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 2018

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 2018, together with the comparative figures for 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Continuing operations			
Revenue	3	**8,406**	2,628
Finished goods purchased		**(476)**	–
Change in inventories of finished goods		**236**	–
Increase in fair value of investment properties		**18,713**	9,580
Other income	4	**2,090**	1,037
Other gains and losses	4	**490**	(24)
Employee benefit expenses		**(1,943)**	(1,646)
Other operating expenses		**(12,718)**	(5,438)
Finance costs	5	**(6,881)**	–
Profit before taxation		**7,917**	6,137
Taxation	6	**(2,812)**	(171)
Profit for the year from continuing operations		**5,105**	5,966
Discontinued operation			
Loss for the year from discontinued operation	7	**–**	(208)
Profit for the year	8	**5,105**	5,758

* *For identification purposes only*

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial asset		**(427)**	(289)
Exchange differences arising on translation of foreign operations of subsidiaries		**1,597**	–
Other comprehensive income (expense) for the year		**1,170**	(289)
Total comprehensive income for the year		**6,275**	5,469
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operations		**5,817**	5,967
– from discontinued operation		**–**	(208)
		5,817	5,759
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(712)**	(1)
		5,105	5,758
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**6,613**	5,470
– Non-controlling interests		**(338)**	(1)
		6,275	5,469
Earnings per share			
From continuing and discontinued operations			
– Basic (HK cents)	10	**1.17**	1.15
From continuing operations			
– Basic (HK cents)	10	**1.17**	1.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**25,506**	26,867
Investment properties		**576,250**	148,900
Goodwill		**6,513**	–
Intangible assets		**30,175**	–
Available-for-sale financial asset		**13,264**	13,691
Deferred tax assets		**4,182**	–
		655,890	189,458
Current assets			
Inventories		**236**	–
Trade and other receivables	11	**19,885**	934
Loan and interest receivables	12	**12,080**	–
Tax recoverable		**798**	300
Bank balances and cash		**103,861**	63,975
		136,860	65,209
Current liabilities			
Trade and other payables	13	**17,536**	2,779
Rental deposits from tenants		**319**	37
Amount due to ultimate holding company		**6,901**	–
Amount due to an intermediate holding company		**275**	–
Income tax payable		**802**	162
		25,833	2,978
Net current assets		**111,027**	62,231
Total assets less current liabilities		**766,917**	251,689

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Rental deposits from tenants	**467**	740
Deferred tax liabilities	**3,221**	1,038
Loan from ultimate holding company	**430,000**	–
Loan from an intermediate holding company	**39,000**	–
	472,688	1,778
	294,229	249,911
Capital and reserves		
Share capital	**49,928**	49,928
Reserves	**206,596**	199,983
Equity attributable to owners of the Company	**256,524**	249,911
Non-controlling interests	**37,705**	–
	294,229	249,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain 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 REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2021

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 of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

An operating segment regarding carpark management was discontinued during the year ended 31 March 2017. The segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 7.

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

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

(ii) Loan financing: this segment provides loan financing services to individuals or corporate customers. The Group possesses a money lender license and its money lending business is mainly carried out in Hong Kong.

(iii) 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.

The following is an analysis of the Group's revenue and results from continuing operations by operating and reporting segment.

For the year ended 31 March 2018
Continuing operations

	Segment revenue *HK$'000*	**Segment results** *HK$'000*
Leasing of properties	**7,368**	**5,184**
Loan financing	**580**	**489**
Production and sale of education equipment	**458**	**(1,207)**
Segment total	**8,406**	**4,466**
Increase in fair value of investment properties		**18,713**
Unallocated income		**2,090**
Unallocated expenses		**(17,352)**
Profit before taxation (continuing operations)		**7,917**

For the year ended 31 March 2017
Continuing operations

	Segment revenue *HK$'000*	Segment results *HK$'000*
Leasing of properties	2,628	1,048
Loan financing	–	(21)
Segment total	2,628	1,027
Increase in fair value of investment properties		9,580
Unallocated income		1,037
Unallocated expenses		(5,507)
Profit before taxation (continuing operations)		6,137

