QINGDAO HOLDINGS INTERNATIONAL LIMITED
青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00499)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "Board") of directors (the "Directors") of Qingdao Holdings International Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 (the "Year"), together with the comparative figures for 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	NOTES	**2021** **RMB'000**	2020 *RMB'000*
Revenue			
– Goods		**41,854**	34,065
– Rental		**27,406**	27,870
– Interest		**–**	60
– Consultation		**–**	4,655
Total revenue	4	**69,260**	66,650
Cost of inventory		**(24,572)**	(17,812)
Increase in fair value of investment properties		**10,911**	6,387
Other income	4	**24,523**	2,812
Other gains and losses	4	**34**	3,092
Impairment of financial assets, net		**(1,626)**	112
Impairment of inventories		**(185)**	–
Employee benefit expenses		**(14,438)**	(10,588)
Other operating expenses		**(27,838)**	(21,881)
Finance costs	6	**(23,379)**	(18,236)
Share of losses of joint ventures		**(187)**	–
Profit before tax	5	**12,503**	10,536
Income tax expense	7	**(7,084)**	(6,327)
Profit for the year		**5,419**	4,209

	NOTES	**2021**	2020
		RMB'000	*RMB'000*
Attributable to:			
Owners of the parent		**8,362**	2,435
Non-controlling interests		**(2,943)**	1,774
		5,419	4,209
Earnings per share attributable to ordinary equity holders of the parent:	8		
– Basic *(RMB cents)* (restated)		**1.00**	0.45
– Diluted *(RMB cents)* (restated)		**1.00**	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
Other comprehensive loss		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(5,457)**	(12,488)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(5,457)**	(12,488)
Other comprehensive loss for the year	**(5,457)**	(12,488)
Total comprehensive loss for the year	**(38)**	(8,279)
Attributable to:		
Owners of the parent	**2,905**	(10,053)
Non-controlling interests	**(2,943)**	1,774
	(38)	(8,279)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	NOTES	**2021** **RMB'000**	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**42,158**	18,573
Investment properties		**488,523**	481,857
Right-of-use assets		**1,632**	2,655
Goodwill		**5,210**	5,210
Other intangible assets		**15,012**	17,446
Investments in joint ventures		**2,813**	1,000
Deferred tax assets		**3,670**	2,571
Trade and other receivables	9	**–**	3,000
Amount due from a joint venture	14	**–**	126,085
Total non-current assets		**559,018**	658,397
CURRENT ASSETS			
Inventories		**56,487**	10,523
Trade and other receivables	9	**12,793**	13,949
Contract assets		**–**	4,787
Amount due from a joint venture	14	**173,984**	1,273
Financial assets at fair value through profit or loss		**2,390**	2,671
Cash and cash equivalents		**232,777**	108,156
Total current assets		**478,431**	141,359
CURRENT LIABILITIES			
Trade and other payables	10	**8,464**	11,369
Contract liabilities		**2,891**	5,066
Rental deposits from tenants		**–**	19
Interest-bearing bank and other borrowings		**73,567**	37,716
Amount due to the ultimate holding company	14	**130,100**	–
Income tax payable		**30**	388
Total current liabilities		**215,052**	54,558
NET CURRENT ASSETS		**263,379**	86,801
TOTAL ASSETS LESS CURRENT LIABILITIES		**822,397**	745,198

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits from tenants		**605**	588
Interest-bearing bank and other borrowings		**9,001**	1,781
Loan from the ultimate holding company	14	**344,000**	444,100
Deferred tax liabilities		**18,458**	10,194
Total non-current liabilities		**372,064**	456,663
Net assets		**450,333**	288,535
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	**81,257**	39,942
Other reserves		**303,616**	182,135
		384,873	222,077
Non-controlling interests		**65,460**	66,458
		450,333	288,535

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Unit 8, 26th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company's immediate holding company is China Qingdao International (Holdings) Company Limited, an indirect wholly-owned subsidiary of 青島城市建設投資(集團)有限責任公司 (Qingdao City Construction Investment (Group) Limited*) (the ultimate holding company), which is a state-owned enterprise controlled by Qingdao Municipal Government of the People's Republic of China.

The Group was involved in the following principal activities:

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

(b) Production and sale of education equipment: this segment is engaged in the research and development, production and sale of digital Chinese calligraphy education equipment together with relevant learning and tutorial systems;

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

(d) Consulting service: this segment provides construction project supervision, project cost consulting and bidding consulting services in Mainland China; and

(e) Real estate development: this segment provides real estate development services in Mainland China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

* *The English name is for identification only.*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and impact of the revised HKFRSs are described below:

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR") and the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 37 to the financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] No mandatory effective date yet determined but available for adoption
[4] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
[5] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable segments as follows:

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

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

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

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

(e) Real estate development: this segment provides real estate development services in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that fair value changes of investment properties, certain other income, certain other gains and losses, certain employee benefit expenses, finance costs, as well as certain other operating expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and cash and cash equivalents, financial assets at fair value through profit or loss, other financial assets, tax recoverable, certain property, plant and equipment, certain other receivables of the corporate offices and assets classified as held for sale.

