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

(Incorporated in Bermuda with limited liability)

(Stock Code : 499)

Interim Report
2018

*For identification purposes only

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 2 to 31, which comprise the condensed consolidated statement of financial position as at 30 September 2018 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 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
26 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Six months ended 30 September	
	NOTES	**2018** **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Revenue	3A	**28,093**	1,979
Finished goods purchased		**(8,999)**	–
Change in inventories of finished goods		**2,064**	–
Increase in fair value of investment properties	9	**1,196**	5,000
Other income	4	**1,128**	596
Other gains and losses	4	**3,414**	–
Employee benefits expenses		**(2,601)**	(579)
Depreciation		**(739)**	(737)
Other operating expenses		**(8,048)**	(2,240)
Finance costs		**(10,625)**	–
Profit before taxation	5	**4,883**	4,019
Income tax expense	6	**(1,566)**	(99)
Profit for the period		**3,317**	3,920

	NOTES	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(9,622)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations of subsidiaries		**24**	–
Fair value gain on available-for-sale financial assets		**–**	18
		24	18
Total comprehensive (expense) income for the period		**(6,281)**	3,938
Profit for the period attributable to:			
Owners of the Company		**1,899**	3,920
Non-controlling interests		**1,418**	–
		3,317	3,920
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(4,092)**	3,938
Non-controlling interests		**(2,189)**	–
		(6,281)	3,938
Earnings per share			
– Basic (HK cent)	8	**0.38**	0.79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018

	NOTES	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**25,101**	25,506
Investment properties	9	**542,014**	576,250
Goodwill	10	**5,954**	6,513
Intangible assets	11	**25,966**	30,175
Financial asset at fair value through profit or loss	12	**12,834**	–
Available-for-sale financial asset	12	**–**	13,264
Deferred tax asset		**3,664**	4,182
		615,533	655,890
Current assets			
Inventories		**2,300**	236
Trade and other receivables	13	**20,742**	19,885
Loan and interest receivables	14	**11,821**	12,080
Tax recoverable		**336**	798
Bank balances and cash		**95,677**	103,861
		130,876	136,860
Current liabilities			
Trade and other payables	15	**3,772**	17,536
Contract liabilities		**848**	–
Rental deposits from tenants		**319**	319
Amount due to ultimate holding company		**15,647**	6,901
Amount due to an intermediate holding company		**1,127**	275
Income tax payable		**1,193**	802
		22,906	25,833
Net current assets		**107,970**	111,027
Total assets less current liabilities		**723,503**	766,917

	NOTES	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Non-current liabilities			
Rental deposits from tenants		**293**	467
Deferred tax liabilities		**3,378**	3,221
Loan from ultimate holding company		**393,143**	430,000
Loan from an intermediate holding company		**39,000**	39,000
		435,814	472,688
		287,689	294,229
Capital and reserves			
Share capital	16	**49,928**	49,928
Reserves		**202,245**	206,596
Equity attributable to owners of the Company		**252,173**	256,524
Non-controlling interests		**35,516**	37,705
		287,689	294,229

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Surplus account HK$'000 *(Note)*	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017 (audited)	49,928	328,931	(289)	–	(128,659)	249,911	–	249,911
Fair value gain on available-for-sale financial asset	–	–	18	–	–	18	–	18
Profit for the period	–	–	–	–	3,920	3,920	–	3,920
Total comprehensive income for the period	–	–	18	–	3,920	3,938	–	3,938
At 30 September 2017 (unaudited)	49,928	328,931	(271)	–	(124,739)	253,849	–	253,849
At 1 April 2018 (audited)	**49,928**	**328,931**	**(716)**	**1,223**	**(122,842)**	**256,524**	**37,705**	**294,229**
Adjustment *(note 2)*	**-**	**-**	**716**	**-**	**(975)**	**(259)**	**-**	**(259)**
At 1 April 2018 (restated)	**49,928**	**328,931**	**-**	**1,223**	**(123,817)**	**256,265**	**37,705**	**293,970**
Profit for the period	**-**	**-**	**-**	**-**	**1,899**	**1,899**	**1,418**	**3,317**
Other Comprehensive expenses	**-**	**-**	**-**	**(5,991)**	**-**	**(5,991)**	**(3,607)**	**(9,598)**
Total comprehensive (expenses) income for the period	**-**	**-**	**-**	**(5,991)**	**1,899**	**(4,092)**	**(2,189)**	**(6,281)**
At 30 September 2018 (unaudited)	**49,928**	**328,931**	**-**	**(4,768)**	**(121,918)**	**252,173**	**35,516**	**287,689**

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 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM(USED IN) OPERATING ACTIVITIES	**239**	(7,535)
INVESTING ACTIVITIES		
Interest income received	**415**	232
Investment income received	**366**	364
Purchase of property, plant and equipment	**(343)**	–
NET CASH FROM INVESTING ACTIVITIES	**438**	596
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**677**	(6,939)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**103,861**	63,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(8,861)**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**95,677**	57,036

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 (the "Listing Rules").