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2018 ***HK$'000***	2017 *HK$'000*
Continuing operations		
Other income		
Bank interest income	**260**	552
Investment income from available-for-sale financial asset	**727**	485
Agency and advisory service income	**1,046**	–
Others	**57**	–
	2,090	1,037
Other gains and losses, net		
Net foreign exchange gain (loss)	**490**	(24)

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on:		
Loan from ultimate holding company	**6,604**	–
Loan from an intermediate holding company	**275**	–
Others	**2**	–
	6,881	–

6. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Current tax – Hong Kong Profits Tax	**197**	84
Current tax – People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	**490**	–
Deferred tax	**2,125**	87
	2,812	171

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

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for current year.

7. DISCONTINUED OPERATION

The Group ceased its carpark management operation which represented a separate operating segment carried out by a subsidiary, Keen Capital Investments Limited ("Keen Capital") upon the expiry of the leases for 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 ended 31 March 2017 from the discontinued carpark management operation was approximately HK$208,000.

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

	HK$'000
Revenue	991
Employee benefit expenses	(387)
Other operating expenses	(812)
Loss before taxation	(208)
Taxation	–
Loss for the period	(208)

	HK$'000
Loss for the period from a discontinued operation includes the following:	
Auditor's remuneration	(20)
Gross rental income	991
Less: direct operating expenses that generated rental income during the year	(790)
	201

During the year ended 31 March 2017, other than HK$20,000 used in operating activities, Keen Capital had no cash flows contributed to the Group.

8. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**1,300**	522
Depreciation of property, plant and equipment	**1,478**	1,475
Amortisation of intangible assets	**243**	–
Cost of inventories recognised as an expense	**240**	–
Directors' emoluments	**480**	480
Other staff costs:		
– Salaries and other benefits	**1,338**	1,121
– Retirement benefit scheme contributions	**125**	45
Total staff costs	**1,943**	1,646
Gross rental income	**(7,368)**	(2,628)
Less: direct operating expenses that generated rental income during the year	**95**	145
	(7,273)	(2,483)

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

10. EARNINGS PER SHARE

For continuing operations

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

Earnings figures are calculated as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**5,817**	5,759
Less: Loss for the year from discontinued operation	**–**	(208)
Earnings for the purpose of basic earnings per share from continuing operations	**5,817**	5,967

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**499,276,680**	499,276,680

From continuing and discontinued operations

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**5,817**	5,759

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

From discontinued operation

For the year ended 31 March 2017, basic loss per share for the discontinued operation is HK0.05 cent per share, based on the loss for the year from the discontinued operation of HK$208,000 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.

11 TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**–**	467
Deposits and prepayments	**683**	467
Value-added tax recoverable	**19,202**	–
	19,885	934

For leasing of properties and production and sale of education equipment, 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, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	**–**	467

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.

12 LOAN AND INTEREST RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**12,000**	–
Loan interest receivables	**80**	–
	12,080	–

The borrowers are private companies incorporated in Hong Kong and independent to 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 interests are repayable monthly or quarterly. The management of the Group reviews the recoverable amounts of its loan and interest receivables in order to minimise credit risk by assessing the borrower's financial positions.

13 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**563**	–
Other payables	**1**	1
Other taxes payable	**12,487**	–
Accrued charges	**3,877**	1,721
Receipt in advance	**608**	1,057
	17,536	2,779

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**563**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Leasing of Properties

During the financial year ended 31 March 2018, the Group recorded rental income amounted to approximately HK$7.4 million (2017: HK$2.6 million) from properties located in Hong Kong and the PRC, which accounted for 88% of the Group's total revenue. The increase of the rental income was mainly attributable to the rental income generated from the property acquired by the Group in December 2017 (the "Property"). For details, please refer to the section headed "Acquisition of Property" below. As disclosed in the announcement of the Company dated 6 March 2018, as at 6 March 2018, the entire Property has been leasing out. Taking into consideration of the tenancy agreements executed in the second half of the financial year ended 31 March 2018, the Directors expect that the revenue from lease of property will be increased in the forthcoming financial year. The Group continues to seek optimising its investment properties portfolio in both Hong Kong and the PRC. The Directors believe that the leasing of properties will continue to bring positive return to the Group.