Segment liabilities exclude certain other payables and accrued charges of the corporate offices as these liabilities are managed on a group basis.

Segment revenue and results

Year ended 31 December 2021

	Segment revenue *RMB'000*	**Segment results** *RMB'000*
Leasing of properties	**27,406**	**22,672**
Production and sale of education equipment	**41,854**	**(2,109)**
Consulting service	**–**	**(5,296)**
Loan financing	**–**	**(23)**
Real estate development	**–**	**(2)**
Segment total	**69,260**	**15,242**
Increase in fair value of investment properties		**10,911**
Unallocated income		**24,314**
Unallocated expenses		**(37,964)**
Profit before tax		**12,503**

Year ended 31 December 2020

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

Segment assets and liabilities

	Segment assets		**Segment liabilities**	
	2021 *RMB'000*	2020 *RMB'000*	**2021** *RMB'000*	2020 *RMB'000*
Leasing of properties	**665,203**	615,517	**494,098**	447,530
Production and sale of education equipment	**70,926**	45,168	**55,243**	46,070
Consulting service	**8,558**	9,666	**2,874**	345
Loan financing	**–**	–	**12**	–
Real estate development	**40,149**	–	**900**	–
Segment total	**784,836**	670,351	**553,127**	493,945
Unallocated:				
Cash and cash equivalents	**232,777**	108,156	**–**	–
Others	**19,836**	21,249	**33,989**	17,276
Total	**1,037,449**	799,756	**587,116**	511,221

Geographical information

(a) ***Revenue from external customers***

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**66,166**	63,033
Hong Kong	**3,094**	3,617
	69,260	66,650

(b) ***Non-current assets***

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**405,849**	499,972
Hong Kong	**149,499**	155,854
	555,348	655,826

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately RMB20,711,000 (year ended 31 December 2020: RMB21,711,000) was derived from rental income received from a single customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of education equipment	**41,854**	34,065
Consulting service	**–**	4,655
	41,854	38,720
Revenue from other sources		
Gross rental income from investment property operating leases with fixed payments	**27,406**	27,870
Loan financing	**–**	60
	27,406	27,930
	69,260	66,650

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	**Sale of education equipment**	**Total**
	RMB'000	***RMB'000***
Geographical markets		
Mainland China	**41,854**	**41,854**
Timing of revenue recognition		
Goods transferred at a point in time	**41,854**	**41,854**

For the year ended 31 December 2020

Segments	Sale of education equipment *RMB'000*	Consulting service *RMB'000*	Total *RMB'000*
Geographical markets			
Mainland China	34,065	4,655	38,720
Timing of revenue recognition			
Goods transferred at a point in time	34,065	4,655	38,720

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2021

Segments	**Sale of education equipment** ***RMB'000***	**Total** ***RMB'000***
Revenue from contracts with customers		
External customers	**41,854**	**41,854**

For the year ended 31 December 2020

Segments	Sale of education equipment *RMB'000*	Consulting service *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	34,065	4,655	38,720

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

	2021 ***RMB'000***	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of education equipment	**5,066**	4,153

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of education equipment

The performance obligation of the sale of education equipment is satisfied upon delivery of goods and payment in advance is generally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint. As at 31 December 2021 and 31 December 2020, the variable consideration was assessed to be minimal.

Consulting service

The performance obligation of consulting service is satisfied upon winning the bid in accordance with the service contract.

An analysis of other income is as follows:

	2021	2020
	RMB'000	*RMB'000*
Other income		
Bank interest income	**501**	615
Investment income from financial assets at fair value through profit or loss	**149**	650
Investment income from other financial assets	**823**	80
Interest from entrusted loans	**22,422**	1,201
Gain on disposal of financial assets at fair value through profit or loss	**–**	71
Government grant *(Note)*	**590**	121
Others	**38**	74
	24,523	2,812

An analysis of other gains and losses is as follows:

	2021	2020
	RMB'000	*RMB'000*
Other gains and losses		
Net foreign exchange gain	**94**	3,303
Loss from change in fair value of financial assets at fair value through profit or loss	**(60)**	(211)
	34	3,092
	24,557	5,904

Note: The amount of the government grant represents the incentive subsidies received from the local district authorities in Mainland China for business activities carried out by the Group in the district. There are no unfulfilled conditions related to the grants.

5. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Auditor's remuneration	**2,090**	1,957
Depreciation of property, plant and equipment	**1,440**	1,541
Depreciation of right-of-use assets	**999**	1,794
Amortisation of intangible assets	**2,434**	2,434
Impairment losses/(reversal) on financial assets, net	**1,626**	(112)
Impairment losses on inventories	**185**	–
Investment income from financial assets at fair value through profit or loss	**(149)**	(650)
Investment income from other financial assets	**(823)**	(80)
Government grant	**(590)**	(121)
Net foreign exchange gain	**(94)**	(3,303)
Loss from change in fair value of financial assets at fair value through profit or loss	**60**	211
Cost of inventory	**24,572**	17,812
Directors' fees	**400**	428
Other staff costs:		
– Salaries and other benefits	**13,197**	10,070
– Retirement benefit scheme contributions	**841**	90
Total staff costs	**14,438**	10,588
Gross rental income	**(27,406)**	(27,870)
Less: Direct operating expenses that generate rental income during the year	**238**	329
	(27,168)	(27,541)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on loan from the ultimate holding company	**21,099**	16,612
Interest on loan from an intermediate holding company	**1,025**	–
Interest on bank loan	**1,170**	1,465
Interest on lease liabilities	**85**	159
	23,379	18,236

7. INCOME TAX

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong for the current year and prior year.

Mainland China

Under the Law of Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Mainland China subsidiaries was 25% for both the current year and prior year.

	2021	2020
	RMB'000	*RMB'000*
Current tax – Hong Kong		
Charge for the year	**90**	94
Under/(Over)provision in prior years	**8**	(120)
Current tax – Mainland China		
Charge for the year	**80**	331
Overprovision in prior years	**(304)**	–
Deferred	**7,210**	6,022
Total tax charge for the year	**7,084**	6,327

8. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**8,362**	2,435

	Number of shares	
	2021	2020 (restated)
Number of shares		
Weighted average number of ordinary shares in issue during the year *(Note (a))*	**836,554,537**	543,710,510

The Company had no potentially dilutive ordinary shares in issue for both years.

Notes:

(a) A rights issue of one rights share for every one existing share held by members on the register of members on 11 May 2021 was made, at an issue price of approximately RMB0.32 (HK$0.39) per rights share, resulting in the issue of 499,276,680 shares for a total cash consideration, before expenses, of RMB161,539,154.

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Current portion:		
Trade receivables	**5,020**	955
Less: Allowance for credit losses	**(1,280)**	(107)
	3,740	848
Deposits, prepayments and other receivables	**6,613**	6,948
Less: Allowance for credit losses	**(500)**	–
	6,113	6,948
Value-added tax recoverable	**2,940**	6,153
	12,793	13,949
Non-current portion:		
Prepayments	**–**	3,000
	12,793	16,949

According to the Group's trading terms with its customers, payment in advance is normally required, except for certain customers, where a credit period is allowed. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The current portion of deposits, prepayments and other receivables mainly represents prepayments and the deposits with suppliers and other parties. The non-current portion of prepayments represent the prepayments related to the acquisition of leasehold land and buildings. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. During the current year, a credit loss is fully accrued on an uncollectible prepayment by RMB500,000 (31 December 2020: Nil). Except this, the credit quality of the financial assets included in prepayments and other receivables is considered normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**1,238**	315
1 to 2 months	**259**	–
Over 3 months	**2,243**	533
	3,740	848

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**107**	205
Impairment losses/(reversal), net	**1,173**	(98)
At end of year	**1,280**	107

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**957**	965
Other payables	**1,385**	408
Other taxes payable	**1,717**	2,931
Accrued charges	**4,405**	7,065
	8,464	11,369

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**70**	845
1 to 2 months	**33**	21
2 to 3 months	**1**	–
Over 3 months	**853**	99
	957	965

The trade and other payables are non-interest-bearing and are normally settled on 90-day terms.

11. SHARE CAPITAL

Shares

The number of authorized capital is 20,000,000,000. The par value per share is HK$0.1.

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Issued and fully paid 998,553,360 (2020: 499,276,680) ordinary shares	**81,257**	39,942

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *RMB'000*
At 1 January 2020, 31 December 2020 and 1 January 2021	499,276,680	39,942
Rights issue *(Note (a))*	499,276,680	41,315
At 31 December 2021	998,553,360	81,257

Note:

(a) A rights issue of one rights share for every one existing share held by members on the register of members on 11 May 2021 was made, at an issue price of approximately RMB0.32 (HK$0.39) per rights share, resulting in the issue of 499,276,680 shares for a total cash consideration, before expenses, of RMB161,539,154.

12. PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged certain of its investment properties with market value of RMB132,323,000 (31 December 2020: RMB135,157,000) to a bank in Hong Kong to obtain mortgage bank loans in Hong Kong of approximately RMB71,729,000 (31 December 2020: RMB36,926,000). As at 31 December 2021, the Group pledged its construction in progress with a net carrying amount of approximately RMB25,445,000 (31 December 2020: nil) to a bank in Mainland China to obtain mortgage bank loan in Mainland China of approximately RMB9,074,000 (31 December 2020: nil).

As at 31 December 2021, the group had no unutilised banking facilities (31 December 2020: the Group had unutilised banking facilities of RMB47,613,000).

