3,848</u>                          |
| Gross rental income                                                                                      | (2,628)                 | (2,170)                               |
| Less: direct operating expenses that generated rental income<br>during the year                          | <u>145</u>              | <u>36</u>                             |
|                                                                                                          | <u>(2,483)</u>          | <u>(2,134)</u>                        |

## 6. TAXATION

|                                      | <b>2017</b><br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| <b>Continuing operations</b>         |                                |                         |
| Current tax - Hong Kong Profits Tax: |                                |                         |
| Provision for the year               | <b>84</b>                      | 57                      |
| Underprovision in prior years        | –                              | 76                      |
|                                      | <hr/>                          | <hr/>                   |
|                                      | <b>84</b>                      | 133                     |
| Deferred tax                         | <b>87</b>                      | 30                      |
|                                      | <hr/>                          | <hr/>                   |
|                                      | <b>171</b>                     | 163                     |
|                                      | <hr/> <hr/>                    | <hr/> <hr/>             |

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

## 7. DIVIDENDS

The Directors do not recommend the payment of final dividend for both years.

## 8. DISCONTINUED OPERATION

The Group ceased its carpark management operation which represents a separate operating segment carried out by a subsidiary, Keen Capital Investments Limited (“Keen Capital”) upon the expiry of leasing of car parking spaces on 6 October 2016. The cessation was effected in order to maintain cash flows for the Group’s operation in other businesses.

The loss for the year from the discontinued carpark management operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the carpark management as a discontinued operation.

|                                         | <b>Year ended</b><br><b>31/3/2017</b><br><i>HK\$'000</i> | Year ended<br>31/3/2016<br><i>HK\$'000</i> |
|-----------------------------------------|----------------------------------------------------------|--------------------------------------------|
| Loss of carpark management for the year | <b>(208)</b>                                             | (407)                                      |
|                                         | <hr/> <hr/>                                              | <hr/> <hr/>                                |



The results of the carpark management operation for the period from 1 April 2016 to 6 October 2016 which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

|                           | <b>Period ended<br/>6/10/2016<br/>HK\$'000</b> | Year ended<br>31/3/2016<br>HK\$'000 |
|---------------------------|------------------------------------------------|-------------------------------------|
| Revenue                   | <b>991</b>                                     | 2,490                               |
| Employee benefit expenses | <b>(387)</b>                                   | (747)                               |
| Other operating expenses  | <b>(812)</b>                                   | (2,150)                             |
|                           | <hr/>                                          | <hr/>                               |
| Loss before taxation      | <b>(208)</b>                                   | (407)                               |
| Taxation                  | <b>–</b>                                       | –                                   |
|                           | <hr/>                                          | <hr/>                               |
| Loss for the period/year  | <b>(208)</b>                                   | (407)                               |
|                           | <hr/> <hr/>                                    | <hr/> <hr/>                         |

Loss for the period/year from discontinued operation includes the following:

|                                                                                 |              |             |
|---------------------------------------------------------------------------------|--------------|-------------|
| Auditor remuneration                                                            | <b>(20)</b>  | (20)        |
| Gross rental income                                                             | <b>991</b>   | 2,490       |
| Less: direct operating expenses that generated rental income<br>during the year | <b>(790)</b> | (2,865)     |
|                                                                                 | <hr/>        | <hr/>       |
|                                                                                 | <b>201</b>   | (375)       |
|                                                                                 | <hr/> <hr/>  | <hr/> <hr/> |

During the year, other than HK\$20,355 (2016:HK\$2,655) used in operating activities, Keen Capital has no cash flows contributed to the Group.