Production and Sale of the digital Chinese calligraphy education equipment

In December 2017, the Group formed Shandong Qihua Education Technology Co., Ltd. (山東啟華教育科技有限公司) (the "Joint Venture") to engage in the production and sale of digital Chinese calligraphy education equipment and relevant learning and tutorial systems. For the year ended 31 March 2018, revenue generated from the sale of digital Chinese calligraphy education equipment amounted to HK$0.5 million (2017: nil). The Board is confident that this business segment will be able to capture the business opportunities in the PRC and demonstrate its ability to make positive contribution to the Group's financial performance in the forthcoming financial year.

Loan Financing

During the year ended 31 March 2018, the Group's money lending services segment managed to contribute a stable return and recorded a revenue of approximately HK$0.6 million (2017: nil).

The Group continues to maintain sound credit control policy when advancing loans to the customers. The Group holds the principle that prudent measures are particularly important and essential during the unstable economic times.

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 March 2018, the Group recorded a revenue (including the Group's continuing and discontinued operation) of approximately HK$8.4 million (2017: HK$3.6 million). The increase was mainly attributable to the revenue from leasing of properties in the PRC. The Group also recorded (i) revenue of approximately HK$0.6 million for the interest income from loan financing and (ii) revenue of approximately HK$0.5 million from the production and sale of the education equipment.

Cost of inventories sold for the year ended 31 March 2018 was approximately HK$0.2 million (2017: HK$nil).

Other income for the year ended 31 March 2018 was approximately HK$2.1 million (2017: HK$1.0 million), representing an increase of HK$1.1 million as compared to that of last year. The increase was mainly attributable to the service fee for the transactions under the Agency and Advisory Services Agreement.

Employee benefit expenses (including the Group's continuing and discontinued operations) for the year under review was approximately HK$1.9 million (2017: HK$ 2.0 million), representing a decrease of HK$ 0.1 million.

Other operating expenses (including the Group's continuing and discontinued operations) for the year ended 31 March 2018 was approximately HK$12.7 million (2017: HK$6.3 million), representing an increase of HK$6.4 million as compared to that of last year. The increase was mainly attributable to increase of legal and professional fees for the various transactions conducted and other advisory service fees during the financial year of approximately HK$4.1 million.

Finance costs for the year under review was approximately HK$6.9 million (2017: HK$nil). The significant increase was mainly due to increase of the interest payable for the unsecured loan provided by the an intermediate holding company and the ultimate holding company of the Company.

Taxation for the year under review was approximately HK$2.8 million (2017: HK$0.2 million). The significant increase was mainly due to the deferred tax liability provided for the PRC property.

The Group recorded a profit for the year attributable to owners of the Company in the amount of approximately HK$5.8 million (2017: a profit of approximately HK$5.8 million). Profit per share (including the Group's continuing and discontinued operations) was 1.17 HK cents for the year ended 31 March 2018 (2017: profit per share was 1.15 HK cents). The favourable impact from increase in revenue, other income and fair value of investment properties was offset by (i) the increase of legal and professional fees payable during the year under review, (ii) the interest expenses payable to an intermediate holding company and the ultimate holding company, and (iii) the increase of income tax and deferred tax.

Segmental Information

An analysis of the Group's performance for the year ended 31 March 2018 by business segment is set out in note 3 to the announcement.

Dividends

The Board does not recommend the payment of any dividends for the year ended 31 March 2018 (2017: nil).

Liquidity and Financial Resources

As at 31 March 2018, the Group had total assets of approximately HK$792.8 million (2017: HK$254.7 million), whereas total liabilities of the Group amounted to approximately HK$498.5 million (2017: HK$4.8 million). The significant increase of the total assets and the total liabilities was mainly attributable to (i) the acquisition of the Property and (ii) the loan provided by the controlling shareholder of the Company to finance the acquisition of the Property. Accordingly, the net assets of the Group as at 31 March 2018 was HK$294.2 million (2017: HK$249.9 million). The gearing ratio of the Group, being the total liabilities to total assets, was 62.9% as at 31 March 2018 (2017: 1.9%). 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 2018 and 31 March 2017 remained the same at 499,276,680.