13. COMMITMENTS

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

	2021	2020
	RMB'000	*RMB'000*
Acquisition of subsidiary *(Note)*	**1,982,300**	–
Leasehold land and buildings	**310**	19,999
Capital contributions payable to Joint Ventures	**31,900**	8,900
	2,014,510	28,899

Note:

On 17 March 2021, Yangfan (Holdings) Group Limited (the Purchaser, an indirect wholly owned subsidiary of the Company) and CQDHG (the Vendor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Target Equity Interest, being approximately 81.91% of the equity interest in the Qingdao Rural Construction Financial Leasing Company Limited (the Target Company), at a consideration of approximately RMB1,982.3 million (approximately HK$2,378.7 million). The Consideration shall be satisfied as follows: (i) approximately RMB128.8 million (approximately HK$154.5 million) shall be payable by the Purchaser (or its designated corporation) to the Vendor (or its nominee(s)) in cash upon Completion; and (ii) approximately RMB1,853.5 million (approximately HK$2,224.2 million) shall be payable by the issue of the Consideration CB by the Company to the Vendor (or its nominee(s)) upon Completion. As at 31 December 2021, this transaction has not been completed.

14. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2021	2020
	NOTES	***RMB'000***	*RMB'000*
Joint ventures:			
Interest income from entrusted loans		**22,422**	1,201
The ultimate holding company:			
Interest expense on loans	(i)	**16,567**	16,612
Interest expense on loans	(ii)	**4,532**	–
An intermediate holding company:			
Rental Income	(iii)	**229**	243
Interest expense on loans		**1,025**	–

(b) Balance with related parties:

	NOTES	2021 RMB'000	2020 RMB'000
Amounts due from related parties:			
Amount due from a joint venture	(ii)	**174,100**	127,373
Impairment losses, net	(ii)	**116**	15
		173,984	127,358
Amounts due to related parties:			
Current portion			
Amount due to the ultimate holding company	(ii)	**130,100**	–
Non-current portion:			
Amount due to the ultimate holding company	(i)	**344,000**	344,000
Amount due to the ultimate holding company	(ii)	**–**	100,100
		344,000	444,100

Notes:

(i) As at 31 December 2021, the RMB-denominated loan from the ultimate holding company of RMB344,000,000 (31 December 2020: RMB344,000,000) still exists with the maturity date of 31 December 2024. The loan is unsecure. The fixed interest rate on the loan is 4.75% per annum. The Company has recognized an interest expense on the loan amounting to RMB16,567,000 for the year ended 31 December 2021 (31 December 2020: RMB16,612,000).

(ii) As at 7 May 2020, Qingdao Qifeng Technology Services Co., Ltd.* ("Qifeng", an indirect wholly-owned subsidiary of the Company), Qingdao Urban Rural Construction Micro-credit Loan Co. Ltd.* ("QURC Micro-credit Loan Company") and Huizhou Jiuyu Real Estate Company Limited* ("Huizhou Jiuyu", a joint venture of the Group) entered into an entrusted loan arrangement, pursuant to which QURC Micro-credit Loan Company, acting as the lending agent, will release a loan in the principal amount of RMB195,100,000, which will be funded by Qifeng, to Huizhou Jiuyu, with a loan term of 2 years in accordance with the terms of the entrusted loan contract. As at 31 December 2021, the RMB-denominated loan has been provided to Huizhou Jiuyu of RMB174,100,000 (31 December 2020: RMB126,100,000) and bears interest at a fixed rate of 15% per year. The Company has recognized interest income on the loan amounting to RMB22,422,000 during 2021 (2020: RMB1,201,000). Pursuant to the Entrusted Loan Contract, the loan is guaranteed by the leasehold land and buildings owned by Huizhou Jiuyu and an interest in Huizhou Yanlong Land Company Limited* ("Huizhou Yanlong", the other shareholder of company of Huizhou Jiuyu) owned by Huizhou Meile Land Company Limited.

As at 31 December 2021, the expected credit losses which are amounting to RMB116,000 (31 December 2020: RMB15,000) are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current condition as appropriate. The loss rate applied at 31 December 2021 was 0.07% (31 December 2020: 0.01%).

Qingdao City Construction Investment (Group) Limited* ("QCCIG"), the ultimate controlling shareholder of the Company, entered into the loan agreement with Qifeng on the same day, pursuant to which, QCCIG has agreed to provide, upon Qifeng's request, an unsecured loan of RMB182,000,000 to Qifeng. Such loan will be available for drawdown by Qifeng in accordance with Qifeng's actual needs within two years from the first drawdown under the loan agreement at an interest rate of 3.85% per annum. The Group intends to use the loan provided by QCCIG to fund the entrusted loan to be made to Huizhou Jiuyu. As at 31 December 2021, a RMB-denominated loan from the ultimate holding company of RMB130,100,000 (31 December 2020: RMB100,100,000) was unsecured and bears interest at a fixed rate of 3.85% per annum.