## 9. EARNINGS (LOSS) PER SHARE

### For continuing operations

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

Earning (loss) figures are calculated as follows:

|                                                                                           | <b>2017<br/>HK\$'000</b> | 2016<br>HK\$'000 |
|-------------------------------------------------------------------------------------------|--------------------------|------------------|
| Profit (loss) for the year attributable to owners of the Company                          | <b>5,759</b>             | (11,459)         |
| Less: Loss for the year from discontinued operation                                       | <b>(208)</b>             | (407)            |
|                                                                                           | <hr/>                    | <hr/>            |
| Earnings (loss) for the purpose of basic earnings per share from<br>continuing operations | <b>5,967</b>             | (11,052)         |
|                                                                                           | <hr/> <hr/>              | <hr/> <hr/>      |
|                                                                                           | <b>2017</b>              | 2016             |

### Number of shares

Weighted average number of ordinary shares for the purpose of  
basic earnings per share

|                    |             |
|--------------------|-------------|
| <b>499,276,680</b> | 499,276,680 |
| <hr/> <hr/>        | <hr/> <hr/> |

**From continuing and discontinued operations**

The calculation of the basic earnings (loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

|                                                                  | <b>2017</b>     | 2016            |
|------------------------------------------------------------------|-----------------|-----------------|
|                                                                  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>Earnings (loss)</b>                                           |                 |                 |
| Earnings (loss) for the purpose of basic earnings per share      |                 |                 |
| Profit (loss) for the year attributable to owners of the Company | <b>5,759</b>    | (11,459)        |

The denominators used are the same as detailed above for basic earnings per share.

**From discontinued operation**

Basic loss per share for the discontinued operation is HK0.05 cents per share (2016: HK0.09 cents per share), based on the loss for the year from the discontinued operation of HK\$208,000 (2016: HK\$407,000) and the denominators detailed above for basic earnings per share.

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

## 10. TRADE AND OTHER RECEIVABLES

|                          | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Trade receivables        | 467                     | 37                      |
| Deposits and prepayments | 467                     | 701                     |
|                          | <u>934</u>              | <u>738</u>              |

For leasing of properties and carpark management operation, due to the nature of businesses, the Group generally grants no credit period to these customers. The following is an aged analysis of trade debtors from leasing of properties (2016: leasing of properties), net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

|                     | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Trade debtors aged: |                         |                         |
| 0 – 60 days         | 467                     | 37                      |
|                     | <u>467</u>              | <u>37</u>               |

The trade receivables are past due as at the reporting date for which the Group has not recognised any impairment loss. The Group does not hold any collateral over these balances, but management considers that no impairment loss needs to be recognised in view of the historical and subsequent repayments from these customers.

No allowance for doubtful debts was recognised by the Group during both years.

## 11. OTHER PAYABLES AND ACCRUED CHARGES

|                    | 2017<br><i>HK\$'000</i> | 2016<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Other payables     | 1                       | –                       |
| Accrued charges    | 1,721                   | 1,134                   |
| Receipt in advance | 1,057                   | 13                      |
|                    | <u>2,779</u>            | <u>1,147</u>            |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is principally engaged in the business of leasing of investment properties and the provision of loan financing. The Group was also engaged in carpark management which was discontinued in current year. The Group's revenue (including the Group's continuing and discontinued operations) was primarily derived from leasing of investment properties and sub-leasing of car parking spaces located in Hong Kong during the year.

#### **Leasing of Properties**

During the financial year ended 31 March 2017, the Group recorded rental income amounted to approximately HK\$2.6 million (2016: HK\$2.2 million) from properties located in Hong Kong, which accounted for 73% of the Group's total revenues (including the Group's continuing and discontinued operations). The increase in rental income was mainly due to the rental received from the new property of which the acquisition completed in January 2017. For details, please refer to the section headed "Acquisition of Property" below.

Hong Kong property markets are still on the upward trends, the Group continues to seek optimising its investment properties portfolio. The Directors believe that the leasing of properties will continue to bring positive return to the Group.

#### **Loan Financing**

In view of the challenging economic environment, the Group remains prudent in management of credit risk exposure. No loan was granted successfully to customers during the financial year ended 31 March 2017 due to the Group's consideration of credit risk exposure during credit risk assessment. The Group will continue to put more efforts on loan financing to diversify its income sources.