In prior years, the directors of the Company regarded Hong Kong Dollar ("HK$") as the functional currency of the Company since HK$ predominantly influences the operation and cash flows of the Group's major operating subsidiaries.

During the year ended 31 March 2018, the Group had acquired an education equipment business and investment properties in The People's Republic of China (the "PRC"). As a result, there has been an increasing in influence of Renminbi ("RMB") over the Group's business operation. The directors of the Company considered the revenue from the education equipment business and rental income derived in PRC had been more significant having reviewed the interim financial performance. Such changes in circumstance triggered the directors to reassess the Company's functional currency and resolved to change the functional currency of the Company from HK$ to RMB as RMB had become the currency that mainly influenced the operation and cash flow of the Company. The condensed consolidated financial statements continue to be presented in HK$.

The change in functional currency in presenting the operating results and financial positions of the Group effective from 1 April 2018 and is accounted for in accordance with Hong Kong Accounting Standard ("HKAS") 21 "*The Effects of Changes in Foreign Exchange Rates*".

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of these new and amendments to HKFRSs did not have any material impact on the Group's condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group recognises revenue from the sale of education equipment.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "*Revenue*" and related interpretations.

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent
When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Warranties
If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

2.1.2 *Summary of effects arising from initial application of HKFRS 15*

Revenue from the sale of education equipment are recognised based upon output delivered, which is the point of time when the customer has the ability to direct the use of the output and obtain the control of the output.

Upon adoption of HKFRS 15, advance from customers included in trade and other payables amounting to HK$436,000 was reclassified to contract liabilities as at the date of initial application, 1 April 2018.

At 30 September 2018, without the application of HKFRS 15, advance from customers of HK$848,000 would been reclassified from contract liabilities to trade and other payables since the underlying products and services are yet to be delivered.

As a result, other than reclassification of advance from customers from trade and other payables to contract liabilities, the adoption of HKFRS 15 does not have material impact on the amounts reported in the condensed consolidated financial statements.

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"*

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "*Financial Instruments*: Recognition and Measurement".

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model
The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans and interest receivables, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix based on its historical observed default rates which is adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Available-for-sale financial asset HK$'000	Financial asset at FVTPL required by HKAS 39/ HKFRS 9 HK$'000	Loan and interest receivables HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000
Closing balance at 31 March 2018 – HKAS 39		13,264	–	12,080	(716)	(122,842)
Effect arising from initial application of HKFRS 9:						
Reclassification from available-for-sale financial asset	(a)	(13,264)	13,264	–	716	(716)
Remeasurement from impairment under ECL model	(b)	–	–	(259)	–	(259)
Opening balance at 1 April 2018		–	13,264	11,821	–	(123,817)

(a) Available-for-sale financial asset

At the date of initial application of HKFRS 9, the Group's equity investments of HK$13,264,000 were reclassified from available-for-sale financial asset to financial asset at FVTPL. The fair value losses of HK$716,000 relating to the investment previously carried at fair value were transferred from investment reserve to accumulated losses as at 1 April 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, other receivables and loan and interest receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance of HK$259,000 has been recognised against accumulated losses. The additional loss allowance is charged against loan and interest receivables.

The loss allowances for loan and interest receivables as at 31 March 2018 reconcile to the opening loss allowances as at 1 April 2018 is as follows:

	Loan and interest receivables HK$'000
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening accumulated losses	259
At 1 April 2018	259

2.2.3 *Impacts on opening condensed consolidated statement of financial position arising from application of all new standards*

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 March 2018 HK$'000 (Audited)	**HKFRS 15** HK$'000	**HKFRS 9** HK$'000	**1 April 2018** HK$'000 (Restated)
Non-current assets				
Available-for-sale financial asset	13,264	–	(13,264)	–
Financial asset at FVTPL	–	–	13,264	13,264
Current assets				
Loan and interest receivables	12,080	–	(259)	11,821
Current liabilities				
Trade and other payables	17,536	(436)	–	17,100
Contract liabilities	–	436	–	436
Capital and reserves				
Investment revaluation reserve	(716)	–	716	–
Accumulated losses	(122,842)	–	(975)	(123,817)

3A. REVENUE FROM SALE OF GOOD

Revenue represents the sale of education equipment, and interest income from loan financing and gross rental income from property letting during the period.