(iii) The Group has leased one of its commercial properties in Hong Kong under an operating lease agreement to an intermediate holding company, China Qingdao Development (Holdings) Group Company Limited. The initial lease period is from 1 June 2019 to 31 May 2020, and renewed to extend the maturity date to 31 May 2022. The Group has recognised rental income of RMB229,000 for the year ended 31 December 2021 (year ended 31 December 2020: RMB243,000), and the outstanding balances due to the intermediate holding company of RMB20,000 and RMB20,000, which are included in rental deposits from tenants and trade and other payables in the consolidated statement of financial position as at the end of the reporting period respectively are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the group:

	2021	2020
	RMB'000	*RMB'000*
Short-term benefits	**915**	960

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF PRESENTATION CURRENCY

Prior to 1 January 2021, Hong Kong Dollars ("HK$") was regarded as the functional currency of the Company and the consolidated financial statements were presented in HK$. As most of the Group's transactions are denominated and settled in Renminbi ("RMB"), the Board considers that RMB is more appropriate as the presentation currency for the Group's consolidated financial statements. Further, the Board considers that the change of presentation currency will enable the shareholders (the "Shareholders") and potential investors of the Company to have a clearer picture of the Group's actual financial performance. Pursuant to a resolution of the Board passed on 31 December 2020, the Group's presentation currency for its consolidated financial statements has been changed from HK$ to RMB. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements.

BUSINESS REVIEW

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

Leasing of Properties

During the Year, the rental income from the leasing of properties located in Hong Kong and People's Republic of China (the "PRC") amounted to approximately RMB27.4 million (2020: RMB27.9 million), which accounted for 39.6% the Group's total revenue.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the Year, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to RMB41.9 million (2020: RMB34.1 million), which accounted for 60.4% of the Group's total revenue.

The Group has a solid foundation in this business segment as it has invested substantial capital for the research and development as well as the innovation of digital Chinese calligraphy education equipment. Due to the effort of our sales team and the successful containment measures of the PRC government against the coronavirus disease 2019 (the "COVID-19 outbreak"), the performance of this segment recorded a stable increase in the Year.

Provision of Consulting Services

During the Year, the provision of consulting services segment did not generate any revenue (2020: RMB4.7 million). The consulting services mainly included consulting services provided to property developers engaged in the construction works in new districts. The Directors are optimistic about the significant business opportunities in this business segment in the long run.

Loan Financing

During the Year, the Group's loan financing business did not generate any revenue (2020: RMB0.06 million). The Group did not grant any new loans during the Year as business activities had been slowing down due to the COVID-19 outbreak.

The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential. The Group will continue to develop this business by employing prudent credit control procedures and strategies to maintain a balance between the business growth and the risk management.

Property Development

In March 2021, the Group acquired 95% equity interest in Bengbu City Huai Yi Construction and Development Ltd.* (蚌埠市淮翼建設發展有限公司) ("BCHYCDL"), in a public listing-for-sale process organised by the Bengbu City Assets and Equity Exchange Center* (蚌埠市產權交易中心). BCHYCDL is a limited liability company established in the PRC and owns land use right of the land situated at the north side of Gui Hua Road, south side of Long Hua Road, east side of Yong An Street and west side of Yong Kang Street (規劃路北側，龍華路南側，永安街東側，永康街西側), Qing Xiu District, Bengbu City, Anhui Province, the PRC (the "Land"). As disclosed in the announcement of the Company dated 15 March 2021 regarding the acquisition of BCHYCDL, the Land has been designated to develop into a residential property project known as "Yong Kang Yuan Southern District Project" ("Yong Kang Yuan Project") with the approval of Bengbu City Huaishang District Development and Revolution Committee in June 2020. The purpose of the Yong Kang Yuan Project is to construct a self-contained district to provide residential units to accommodate 1,356 farmer families. As at the date of this announcement, the Yong Kang Yuan Project has not yet commenced construction. Upon completion of the acquisition of BCHYCDL, property development became one of the principal business of the Group. The Group did not record any revenue in this segment during the Year.

FINANCIAL REVIEW

Revenue and Results

During the Year, the Group recorded a revenue of approximately RMB69.3 million (2020: RMB66.7 million). The Group recorded a profit attributable to the equity holders of the parent in the amount of approximately RMB8.4 million (2020: RMB2.4 million). Earnings per share was RMB1.00 cents for the Year (2020: RMB0.45 cents). The increase was mainly attributable to the increase in fair value of investment properties and other income, which was partially offset by (i) the increase in interest expenses payable to the controlling shareholder of the Company; (ii) the increase in deferred tax; and (iii) the increase in legal and professional fees paid or payable.

Cost of inventory for the Year was approximately RMB24.6 million (2020: RMB17.8 million).

Other income for the Year was approximately RMB24.5 million (2020: RMB2.8 million), representing an increase of approximately RMB21.7 million. The significant increase was attributable to the increase of interest income from entrusted loans which has been drawn since December 2020.

Employee benefit expenses for the Year were approximately RMB14.4 million (2020: RMB10.6 million), representing an increase of approximately RMB3.8 million. The increase was mainly attributable to the additional workforce employed for the production and sale of digital Chinese calligraphy education equipment segment and the increase in commission paid to the marketing staff.