#### **Carpark Management**

Carpark management operation had been unable to generate overall positive profits for several years due to high operating cost. The Group's carpark rental income for the financial year ended 31 March 2017 further decreased by 60% to approximately HK\$1.0 million (2016: HK\$2.5 million) due to the cessation of carpark management business on 6 October 2016.

The cessation was effected in order to maintain cash flows for the Group's operation in other businesses.

#### **Outlook**

Looking ahead, the global economies are expected to remain challenging and trading conditions are likely to be uncertain. The depreciation of Renminbi, fluctuation in stock market and government measures on property market are still factors hanging around. The Group continues to allocate resources carefully in different business segments to optimise the investment strategies.

The Company is committed to maximise shareholders' wealth. The Group continues to look for investment opportunities and establish focus on high profitability projects in line with the Group's investment strategies.

## **FINANCIAL REVIEW**

### **Revenue and Results**

For the financial year ended 31 March 2017, the Group recorded a revenue (including the Group's continuing and discontinued operations) of approximately HK\$3.6 million (2016: HK\$4.7 million) and a profit from the Group's continuing and discontinued operations of approximately HK\$5.8 million (2016: loss of HK\$11.5 million). The turnaround in profit for the year is primarily attributable to the fair value gains of the Group's investment properties which amounted to HK\$9.6 million (2016: decrease in fair value of HK\$5.7 million).

During the financial year ended 31 March 2017, the Group's revenue (including the Group's continuing and discontinued operations) was mainly derived from the rental income from leasing of properties and carpark management. The Group recorded a gain of approximately HK\$1.0 million (2016: HK\$0.3 million) from leasing of properties and a loss of approximately HK\$0.2 million (2016: HK\$0.4 million) from carpark management. The Group will actively diversify its business segments at an appropriate timing in the future, so as to strengthen its revenue stream for the sustainability of the Group.

Employee benefit expenses (including the Group's continuing and discontinued operations) for the year under review was approximately HK\$2.0 million (2016: HK\$4.6 million), representing a decrease of 57% as compared to that of last year. This decrease was mainly due to a decrease in directors' remuneration of approximately HK\$1.9 million.

Profit per share (including the Group's continuing and discontinued operations) was 1.15 HK cents for the year ended 31 March 2017 (2016: loss per share was 2.30 HK cents).

### **Dividends**

The Board does not recommend the payment of any dividends for the year ended 31 March 2017 (2016: Nil).

### **Liquidity and Financial Resources**

As at 31 March 2017, the Group had total assets of approximately HK\$254.7 million (2016: HK\$247.0 million), whereas total liabilities of the Group amounted to approximately HK\$4.8 million (2016: HK\$2.6 million). Accordingly, the net assets of the Group as at 31 March 2017 was HK\$249.9 million (2016: HK\$244.4 million). The gearing ratio of the Group, being the total liabilities to total assets, was 1.9% as at 31 March 2017 (2016: 1.1%), which indicates the Group's healthy liquidity position. During the financial year ended 31 March 2017, the Group subscribed certain shares and

acquired a property (refer to sections headed “Acquisition of Property” and “Subscription of Shares” for details), the Group enabled to maintain sufficient cash which comprised bank balances and cash and short term deposits of approximately HK\$64.0 million as at 31 March 2017 (2016: HK\$127.6 million). 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 as at 31 March 2017 and 2016 were 499,276,680.

### **Pledge of Assets**

As at 31 March 2017, the Group pledged certain of its investment properties with market value of HK\$87.8 million (2016: HK\$82.6 million) to a bank in Hong Kong to secure banking facility grant to the Group. As at 31 March 2017, the Group has available unutilised banking facilities of HK\$57.0 million (2016: HK\$57.0 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 31 March 2017, the Group did not have any material contingent liabilities or capital commitments.