Disaggregation of revenue

	For the six months ended 30 September 2018 HK$'000 (unaudited)
Revenue from contracts with customers	
– Sale of education equipment	**11,526**
Revenue from leasing of properties	**15,967**
Revenue from interest income form loan financing	**600**
Total revenue	**28,093**

	Six months ended 30 September	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Geographical markets		
– Mainland China	**26,485**	–
– Hong Kong	**1,608**	1,979
Total	**28,093**	1,979

The Group's revenue from sales of education equipment is recognised at a point in time during the six months ended 30 September 2018.

3B. 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.

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

(i) Sale of education equipment: this segment is engaged in the research and development, sale of digital Chinese calligraphy education equipment together with relevant learning and tutorial systems.

(ii) Leasing of properties: this segment mainly leases residential, industrial and commercial premises in Hong Kong and mainland PRC to generate rental income.

(iii) 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.

For the six months ended 30 September 2018 (unaudited)

Segment

	Segment revenue HK$'000 *(note)*	Segment results HK$'000
Sale of education equipment	11,526	298
Leasing of properties	15,967	13,553
Loan financing	600	586
Segment total	28,093	14,437
Increase in fair value of investment properties		1,196
Unallocated income		1,128
Unallocated expenses		(11,878)
Profit before taxation		4,883

For the six months ended 30 September 2017 (unaudited)

	Segment revenue HK$'000 *(note)*	Segment results HK$'000
Leasing of properties	1,929	1,262
Loan financing	50	39
Segment total	1,979	1,301
Increase in fair value of investment properties		5,000
Unallocated income		596
Unallocated expenses		(2,878)
Profit before taxation		4,019

Note: The segment revenue includes rental income from leasing of residential, industrial and commercial properties, interest from loan financing and sale of education equipment.

Other segment information

Segment profit represents the profit earned by each segment without allocation of certain other income, certain other gains and 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	
	30.9.2018 HK$'000 (unaudited)	31.3.2018 HK$'000 (audited)	**30.9.2018 HK$'000 (unaudited)**	31.3.2018 HK$'000 (audited)
Sale of education equipment	**43,843**	41,486	**57,342**	40,891
Leasing of properties	**557,097**	595,544	**399,445**	454,581
Loan financing	**11,821**	12,080	**80**	80
Segment total	**612,761**	649,110	**456,867**	495,552
Unallocated:				
Bank balances and cash	**95,677**	103,861	**–**	–
Others	**37,971**	39,779	**1,853**	2,969
Total	**746,409**	792,750	**458,720**	498,521

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, certain other receivables of the corporate office, available-for-sale financial asset, financial assets at fair value through profit or loss, tax recoverable and bank balances and cash.

- all liabilities including tax payables and deferred tax liabilities are allocated to operating segments other than certain other payables of the corporate offices and contract liabilities.

- investment properties were allocated to the leasing of properties segment while the change in fair value of investment properties was not reported to the CODM as part of the segment results. The above allocation was reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income		
Bank interest income	**415**	232
Investment income from financial asset at FVTPL	**366**	–
Investment income from available-for-sale financial asset	**–**	364
Others	**347**	–
	1,128	596
Other gains and losses, net		
Net foreign exchange gain	**3,844**	–
Fair value changes in financial asset at FVTPL	**(430)**	–
Other gains and losses	**3,414**	–

5. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**739**	737
Amortisation of intangible assets	**1,698**	–
Impairment loss recognised in respect of		
– trade receivables	**8**	–

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax		
– Current tax	**60**	41
– Underprovision	**463**	–
	523	41
PRC Enterprise Income Tax ("EIT")	**487**	–
Deferred tax	**556**	58
	1,566	99

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

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 the current period ended.

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the both periods ended 30 September 2018 and 30 September 2017, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

8. EARNINGS PER SHARE

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:

	Six months ended 30 September	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**1,899**	3,920

	Six months ended 30 September	
	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

9. INVESTMENT PROPERTIES

The investment properties of the Group are located in Hong Kong and the mainland PRC. The valuations for investment properties have been arrived on a basis of valuations carried out at the end of the reporting period by Vigers Appraisal & Consulting Limited (2017: Peak Vision Appraisals Limited) by adopting the income capitalisation method.