Other operating expenses for the Year was approximately RMB27.8 million (2020: RMB21.9 million), representing an increase of approximately RMB5.9 million. The increase was mainly attributable to (i) the increase in marketing expenses to promote our Chinese calligraphy education equipment when the COVID-19 outbreak was under control in 2021, and (ii) the increase in legal and professional fees arising from proposed acquisitions during the Year.

Finance costs for the Year were approximately RMB23.4 million (2020: RMB18.2 million), representing an increase of RMB5.2 million. Finance costs included interest payable for the unsecured loans provided by the controlling shareholder of the Company and interest payable for the secured loan provided by a bank.

Income tax expense for the Year was approximately RMB7.1 million (2020: RMB6.3 million). The slight increase was mainly because of the increase in the deferred tax provided for the 22nd Century Plaza during the Year.

Segmental Information

An analysis of the Group's performance for the Year by business segment is set out in note 3 to the consolidated financial statements of this announcement.

Dividends

The Board does not recommend the payment of any dividends for the Year (2020: Nil).

Liquidity and Financial Resources

As at 31 December 2021, the Group had total assets of approximately RMB1,037.4 million (31 December 2020: RMB799.8 million), whereas total liabilities of the Group amounted to approximately RMB587.1 million (31 December 2020: RMB511.2 million).

Accordingly, the net assets of the Group as at 31 December 2021 was RMB450.3 million (31 December 2020: RMB288.6 million).

As at 31 December 2021, the outstanding bank and other borrowings of the Group was approximately RMB82.6 million (31 December 2020: RMB39.5 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 56.6% as at 31 December 2021 (31 December 2020: 63.9%). The Directors believe 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 December 2021 was 998,553,360 Shares (31 December 2020: 499,276,680 Shares). Such increase was due to the completion of rights issue of the Company on 17 May 2021. For details, please refer to the section headed “Material Transactions – Very Substantial Acquisition, Issue of Convertible Bonds under the Specific Mandate and Rights Issue” in this annual results announcement.

The capital structure of the Group consists of debts, which includes bank borrowings, net of bank balances and cash and equity attributable to owners of the parent, comprising share capital and reserves.

Pledge of Assets

As at 31 December 2021, the Group pledged certain of its investment properties with a market value of RMB132.3 million (31 December 2020: RMB135.2 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 31 December 2021, the Group also pledged its construction in progress with a net carrying amount of approximately RMB25.4 million (31 December 2020: nil) to a bank in PRC to secure mortgage financing facilities granted to the Group.

As at 31 December 2021, the Group had no unutilised banking facilities (31 December 2020: RMB47.6 million).

Foreign Exchange Exposure

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

Capital Commitments

The Group's capital commitments including acquisition of subsidiary amounted to approximately RMB1,982.3 million as at 31 December 2021.

The Group's capital commitments including capital contributions payable to joint ventures amounted to approximately RMB31.9 million as at 31 December 2021.

The Group's capital commitments including leasehold land and buildings and capital contributions payable to joint ventures amounted to approximately RMB28.9 million as at 31 December 2020.

Contingent Liabilities

As at 31 December 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

MATERIAL TRANSACTIONS

The Provision of Entrusted Loan

On 15 November 2019, Qingdao Holdings (Hong Kong) Limited ("Qingdao (HK)"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("China Nuclear Industry") and China Huadong Construction and Engineering Group Limited* (中國華東建設工程集團有限公司) ("China Huadong") in relation to the formation of a joint venture company (the "Joint Venture Company"). The Joint Venture Company is principally engaged in urban reconstruction and development, construction and management of parks, construction and management of municipal facilities and equity investment and capital deployment in the PRC.

On 10 December 2019, Qingdao (HK), China Nuclear Industry and China Huadong established the Joint Venture Company pursuant to the Joint Venture Agreement. The Joint Venture Company is 51%, 30% and 19% owned by Qingdao (HK), China Nuclear Industry and China Huadong, respectively.

On 25 February 2020, the Joint Venture Company and Huizhou Meile Land Company Limited* (惠州市美樂置地實業有限公司) ("Meile Land"), an independent third party of the Company, established Huizhou Yanlong Land Company Limited* (惠州市炎隆置業有限公司) ("Huizhou Yanlong"). Huizhou Yanlong is 49% and 51% owned by the Joint Venture Company and Meile Land, respectively. Huizhou Jiuyu Real Estate Company Limited* (惠州市九煜置業有限公司) ("Huizhou Jiuyu") is wholly-owned by Huizhou Yanlong. Huizhou Jiuyu is expected to acquire the land use rights of the parcel of land which is located at No. 1 Court, Zhongkai Gaoxin District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市仲愷高新區1號小區) (the "Huizhou Land").