## **SIGNIFICANT ACQUISITION**

### **Subscription of Shares**

On 29 June 2016, Prime Concept Development Limited (the “Prime Concept”), a wholly-owned subsidiary of the Company, subscribed for a total of 17,873.64 class A shares (“Class A Shares”) in Asian Bond Fund Segregated Portfolio (the “Portfolio”) at issue price of US\$100.42 per Class A Share for an aggregate consideration of approximately US\$1,795,000 (equivalent to approximately HK\$14.0 million), the Portfolio is a segregated portfolio of CMBI SPC, an open-ended investment company organised 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 investment income to the Group.

During the year, the Group received the investment income of an aggregate amount of HK\$0.5 million from the investment in the Portfolio.

As at 31 March 2017, the market value of the Portfolio was approximately US\$1,767,000 (equivalent to approximately HK\$13.7 million). The Board will closely monitor the performance progress of the investment portfolio from time to time. Details of the subscription of Class A Shares are set out in the announcements of the Company dated 29 June 2016 and 8 July 2016, respectively.

### **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 the 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\$44.4 million (the “Acquisition”). The Property has been leased to an independent third party up to 15 November 2018. The completion of the Acquisition took place on 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 Board considered 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.

## **OTHER BUSINESS ACTIVITY**

### **Agency and Advisory Services Agreement**

On 6 March 2017, Prime Concept as the service provider, entered into an agency and advisory services agreement (the “Agreement”) with Lian Xin International Limited (“Lian Xin”) as the recipient in relation to the provision of agency and advisory services by Prime Concept to Lian Xin. Prime Concept will provide the agency and advisory services, which include (i) the provision of agency and advisory services in relation to Lian Xin’s financing, (ii) assistance in the preparation of the relevant loan application documents by Lian Xin to potential lender(s), and (iii) assistance in providing information of Lian Xin to potential lender(s) for loan application assessments on Lian Xin’s background, financial condition, market reputation and repayment ability (collectively, the “Agency and Advisory Services”). Prime Concept will arrange at least one successful financing service to Lian Xin and the amount of such financing will not be less than US\$9.0 million within a term of 12 months commencing on 6 March 2017 and ending on 5 March 2018. In return to the provision of the Agency and Advisory Services, Prime Concept is entitled to receive a service fee of US\$0.14 million (equivalent to approximately HK\$1.0 million) from Lian Xin.

The Board considered that the Agreement will be beneficial to the Group as the Group could improve its profitability with the income generated by providing the Agency and Advisory Services.

Details of the Agreement are set out in the announcement of the Company dated 6 March 2017.

## **HUMAN RESOURCES**

We aim to provide employees a stimulating and harmonious working environment. We also encourage lifelong learning and offer trainings to our employees to enhance their performance and provide support to their personal development. As at 31 March 2017, the Group employed a total of 11 full time employees (2016: 11). Employees and directors are remunerated based on their performance and experience, current industry practices and prevailing market conditions and in accordance with existing labour laws. In addition to basic salaries, 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 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 Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules, except for the deviations set out below.

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 ended 31 March 2017, certain Board meetings were convened with less than 14 days’ notice to facilitate the Directors’ timely reaction and expeditious decision making process in respect of investment opportunity and 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 future.

Code provision A.6.5 of the CG Code requires all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. Mr. Zhang Zhenan, being a former Director, had not provided a record of the training to the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 year ended 31 March 2017.



## **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 listed shares during the year ended 31 March 2017.

## **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 annual results. 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 Company's annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee with the management of the Company.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

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 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

**PUBLICATION OF ANNUAL REPORT ON THE INTERNET WEBSITE OF THE COMPANY AND THE STOCK EXCHANGE**

The annual report of the Company for the year ended 31 March 2017 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**  
**Jiang Yi**  
*Executive Director and Chief Executive Officer*

Hong Kong, 22 June 2017

*As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.*