For the period ended 30 September 2018, an unrealised gain on investment properties revaluation of HK$1,196,000 (2017: an unrealised gain of HK$5,000,000), has been recognised in profit or loss.

10. GOODWILL

	HK$'000
COST	
At 1 April 2017	–
Arising from acquisition of a business	6,454
Exchange realignment	59
At 31 March 2018	6,513
Exchange realignment	(559)
At 30 September 2018	5,954

Goodwill as at 30 September 2018 acquired in business combinations was allocated, at acquisition, to an individual cash-generating unit ("CGU"), comprising a subsidiary in the sale of education equipment segment.

11. INTANGIBLE ASSETS

	Design patents HK$'000
COST	
At 1 April 2017	–
Arising from acquisition of a business	30,150
Exchange realignment	279
At 31 March 2018	30,429
Exchange realignment	(2,608)
At 30 September 2018	27,821
AMORTISATION	
At 1 April 2017	–
Provided for the year	243
Exchange realignment	11
At 31 March 2018	254
Provided for the period	1,698
Exchange realignment	(97)
At 30 September 2018	1,855
CARRYING VALUE	
At 30 September 2018	25,966
At 31 March 2018	30,175

The design patents were purchased as part of the acquisition of a business during the year ended 31 March 2018 and was recognised at their fair value at the date of acquisition.

The above intangible assets are amortised over their estimated useful lives, using the straight-line method, over a period of 10 years.

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSET

On 29 June 2016, a wholly-owned subsidiary of the Company (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber agreed to subscribe for the Class A shares in the Asian Bond Fund Segregated Portfolio ("the Sub-Fund") of CMBI SPC (an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability) for an aggregate consideration of US$1,795,000 (equivalent to approximately HK$13,980,000). The Sub-Fund is a segregated portfolio of the Fund and managed by CMB International Asset Management Limited. The subscription of the Class A shares in the Sub-Fund, representing approximately 8.50% of the total issued Class A shares of the Sub-Fund, was completed on 7 July 2016.

The Fund aims at generating interest income and long term capital appreciation, with at least 70% of its net assets invested in a broad range of fixed income securities and instruments and derivative financial instruments for investment and hedging purposes. Not more than 30% of the Sub-Fund's net assets may be invested in assets not meeting the above requirements.

Shares of the Sub-Fund may be redeemed at a redemption price which equals the net asset value per share as at the valuation date immediately preceding the dealing date. The Sub-Fund may redeem all or some of the shares of the Sub-Fund held by any person if, in the opinion of the directors of the Fund, it is in the interests of the Sub-Fund or when certain conditions are met, at the prevalent redemption price. The price for each share equals to the net asset value per share after adjusting for all liabilities accrued or contingent upon the liquidation of the Sub-Fund.

There is no guaranteed nor targeted level of dividend payment from the Sub-Fund. The Sub-Fund may at its full discretion to declare none, partial or all of its income accrued or received, realised capital gains and capital of the Sub-Fund to its shareholders.

The investments in the Sub-Fund are classified as financial asset at FVTPL upon application of HKFRS 9 on 1 April 2018 and are measured at fair value on a recurring basis at the end of each reporting period. Prior to 1 April 2018, the investment in the Sub-Fund are classified as financial assets. As at 30 September 2018, the fair value of the investments in the Sub-Fund of approximately HK$12,834,000 (31 March 2018: HK$13,264,000) is determined by reference to the quoted price provided by the issuing financial institution (Level 2 measurement).

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Trade receivables	**2,569**	–
Less: Allowance for doubtful debts	**(8)**	–
	2,561	–
Deposits and prepayments	**3,564**	683
Value-added tax recoverable	**14,617**	19,202
	20,742	19,885

The Group allows a credit period normally ranging from cash on delivery to 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the date of invoice at the end of each reporting period.

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Trade debtors aged:		
0 - 60 days	**2,561**	–

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its sale of education operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 30 September 2018.

	Average loss rate	**Gross carrying amount** HK$'000	**Impairment loss allowance** HK$'000
Current (not past due)	0.31%	2,569	8

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the current interim period, the Group provided HK$8,000 impairment allowance based on the provision matrix.