Pledge of Assets

As at 31 March 2018, the Group pledged certain of its investment properties with market value of HK$98.5 million (2017: HK$87.8 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 31 March 2018, the Group has available unutilised banking facilities of HK$48.7 million (2017: HK$57.0 million).

Foreign Exchange

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

Contingent Liabilities and Capital Commitments

As at 31 March 2018, the Group did not have any material contingent liabilities or capital commitments.

MATERIAL TRANSACTIONS

Subscription of Shares

On 29 June 2016, Prime Concept Development Limited ("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. 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.

During the year, the Group received the investment income of an aggregate amount of HK$0.7 million (2017: HK$0.5 million) from the investment in the Portfolio.

As at 31 March 2018, the market value of the Portfolio was approximately US$1.7 million (equivalent to approximately HK$13.3 million) (2017: US$1.8 million (equivalent to approximately HK$13.7 million)). The Board will closely monitor the performance progress of the investment portfolio from time to time.

Agency and Advisory Services Agreement and the Supplemental 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. On 2 March 2018, Prime Concept and Lian Xin entered into a supplemental agreement to amend and supplement certain terms of the Agreement (the "Supplemental Agreement'). Details of the Agreement and the Supplemental Agreement are set out in the announcements of the Company dated 6 March 2017 and 2 March 2018, respectively. Pursuant to the Agreement and Supplemental Agreement, in the year ended 31 March 2018, Prime Concept has rendered the agency and advisory services and the Group recorded an income of US$0.14 million (equivalent to approximately HK$1.0 million) as a result of the services provided by the Group.

Provision of Loan

On 29 August 2017, Classic Charter Limited ("Classic Charter"), an indirect wholly-owned subsidiary of the Company, entered into the loan agreement (the "First Loan Agreement") with a company incorporated in Hong Kong with limited liability as the borrower (the "First Borrower"), an independent third party, and an individual as the guarantor (the "First Guarantor"), being a director and a shareholder holding 60% of the issued shares of First Borrower, an independent third party. Pursuant to the First Loan Agreement, Classic Charter agreed to grant to the First Borrower a loan in the principal amount of HK$6.0 million (the "First Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown. The First Guarantor provided a personal guarantee against the First Loan in respect of, among others, all sums due and payable to the First Lender under the First Loan Agreement.

Details of the First Loan Agreement were set out in the announcement of the Company dated 29 August 2017.

On 10 November 2017, Classic Charter, as the lender entered into the loan agreement (the "Second Loan Agreement") with a company incorporated in Hong Kong with limited liability as the borrower (the "Second Borrower"), an independent third party, and an individual as the guarantor (the "Second Guarantor"), being a director and a shareholder holding approximately 60% of the issued shares of the Second Borrower, an independent third party, pursuant to which Classic Charter agreed to grant to the Second Borrower a loan in the principal amount of HK$6.0 million (the "Second Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown. The Second Guarantor provided a personal guarantee against the Second Loan, among others, all sums due and payable to the Classic Charter under the Second Loan Agreement.

Details of the Second Loan Agreement were set out in the announcement of the Company dated 10 November 2017.

Acquisition of Property

On 6 September 2017, Qingdao Qifeng Technology Service Co., Ltd.* (青島啟峰科技服務有限公司) ("Qifeng"), a company established in the People's Republic of China (the "PRC") and an indirect wholly-owned subsidiary of the Company, as the buyer, entered into the property acquisition agreement (the "Sale and Purchase Agreement") with Qingdao Wenrong Zhiye Company Limited* (青島文融置業有限公司) (the "Seller"), a limited liability company established in the PRC and an independent third party. Pursuant to the Sale and Purchase Agreement, subject to the terms and conditions, Qifeng has agreed to purchase, and the Seller has agreed to sell, part of a commercial property known as "22nd Century Plaza"at the purchase price of RMB328.6 million (equivalent to approximately HK$377.9 million), subject to adjustment, to be settled in cash (the "Acquisition"). The Property comprises (i) 13-upperground floors (floor 4 to floor 6 and floor 12 to floor 21) with total saleable gross floor area ("GFA") of approximately 16,746 square metres ("sq.m."); and (ii) 136 underground carpark units, located at No. 39 Longcheng Road (龍城路39號), Shibei District, Qingdao, the PRC. The Acquisition was completed on 1 December 2017.