To provide Huizhou Jiuyu with part of the funding for the acquisition, development and operating expenses of the Huizhou Land, Qingdao Qifeng Technology Services Co., Ltd* (青島啟峰科技服務有限公司) ("Qifeng"), Qingdao Urban Rural Construction Mirco-credit Loan Co. Ltd.* (青島城鄉建設小額貸款有限公司) ("QURC Micro-credit Loan Company") and Huizhou Jiuyu entered into an entrusted loan arrangement on 7 May 2020 (the "Entrusted Loan Arrangement"). Pursuant to the Entrusted Loan Arrangement, QURC Micro-credit Loan Company, acting as the lending agent, agreed to release a loan in the principal amount of RMB195,100,000 (the "Entrusted Loan"), which will be funded by Qifeng, to Huizhou Jiuyu, subject to the terms and conditions of the entrusted loan contract dated 7 May 2020 entered into between Qifeng, QURC Micro-credit Loan Company and Huizhou Jiuyu (the "Entrusted Loan Contract") and the entrusted loan entrustment contract. QURC Micro-credit Loan Company is a non-banking financial institution approved and regulated by the relevant PRC regulatory authorities and is a connected person of the Company.

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

On 7 May 2020, QCCIG entered into a loan agreement (the "Loan Agreement") with Qifeng, pursuant to which, QCCIG agreed to provide, upon Qifeng's request, unsecured loan of RMB182,000,000 to Qifeng at an interest rate of 3.85% per annum ("Financial Assistance"). The Group used its internal resources and the Financial Assistance to fund the Entrusted Loan for the year ended 31 December 2020 and for the Year.

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

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

The provision of Entrusted Loan and the transactions contemplated thereunder were approved by the independent Shareholders at the special general meeting of the Company held on 30 June 2020.

As at 31 December 2021, the Entrusted Loan in the amount of RMB174,100,000 was drawn down by Huizhou Jiuyu (31 December 2020: RMB126,100,000).

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

The Acquisition of 95% Equity Interest in BCHYCDL by a Non-wholly-owned Subsidiary

NEQH Development and Construction Co. Ltd* (核建青控開發建設有限公司) (a non-wholly-owned subsidiary of the Company) was notified on 12 March 2021 that it won the bid to acquire 95% equity interest in BCHYCDL from Bengbu City Bin He Construction and Investment Limited* (蚌埠市濱河建設投資有限公司) ("Bin He Construction"), an independent third party, in a public listing-for-sale process organised by the Bengbu City Assets and Equity Exchange Center* (蚌埠市產權交易中心) (the "Huai Yi Acquisition"). The consideration for the Huai Yi Acquisition is RMB37,564,000. The completion of the Huai Yi Acquisition took place on 24 May 2021. Upon completion of the Huai Yi Acquisition, the Company indirectly held 95% equity interests in Huai Yi and the financial results of Huai Yi were consolidated into the financial statements of the Group.

For further details, please refer to the announcements of the Company dated 15 March 2021 and 24 May 2021.

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

On 17 March 2021, Yangfan (Holdings) Group Limited (揚帆(控股)集團有限公司) (a wholly-owned subsidiary of the Company) (the "Purchaser") and China Qingdao Development (Holdings) Group Company Limited (華青發展(控股)集團有限公司) (the "Vendor"), being a controlling shareholder and a connected person of the Company, entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to acquire (the "Acquisition"), and the Vendor conditionally agreed to sell, approximately 81.91% of the equity interest in Qingdao Rural Construction Financial Leasing Company Limited* (青島城鄉建設融資租賃有限公司).

The consideration in respect of the Acquisition (the "Consideration") shall be satisfied as follows: (i) approximately HK$154.5 million shall be payable by the Purchaser (or its designated corporation) to the Vendor (or its nominee(s)) in cash upon completion of the Acquisition; and (ii) approximately HK$2,224.2 million shall be payable by the issue of the convertible bonds ("Consideration CB") by the Company to the Vendor (or its nominee(s)) upon completion of the Acquisition. The Acquisition constitutes a very substantial acquisition of the Company.

In order to raise sufficient funds to settle part of the consideration and to finance the associated transaction expenses relating to the Acquisition, the Board proposed the offer of new shares of the Company ("Share(s)") (the "Rights Issue") to Shareholders other than overseas Shareholder(s) in respect of whom the Directors, based on the legal advice provided by the legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place on the basis of one (1) new Share to be allotted in respect of the Rights Issue (the "Rights Share") for every one (1) existing Share. China Qingdao International (Holdings) Company Limited ("CQIH"), a Controlling Shareholder, was wholly owned by the Vendor. Accordingly, the Vendor is an associate of CQIH and a connected person of the Company. The Acquisition is therefore a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Since one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Rights Issue is also subject to independent Shareholders' approval. At the special general meeting of the Company held on 13 April 2021, resolutions for approval of the Acquisition and the Rights Issue were passed by the independent Shareholders. The Company has completed the Rights Issue and issued 499,276,680 new Shares at the subscription price of HK$0.39 per Rights Share on the basis of one Rights Share for every one existing Share of the Company during the Year.

The net proceeds from the Rights Issue was approximately RMB159.9 million, which has not been utilized and all of the net proceeds were deposited with the Group's bank account for temporary interest earning as at the date of this annual results announcement, pending the satisfaction of certain conditions precedent to the Acquisition.

As certain approvals required to be obtained on the part of the Vendor in respect of the Acquisition have not yet been obtained, the Purchaser and the Vendor have agreed in writing to extend the long stop date of the Acquisition to 31 March 2022 (or such other date as may be agreed by the Purchaser and the Vendor in writing).

For details, please refer to the announcements of the Company dated 18, 22 and 24 March 2021, 23 April 2021, 17 and 31 May 2021, 13 July 2021 and 26 November 2021 and the circular of the Company dated 24 March 2021 and the prospectus of the Company dated 26 April 2021.

EVENTS AFTER THE YEAR

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

OUTLOOK

The Board took the view that the business environment had not significantly improved during the Year. The outbreak of COVID-19 since 2019 has created economic uncertainty and interruption to the PRC and Hong Kong and imposed negative impacts on all industries. To overcome the challenges caused by the COVID-19 outbreak, the Group will adhere to prudent financial management and stringent cost control and will continue to explore good business and investment opportunities to drive our business growth. The Directors believe that the pandemic will ultimately stabilize and should not have a significant impact on the Group's operations in the long term.

Leasing of Properties

During the Year, the Group's investment property in Qingdao City known as "22nd Century Plaza", which comprises 13 upperground floors and 136 underground carpark units, was fully leased out. The overall performance of our investment property portfolio remained stable and generated stable income and cash flow to sustain the Group's continuous development.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the Year, the Group's business in research and development, production and sales of the digital Chinese calligraphy education equipment also recorded stable growth. This segment recorded a revenue of RMB41.9 million during the Year, as compared to RMB34.1 million for the year ended 31 December 2020.

The increase was mainly because the coronavirus disease 2019 was gradually brought under control in the PRC in 2021 enabling the Group to revive the scheduled works for installing digital Chinese calligraphy education equipment in classrooms according to purchase orders placed by customers of the Group.

Due to the effort of our sales teams, sales of the digital Chinese calligraphy education equipment recorded a stable increase in 2021. The Directors are optimistic about the prospects of this segment in the long term.

Provision of Entrusted Loan

The Group has expanded its loan financing business in the PRC by entering an entrusted loan contract. As at 31 December 2021, the principal amount of RMB174,100,000 (2020: RMB126,100,000) has been drawn down by the borrower according to the entrusted loan contract. The Group is confident that such entrusted loan arrangement will continue to generate stable interest income to the Group going forward.

The Company had, through BCHYCDL, successfully acquired the land use right in respect of the land where the Yong Kang Yuan Project is situated by way of bidding in March 2021. For details, please refer to the announcements of the Company dated 15 March 2021 and 24 May 2021, respectively. Upon completion of the acquisition of BCHYCDL, property development became one of the principal business activities of the Group.

Loan Financing Business

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

HUMAN RESOURCES

The Group aims to provide employees a stimulating and harmonious working environment. The Group also encourages life-long learning and offer trainings to its employees to enhance their performance and provide support to their personal development. As at 31 December 2021, the Group employed a total of 129 full time employees (31 December 2020: 122). Employees and Directors are remunerated based on their performance and experience, current industry practices and prevailing market conditions and in accordance with the existing labour laws. In addition to basic salaries, the employees and Directors are rewarded with performance-related bonuses and other staff welfare benefits.

CORPORATE GOVERNANCE

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

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

2. Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the Year, no formal meeting was arranged between the Chairman of the Board and the independent non-executive Directors without the other Directors present due to tight schedules of the Chairman of the Board and the independent non-executive Directors. The independent non-executive Directors may communicate and discuss with the Chairman directly at any time to share their view on the Company's affairs. The Company considers that there are sufficient channels and communication for discussion of the Company's affairs between the Chairman and independent non-executive Directors in the absence of other Directors.

3. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Due to the travel restrictions imposed as a result of the outbreak of COVID-19, Mr. Gao Yuzhen, the Chairman of the Board, could not attend the annual general meeting of the Company held on 4 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. The Company has made specific and reasonable enquiries of all Directors and is satisfied that they have complied with the Model Code throughout the Year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors and reports to the Board. The primary duties of the Audit Committee are to review and advise on the accounting principles and practices adopted by the Group, and review the auditing and financial reporting processes and the risk management and internal control systems of the Group, including the review of the annual results. The Audit Committee meets the Group's senior management regularly to review the effectiveness of the risk management and internal control systems and also reviews the interim and annual reports of the Group. The Group's results for the year ended 31 December 2021 have been reviewed by the Audit Committee with the management of the Company.

AUDITOR AND SCOPE OF WORK OF MESSRS. ERNST & YOUNG

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, EY, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this preliminary announcement.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

The annual report of the Company for the year ended 31 December 2021 will be published on the websites of the Company (http://www.qingdaohi.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

By order of the Board
Qingdao Holdings International Limited
Yuan Zhi
Executive Director, Deputy Chairman and
Chief Executive Officer

Hong Kong, 28 March 2022

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

* *For identification purpose only*