14. LOAN AND INTEREST RECEIVABLES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Fixed-rate loan receivables	**12,000**	12,000
Loan interest receivables	**80**	80
	12,080	12,080
Less: allowance for doubtful debts	**(259)**	–
	11,821	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.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its loan financing operation. The following table provides information about the exposure to credit risk and ECL for loan and interest receivables which are assessed collectively based on provision matrix as at 30 September 2018.

Internal credit rating	**Average loss rate**	**Gross carrying amount** HK$'000	**Impairment loss allowance** HK$'000
Low risk	2.15%	12,080	259

15. TRADE AND OTHER PAYABLES

	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Trade payables	**752**	563
Other taxes payable	**226**	12,487
Accrued charges	**2,685**	3,877
Prepaid rental income	**109**	172
Receipt in advance	**–**	436
Other payables	**–**	1
	3,772	17,536

16. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	20,000,000	2,000,000
Issued and fully paid:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	499,277	49,928

17. PLEDGE OF ASSETS

At 30 September 2018, investment properties with an aggregate carrying amount of HK$98,500,000 were pledged to a bank to secure credit facilities granted to the Group (31 March 2018: HK$98,500,000). As at 30 September 2018, the Group has available unutilised banking facilities of HK$48,700,000 (31 March 2018: HK$48,700,000).

18. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	Six months ended 30 September	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Short-term benefits	**240**	240

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Leasing of Properties

During the six months ended 30 September 2018, the Group recorded rental income of approximately HK$16.0 million (2017: HK$1.9 million) from the leasing of properties located in Hong Kong and the PRC. Taking into consideration of the tenancy agreements entered in the second half of the financial year ended 31 March 2018, the revenue from the leasing of properties is expected to increase for the financial year ending 31 March 2019. The Group continues to seek to optimise its investment properties portfolio in both Hong Kong and the PRC.

Production and Sale of 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) to engage in the production and sale of digital Chinese calligraphy education equipment and relevant learning and tutorial systems. For the six months ended 30 September 2018, the revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to HK$11.5 million (2017: Nil).

Loan Financing

During the six months ended 30 September 2018, the Group's loan financing segment managed to contribute a stable return and recorded a revenue of approximately HK$0.6 million (2017: HK$0.05 million). The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential.

Looking ahead, the Group has confidence in the prospect of its calligraphy related products. The Group will continue to identify and pursue profitable investment opportunities to expand its sources of revenue and enhance its business prospects. The Company is committed to maximising shareholders' wealth.

FINANCIAL REVIEW

Revenue and Results

For the six months ended 30 September 2018, the Group recorded a revenue of approximately HK$28.1 million (2017: HK$2.0 million). The significant increase was mainly attributable to (i) the increase in revenue from the leasing of properties in the PRC as we entered into several tenancy agreements in the second half of the financial year ended 31 March 2018; and (ii) the positive contribution from the production and sale of digital Chinese calligraphy education equipment segment, which commenced operation in March 2018.

Cost of inventories sold for the six months ended 30 September 2018 was approximately HK$6.9 million (2017: Nil).

Employee benefit expenses for the six months ended 30 September 2018 were approximately HK$2.6 million (2017: HK$0.6 million), representing an increase of HK$2.0 million. The increase was mainly attributable to the workforce employed for the business segment of production and sale of digital Chinese calligraphy education equipment and the leasing of properties in the PRC.

Exchange gains arising on translation of foreign operations were approximately HK$3.8 million for the six months ended 30 September 2018. Such gain was mainly due to the depreciation of RMB against US dollars and Hong Kong dollars.

Other operating expenses for the six months ended 30 September 2018 were approximately HK$8.0 million (2017: HK$2.2 million), representing an increase of HK$5.8 million as compared to the six months ended 30 September 2017. The increase was mainly attributable to the increase in indirect taxes arising from the leasing of the properties in the PRC and the general expenses arising from the production and sale of digital Chinese calligraphy education equipment segment, which include expenses for hosting several exhibitions to build brand awareness, provide product experience and attract potential customers.

Finance costs for the period under review were approximately HK$10.6 million (2017: Nil). The significant increase was mainly due to the increase of the interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company.

For the six months ended 30 September 2018, the profit for the period attributable to owners of the Company was approximately HK$1.9 million (2017: HK$3.9 million) and the earnings per share was 0.38 HK cents (2017: 0.79 HK cents). The favourable impact from the increase in revenue and other income was partially offset by (i) the increase in interest expenses payable to an intermediate holding company and the ultimate holding company; and (ii) the increase in income tax and deferred tax.