As at 6 March 2018, the entire Property was leased out. As a result of the Acquisition and the execution of the lease agreements, the Directors expect that the revenue from the lease of property will be increased significantly for the forthcoming financial year.

Details of the Acquisition were set out in the announcements of the Company dated 6 September 2017, 6 November 2017, 1 December 2017 and 6 March 2018 and the circular of the Company dated 19 October 2017, respectively.

Formation of Joint Venture

On 2 November 2017, the Company and Mr. Lv Qingdong ("Mr. Lv"), an independent third party, entered into the joint venture agreement (the "Joint Venture Agreement") for the formation of the Joint Venture under the laws of the PRC. The Joint Venture will principally be engaged in education equipment business. Pursuant to the Joint Venture Agreement, seven software copyrights and the utility models patents will be contributed into the joint venture by Mr, Lv. The Joint Venture was established on 29 December 2017 and commenced operation in March 2018. For the year ended 31 March 2018, the Joint Venture contributed HK$0.5 million to the revenue of the Group.

Acquisition of Design Patents

On 2 November 2017, HK Hanhe and Ms. Li Fengxian ("Ms. Li"), an independent third party and the spouse of Mr. Lv, entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which HK Hanhe has agreed to purchase, and Ms. Li has agreed to sell, all such intellectual property rights in connection with two design patents (外觀設計專利) (the "Design Patents") to be acquired by HK Hanhe from Ms. Li in accordance with the Acquisition Agreement and to be contributed into the Joint Venture by HK Hanhe in accordance with the Joint Venture Agreement at the purchase price in the sum of RMB2.3 million (equivalent to approximately HK$2.7 million). As at 31 March 2018, the acquisition of Design Patents have been completed.

Details of the formation of the Joint Venture, the deemed acquisition of the Business IP and the acquisition of the Design Patents were set out in the announcements of the Company dated 11 August 2017, 2 November 2017, 23 November 2017 and 2 January 2018 respectively.

Outlook and prospects

Looking ahead, the global economy will maintain the pace of recovery and the economy in the PRC will continue to grow. The fluctuation of Renminbi, fluctuation in stock market and government measures on property market are still factors hanging around. The Group is confident in the prospect of the industry of calligraphy related products. Since its establishment, the Joint Venture actively participated in exhibitions, including the 74th China Educational Equipment Exhibition (第74屆中國教育裝備展示會) held in May 2018 to increase the brand awareness and product experience to attract potential consumers. The sales team network has also geared up its efforts to promote our products in different major provinces in the PRC.

Despite the global uncertainties and the economic and trading relationship between the United States and the PRC is getting more dynamic with uncertainty, the Group continues to identify and pursue profitable investment opportunities to expand the Group's sources of revenue and enhance the Group's business prospect. The Company is committed to maximising 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.

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 2018, the Group employed a total of 42 full time employees (2017: 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.

Under the code provision A.1.1 of the CG Code, the Board should meet regularly and the board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2018, the Board held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

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 2018, one of the Board meetings was convened with less than 14 days' notice to facilitate the directors of the Company 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 future.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Xing Luzheng, the chairman of the Company during the year ended 31 March 2018, was unable to attend the annual general meeting of the Company held on 15 September 2017 due to his other business engagements.

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 2018.

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 2018.

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 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 2018 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 2018 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.

EVENT AFTER THE REPORTING PERIOD

There is no event after the reporting period which would have a material impact on the Company's financial position.

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 2018 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 2018

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.