MATERIAL TRANSACTIONS

Provision of Loan

On 29 August 2017, Classic Charter Limited ("Classic Charter"), an indirect wholly-owned subsidiary of the Company as a lender, entered into a 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"), a director and a shareholder holding 60% of the issued shares of the 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 Classic Charter under the First Loan Agreement.

On 31 August 2018, Classic Charter, the First Borrower and the First Guarantor entered into a supplemental loan agreement to the First Loan Agreement (the "First Supplemental Loan Agreement") to extend the repayment date of the First Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier.

Details of the First Loan Agreement and the First Supplemental Loan Agreement were set out in the announcements of the Company dated 29 August 2017 and 31 August 2018, respectively.

EVENTS AFTER THE REPORTING PERIOD

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.

On 12 November 2018, Classic Charter, the Second Borrower and the Second Guarantor entered into a supplemental loan agreement to the Second Loan Agreement (the "Second Supplemental Loan Agreement") to extend the repayment date of the Second Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier.

Details of the Second Loan Agreement and the Second Supplemental Loan Agreement were set out in the announcements of the Company dated 10 November 2017 and 12 November 2018, respectively.

Liquidity and financial review

As at 30 September 2018, the total assets of the Group amounted to approximately HK$746.4 million (31 March 2018: HK$792.8 million), whereas total liabilities of the Group amounted to approximately HK$458.7 million (31 March 2018: HK$498.5 million).

Accordingly, the net assets of the Group as at 30 September 2018 was HK$287.7 million (31 March 2018: HK$294.2 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 61.5% as at 30 September 2018 (31 March 2018: 62.9%). 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 30 September 2018 and 31 March 2018 was 499,276,680 shares.

Pledge of Assets

As at 30 September 2018, the Group pledged certain of its investment properties with market value of HK$98.5 million (31 March 2018: HK$98.5 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 30 September 2018, the Group had unutilised banking facilities of HK$48.7 million (31 March 2018: HK$48.7 million).

Foreign Exchange Exposure

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, RMB and United States dollars. During the period under review, RMB devalued against Hong Kong dollars and United States dollars. The Group recorded foreign exchange gain in relation to its cash and cash equivalent of HK$3.8 million. The Group did not have any hedging arrangement on foreign exchange but the Group continues to closely monitor its foreign exchange exposure in RMB.

Contingent liabilities

As at 30 September 2018 and 31 March 2018, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 September 2018, the Group did not have any material capital commitment (31 March 2018: approximately HK$378 million for the acquisition of an investment property).

Employees

As at 30 September 2018, the Group had 69 staff. Employees and directors of the Company ("the Directors") are remunerated based on their performance and experience, current industry practices and prevailing market conditions and in accordance with the existing labour laws. In addition to basic salaries, employees and Directors are rewarded with performance-related bonuses and other staff welfare benefits.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2018, none of the Directors or chief executive of the Company or 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").

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 2018. 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 which 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 six months ended 30 September 2018, no share options was granted to or exercised by any Directors.

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 2018, 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)*	Approximate 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: The 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 2018.

* *For identification purposes only*

CORPORATE GOVERNANCE

The Board is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes efforts in identifying and developing the 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 deviations set out below.

Code provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular board meeting to give all directors an opportunity to include matters in the agenda. During the six months ended 30 September 2018, one of the Board meetings was convened with less than 14 days' notice in order to facilitate timely decision making in respect of certain internal affairs and commercial transaction of the Group. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

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, was unable to attend the annual general meeting of the Company held on 7 September 2018 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.

UPDATED INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors since the date of the Company's 2018 Annual Report are set out below:

Name of Directors	Details of change
Mr. Yuan Zhi	• Entitled to performance bonus for the year ending 31 March 2019 with effect from 1 April 2018.
Mr. Li Shaoran	• Appointed as the non-executive Director of the Company on 22 June 2018.
	• Entitled to Director's remuneration of HK$200,000 for the year ending 31 March 2019 with effect from 7 September 2018.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. The Company has made specific and reasonable enquiries of all Directors and is satisfied that they have complied with the Model Code throughout the 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 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 unaudited interim results for the six months ended 30 September 2018. The Audit Committee meets the Group's senior management regularly to review the effectiveness of the risk management and internal control systems and also reviews the interim and annual reports of the Group.

The Group's 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, 26 November 2018

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; the Non-executive Director is Mr. Li Shaoran; and the Independent Non-executive Directors are Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue.