



前海健康

QIANHAI HEALTH

Qianhai Health Holdings Limited

前海健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

Interim Report

2021



Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to the Consolidated Financial Statements	17

Corporate Information

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao (*Chairman*)

Mr. Lim Tzea

Mr. Chen Kaiben

(appointment with effect since 3 September 2021)

Mr. Chen Qi

(appointment with effect since 3 September 2021)

EXECUTIVE DIRECTORS

Mr. Xu Keli

Mr. Lam Hin Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei

Mr. Wu Wei Leung Danny

Mr. Yuen Chee Lap Carl

AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl (*Chairman*)

Mr. Li Wei

Mr. Wu Wai Leung Danny

REMUNERATION COMMITTEE

Mr. Li Wei (*Chairman*)

Mr. Wu Wai Leung Danny

Mr. Xu Keli

NOMINATION COMMITTEE

Mr. Li Wei (*Chairman*)

Mr. Wu Wai Leung Danny

Mr. Xu Keli

AUTHORISED REPRESENTATIVES

Mr. Lam Hin Chi

Ms. Yip Tak Yung Teresa

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

LEGAL ADVISOR AS TO HONG KONG LAWS

CHIU & PARTNERS

40th Floor, Jardine House

1 Connaught Place, Central

Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 301-3, 3/F, Wing Tuck Commercial Centre

177-183 Wing Lok Street, Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

CONYERS TRUST COMPANY (CAYMAN) LIMITED

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 54, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

INVESTORS RELATIONS

ir@qhhl.com.hk

STOCK CODE

0911

WEBSITE

www.qianhaihealth.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in sale of health-care products and electronic component products.

During the Interim Period, the outbreak of the COVID-19 pandemic globally has imposed adverse impact on the consumer demand for both the health-care products and electronic component products globally. For the Interim Period, the revenue of the Group decreased by 50% when compared to that of the same period in 2020.

The Group will continue to monitor the market situation and will continue to diversify its product range and customer base and explore business opportunities to leverage on our established experience and to sustain its strong competitive advantages in the market.

FINANCIAL REVIEW

REVENUE

	Revenue For the six months ended 30 June				Gross profit margin For the six months ended 30 June	
	2021 HK\$'million	%	2020 HK\$'million	%	2021 %	2020 %
Sale of health-care products	98.1	50.1	203.6	52.2	1.0	4.2
Sale of electronic component products	97.6	49.9	186.2	47.8	12.2	6.4
TOTAL	195.7	100.0	389.8	100.0	6.6	5.3

During the Interim Period, the business activities of Group in both health-care business and electronic component products business owing to the impact of the prolonged outbreak of the novel coronavirus pandemic, thereby leading to a decrease in revenue from sale of health-care products and electronic component products of approximately 51.8% and 47.6%, respectively, when compared to that of the Prior Period.

GROSS PROFIT

Gross profit decreased by approximately 36.7% from approximately HK\$20.5 million in the Prior Period to approximately HK\$13.0 million in the Interim Period, while the gross profit margin increased from approximately 5.3% in the Prior Period to approximately 6.6% in the Interim Period.

Management Discussion and Analysis

OTHER LOSSES, NET

The Group recorded other net losses of approximately HK\$7.3 million in the Interim Period, while other net losses of approximately HK\$0.4 million for the Prior Period. The other net losses were mainly attributable to the combined effect of (i) gain on disposal of a subsidiary of approximately HK\$15.4 million; (ii) provision for impairment loss under the expected credit loss model on the trade receivables of approximately HK\$22.0 million (Prior Period: Nil); and (iii) provision for inventory of approximately HK\$2.4 million being recognised during the Interim Period (Prior Period: Nil).

RESULTS

Overall, the Group recorded a loss attributable to owners of the Company of approximately HK\$3.7 million for the Interim Period, as compared to the profit attributable to owners of the Company of approximately HK\$6.9 million for the Prior Period.

OUTLOOK

The outbreak of COVID-19 pandemic still adversely affects the Group's business and its overall short-term performance. The Group will review its current business strategies and assets structure continuously to face various risks and uncertainties arising from COVID-19 interruptions and the global challenging environment. The Group will implement strict cost control and enhance its competitiveness by enhancing existing segments.

Looking forward, the Group will seize the opportunities for business expansion in China, through making investments and/or acquiring business or projects that have promising outlooks and prospects, in order to generate best possible results for shareholders in the medium to long term.

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 30 June 2021, the current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 8.1 times (31 December 2020: approximately 9.0 times).

The inventories increased by approximately 6.7% to approximately HK\$348.1 million as at 30 June 2021, as compared to that of approximately HK\$326.4 million as at 31 December 2020.

The trade receivables increased by approximately 3.3 % to approximately HK\$199.8 million as at 30 June 2021, as compared with approximately HK\$193.4 million as at 31 December 2020. During the Interim Period, provision for impairment loss under the expected credit loss model on trade receivables of approximately HK\$22.0 million (Prior Period: nil) was recognised, which were estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The management of the Group regularly evaluates the Group's customers, assesses their known financial position and the credit risks.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, cash and cash equivalents of the Group amounted to approximately HK\$6.6 million (31 December 2020: approximately HK\$16.4 million). As at 30 June 2021, the Group's borrowings amounted to approximately HK\$18.4 million (31 December 2020: HK\$22.7 million).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 30 June 2021, the Group continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 30 June 2021 amounted to approximately HK\$18.4 million (31 December 2020: HK\$22.7 million). Certain land and buildings of the Group, with a total carrying value of approximately HK\$28.0 million as at 30 June 2021, (31 December 2020: HK\$28.6 million) were pledged to banks as securities for bank loans.

FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("HKD") and the purchases of health-care products and electronic component products are mainly made in United States dollars ("USD") and Canadian dollars ("CAD"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Interim Period, the Group incurred a gain of foreign exchange differences amounted to approximately HK\$1.8 million. (Prior Period: a gain of approximately HK\$0.6 million. The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

SIGNIFICANT DISPOSAL OF A SUBSIDIARY

During the Interim Period, the Group disposed of a subsidiary, namely Top Nova Limited, which indirectly owned 51% equity interests in a joint venture, namely 杭州湍口眾安匯尊溫泉度假村有限公司, which engaged in joint development of a land parcel in Lin An District, Hangzhou City in China, at the consideration of RMB110,000,000 (equivalent to approximately HK\$132,000,000). For further details, please refer to the announcements of the Company dated 18 August 2021 and 25 August 2021.

Save as disclosed herein, there was no significant disposal of material subsidiaries by the Company during the Interim Period.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.

Corporate Governance and Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 30 June 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and 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 (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Stock Exchange were as follows:

(I) LONG/SHORT POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Position (Note 1)	Percentage of shareholding
Mr. Huang Guanchao	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
	Beneficial owner (Note 3)	1,690,000	L	0.10%
Mr. Lim Tzea	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
	Beneficial owner (Note 3)	1,690,000	L	0.10%
Mr. Xu Keli	Beneficial owner	9,500,000	L	0.56%
	Beneficial owner (Note 3)	16,925,000	L	1.0%
Mr. Lam Hin Chi	Beneficial owner (Note 3)	16,925,000	L	1.0%

Notes:

1. The letter "L" denotes long position in the Shares. The letter "S" denotes short position in the Shares.
2. These 892,485,771 Shares were beneficially owned by Explorer Rosy Limited ("Explorer Rosy") as at 30 June 2021. As at 30 June 2021, Explorer Rosy was owned by Great Prosperous Limited ("Great Prosperous"), Thousands Beauties Limited ("Thousands Beauties") and Noble Stand Limited ("Noble Stand") as to 80%, 10% and 10%, respectively. As at 30 June 2021, Great Prosperous, through Sparkling Rock Limited ("Sparkling Rock"), was wholly owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand were wholly and beneficially owned by Mr. Lim Tzea. Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO. By virtue of the SFO, each of Mr. Huang Guanchao and Mr. Lim Tzea is deemed to be interested in all the Shares held by Explorer Rosy.

As at 30 June 2021, these 892,485,771 Shares were pledged in favour of Yunnan International Supply Chain Limited.

3. These Shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option scheme of the Company.
4. As at 30 June 2021, the number of issued Shares were 1,692,760,000.

Corporate Governance and Other Information

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATION OF THE COMPANY – EXPLORER ROSY

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. Huang Guanchao	Beneficial owner	8,000 shares of US\$1 each	80%
Mr. Lim Tzea	Beneficial owner	2,000 shares of US\$1 each	20%

Save as disclosed above, as at 30 June 2021, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

Corporate Governance and Other Information

LONG/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of interest	Number of shares	Position (Note 1)	Percentage of shareholding
Explorer Rosy	Beneficial owner	892,485,771	L S	52.72%
Great Prosperous	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
Thousands Beauties	Interest in a controlled corporation, parties acting in concert (Note 3)	892,485,771	L S	52.72%
Noble Stand	Interest in a controlled corporation, parties acting in concert (Note 3)	892,485,771	L S	52.72%
Sparkling Rock	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
Ms. Du Balong (杜寶龍)	Interest of spouse (Note 4)	892,485,771	L S	52.72%
	Interest of spouse (Note 4)	1,690,000	L	0.10%
Ms. Chong Siew Hoong (張曉紅)	Interest of spouse (Note 5)	892,485,771	L S	52.72%
	Interest of spouse (Note 5)	1,690,000	L	0.10%
Yunnan Provincial Energy Investment Group Co., Ltd.	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Yunnan Energy Investment (HK) Co., Limited	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Yunnan International Supply Chain Limited	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Yunnan International Holding Group Limited	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Hou Chung Man	Joint and several receivers (Note 7)	892,485,771	L	52.72%

Notes:

- The letter "L" denotes long position in the Shares. The letter "S" denotes short position in the Shares.
- Explorer Rosy was owned by Great Prosperous, Thousands Beauties and Noble Stand as to 80%, 10% and 10%, respectively. Great Prosperous was wholly owned by Sparkling Rock. By virtue of the SFO, Great Prosperous is deemed to be interested in all the Shares held by Explorer Rosy.
- Great Prosperous, through Sparkling Rock, was wholly and beneficially owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand were wholly and beneficially owned by Mr. Lim Tzea. As Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO, by virtue of the SFO, each of Thousand Beauties and Noble Stand is deemed to be interested in all the Shares held by Explorer Rosy.
- Ms. Du Balong (杜寶龍) is the spouse of Mr. Huang Guanchao, and is deemed to be interested in the Shares which are interested by Mr. Huang Guanchao under the SFO.

Corporate Governance and Other Information

5. Ms. Chong Siew Hoong (張曉紅) is the spouse of Mr. Lim Tzea, and is deemed to be interested in the Shares which are interested by Mr. Lim Tzea under the SFO.
6. As at 30 June 2021, 892,485,771 Shares were pledged in favour of Yunnan International Supply Chain Limited. According to the information available to the Company, Yunnan International Supply Chain Limited was wholly owned by Yunnan International Holding Group Limited, which in turn was owned as to approximately 40% by Yunnan Energy Investment (HK) Co., Limited. Yunnan Energy Investment (HK) Co., Limited is wholly owned by Yunnan Provincial Energy Investment Group Co., Ltd..
7. As at 30 June 2021, Ms. Hou Chung Man and Mr. Alan C W Tang were appointed as the joint and several receivers over 892,485,771 Shares.
8. As at 30 June 2021, the number of issued Shares were 1,692,760,000.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or were required, pursuant to Part XV of the SFO or the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 30 June 2021, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the Share or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted for a period of 10 years commencing 9 June 2014 (which will expire on 8 June 2024) pursuant to an Ordinary Resolution passed at the special general meeting of the Shareholders held on 9 June 2014 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period 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, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

Corporate Governance and Other Information

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

As at 30 June 2021, options to subscribe for an aggregate of 71,080,000 Shares granted to the eligible grantees pursuant to the Scheme remained outstanding, details of which are as follows:

Type of participant	Date of grant	Exercisable period	Exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2021	Granted during the period	Outstanding as at 30 June 2021
Non-executive Directors						
Mr. Huang Guanchao	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	845	–	845
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	845	–	845
Mr. Lim Tzea	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	845	–	845
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	845	–	845
Executive Directors						
Mr. Xu Keli	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	8,462	–	8,462
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	8,463	–	8,463
Mr. Lam Hin Chi	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	8,462	–	8,462
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	8,463	–	8,463
Others						
A Supplier	20 May 2019	20 May 2019 to 19 May 2022	HK\$0.25	16,925	–	16,925
A shareholder of a customer	3 July 2020	3 July 2020 to 2 July 2025	HK\$0.127	8,463	–	8,463
	3 July 2020	3 July 2021 to 2 July 2025	HK\$0.127	8,462	–	8,462
				71,080	–	71,080

Corporate Governance and Other Information

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2021, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the Period with the Directors.

The Audit Committee comprises three independent non-executive directors, namely Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Li Wei and Mr. Wu Wai Leung Danny.

By order of the Board
Qianhai Health Holdings Limited
Mr. Huang Guanchao
Chairman

Hong Kong, 30 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	195,714	389,796
Costs of sales		(182,736)	(369,279)
Gross profit		12,978	20,517
Other income	5	60	28
Other losses, net	6	(7,295)	(431)
Selling and distribution costs		(83)	(518)
Administrative expenses		(9,100)	(10,301)
Finance costs	7	(275)	(1,442)
Operating (loss)/profit		(3,715)	7,853
Share of loss of a joint venture accounted for using the equity method		–	(953)
(Loss)/profit before income tax	8	(3,715)	6,900
Income tax expense	9	–	–
(Loss)/profit for the period and profit for the period attributable to owners of the Company		(3,715)	6,900
Other comprehensive income/(loss) for the period			
Exchange differences arising on translation of foreign operation		8	(1,705)
Total comprehensive (loss)/income for the period and total comprehensive income attributable to owners of the Company		(3,707)	5,195
(Loss)/earnings per share			
– basic	11	(0.22) cents	0.41 cents
– diluted	11	N/A	0.41 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	31,305	32,513
Interests in a joint venture		–	118,477
Loan receivables	13	30,000	–
Loan to a joint venture	13	–	29,675
Total non-current assets		61,305	180,665
Current assets			
Inventories		348,132	326,381
Trade and other receivables	13	336,103	212,060
Cash and cash equivalents		6,619	16,365
Total current assets		690,854	554,806
Total assets		752,159	735,471
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	67,710	67,710
Reserves		598,675	605,476
Total equity		666,385	673,186

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		306	666
Total non-current liabilities		306	666
Current liabilities			
Trade and other payables	14	66,331	38,220
Lease liabilities		711	694
Bank borrowings	15	18,426	22,705
Total current liabilities		85,468	61,619
Total liabilities		85,774	62,285
Total equity and liabilities		752,159	735,471

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Capital reserves HK\$'000 <i>(Note)</i>	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	
Balance as at 1 January 2021 (audited)	67,710	8,249	3,075	3,944	590,208	673,186
Loss and total comprehensive loss for the period	-	-	-	-	(3,715)	(3,715)
Exchange differences arising from translation of foreign operations, net of nil tax	-	-	(8)	-	-	(8)
Reclassification adjustment on exchange differences released upon disposal of a subsidiary, net of nil tax	-	-	(3,078)	-	-	(3,078)
Balance as at 30 June 2021 (unaudited)	67,710	8,249	(11)	3,944	586,493	666,385
Balance as at 1 January 2020 (audited)	67,710	8,249	(5,622)	1,064	591,012	662,413
Profit and total comprehensive income for the period	-	-	(1,705)	-	6,900	5,195
Balance as at 30 June 2020 (unaudited)	67,710	8,249	(7,327)	1,064	597,912	667,608

Note: Capital reserves represents (i) an amount of HK\$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares; (ii) deemed capital contribution from a shareholder amounting to HK\$3,551,000 and (iii) the difference between the amount by which the non-controlling interests are adjusted and the fair value paid in subsidiaries originally held by non-controlling shareholders.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Net cash used in operating activities	(7,014)	(75,285)
Cash flows from investing activities		
Interest received from banks	–	28
Repayment from third parties	–	28,546
Purchases of property, plant and equipment	(9)	(6)
Proceeds from disposal of investment property	–	93,756
Net cash inflow from disposal of a subsidiary	1,794	–
Net cash generated from investing activities	1,785	122,324
Cash flows from financing activities		
Interest paid	(142)	(1,254)
Repayments of bank borrowings	(37,554)	(159,084)
Proceeds from bank borrowings	33,275	111,094
Principle element of lease payment	(343)	(488)
Interest element of lease payment	(29)	(37)
Net cash used in financing activities	(4,793)	(49,769)
Net decrease in cash and cash equivalents	(10,022)	(2,730)
Cash and cash equivalents at beginning of the period	16,365	19,999
Effect of change of foreign exchange rate	276	(19)
Cash and cash equivalents at end of the period	6,619	17,250

Notes to the Consolidated Financial Statements

1. GENERAL AND BASIS OF PREPARATION

Qianhai Health Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in sale of health-care products and electronic component products.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The ultimate holding company is Explorer Rosy Limited (“**Explorer Rosy**”), a company incorporated in the British Virgin Islands. The ultimate beneficial owners of Explorer Rosy are Mr. Huang Guanchao and Mr. Lim Tzea. The address of the Company’s registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301-3, 3/F, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Hong Kong. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements (“**Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The 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 (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange.

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) except for the adoption of new and amended standards as disclosed in Note 3.

Notes to the Consolidated Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial information for the year ended 31 December 2020.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

4. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the sale of different types of products from different business lines.

Specifically, the Group's reportable and operating segments have been identified as follows:

- (i) Health-care products: sale of health-care products (including Chinese herbal medicine, skin-care and other health-care products); and
- (ii) Electronic component products: sale of information technology component products (including central processing units and semi-conductors).

Notes to the Consolidated Financial Statements

4. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by segment:

	Health-care products HK\$'000	Electronic components HK\$'000	Total HK\$'000
Six months ended 30 June 2021 (unaudited)			
Segment revenue	98,129	97,585	195,714
Cost of sales	(97,103)	(85,633)	(182,736)
Segment result	1,026	11,952	12,978
Six months ended 30 June 2020 (unaudited)			
Segment revenue	203,586	186,210	389,796
Cost of sales	(195,006)	(174,273)	(369,279)
Segment result	8,580	11,937	20,517

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Segment results	12,978	20,517
Unallocated		
Other income	60	28
Other losses, net	(7,295)	(431)
Selling and distribution expenses	(83)	(518)
Administrative expenses	(9,100)	(10,301)
Finance costs	(275)	(1,442)
Share of loss of a joint venture accounted for using the equity method	-	(953)
(Loss)/profit before income tax	(3,715)	6,900

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during both periods.

Notes to the Consolidated Financial Statements

4. SEGMENT INFORMATION (CONTINUED)

Segment result during the period represents the gross profit of each segment without allocation of other income, other losses, net, selling and distribution expenses, administrative expenses, finance costs and share of results of a joint venture accounted for using the equity method. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

5. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
OTHER INCOME		
Interest income from bank deposits	–	28
Interest income from loan receivables	60	–
	60	28

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Gain on disposal of a subsidiary (Note 13)	15,366	–
Loss on disposal of investment property	–	(1,044)
Exchange gain, net	1,758	613
Inventory write-down	(2,419)	–
Provision for impairment loss under expected credit loss model on trade receivables	(22,000)	–
TOTAL	(7,295)	(431)

Notes to the Consolidated Financial Statements

7. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest expense on:		
– bank loans	246	1,405
– lease liabilities	29	37
	275	1,442

8. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,217	1,528
Expenses relating to short-term leases and other leases	101	487

Notes to the Consolidated Financial Statements

9. INCOME TAX EXPENSE

(I) HONG KONG PROFITS TAX

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profit. No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries incorporated in Hong Kong as they have no assessable profits or sufficient tax losses brought forward to set off estimate assessable profits in both current and prior periods.

(II) PRC ENTERPRISE INCOME TAX

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) rate of 25% (2020: 25%) during the period.

No provision for PRC EIT has been made as the subsidiaries established in the PRC have estimated tax losses for both current and prior periods.

(III) INCOME TAX FROM OTHER TAX JURISDICTIONS

Pursuant to the income tax rules and regulations, the Group is not subject to income tax in the jurisdictions of Cayman Islands and the BVI.

10. DIVIDENDS

No dividend has been proposed by the Directors during the six months ended 30 June 2021 and subsequent to the end of the reporting period.

Notes to the Consolidated Financial Statements

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Earnings		
(Loss)/profit attributable to owners of the Company	(3,715)	6,900

	Six months ended 30 June	
	2021 ('000)	2020 ('000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,692,760	1,692,760

The computation of diluted loss per share for six months ended 30 June 2021 does not assume the exercise of outstanding share options of the Company since their assumed exercise would result in a decrease in loss per share.

Diluted earnings per share is the same amount as the basic earnings per share for the six months ended 30 June 2020 because the exercise of the outstanding share options would be anti-dilutive.

Notes to the Consolidated Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired other property, plant and equipment of approximately HK\$9,000 (six months ended 30 June 2020: HK\$6,000). The Group has no material disposal of property, plant and equipment on both periods.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables, net of allowance for credit losses	199,807	193,416
Consideration receivables (<i>Note</i>)	130,000	–
Loan receivables (<i>Note</i>)	36,000	–
Loan to a joint venture (<i>Note</i>)	–	35,610
Prepayment for inventory purchase	–	12,000
Other prepayments	–	462
Deposits	173	247
Others	123	–
	166,296	48,319
Total trade and other receivables	366,103	241,735
Less: Non-current loan receivables	(30,000)	(29,675)
Current portion	336,103	212,060

Note: During the six months ended 30 June 2021, the Group disposed of a subsidiary (the “Disposal”), which indirectly owned 51% equity interests in a joint venture at a consideration of RMB 110,000,000 (approximately equivalent to HK\$132,000,000). As at 30 June 2021, a total of HK\$2,000,000 has been received and the outstanding consideration receivables approximately being HK\$130,000,000 as at 30 June 2021 is unsecured, non-interest bearing and repayable within one year. Up to the date of this report, a total of HK\$42,000,000 has been received and the outstanding consideration receivables is approximately HK\$90,000,000 at the date of this report.

With the Disposal, the loan receivables from joint venture as at 31 December 2020 was shown as loan receivables from a third party as at 30 June 2021. The loan is unsecured, interest-bearing at a fixed rate of 0.33% per annum and repayable by instalments from 2021 to 2023.

The Group recognised a gain on disposal of a subsidiary of approximately HK\$15,366,000, with included in other losses, net.

Notes to the Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group generally grants credit periods ranging from 30 to 120 days (2020: 30 to 120 days) to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

The following is an aging analysis of trade receivables based on the invoice date and net of loss allowance at the end of each reporting period:

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Within 30 days	79,629	88,259
31 to 90 days	18,570	52,319
91 to 180 days	54,402	39,941
181 to 365 days	47,206	12,897
	199,807	193,416

14. TRADE AND OTHER PAYABLES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade payables	64,277	34,865
Other payables		
– Accrued expenses	1,845	3,144
– Others	209	211
	2,054	3,355
Total trade and other payables	66,331	38,220

The Group normally receives credit terms of 90 to 150 days from its suppliers.

Notes to the Consolidated Financial Statements

15. BANK BORROWINGS

All the bank borrowings are secured by the banking facilities as mentioned below and bear variable interest rate at Hong Kong Interbank Offered Rate (“**HIBOR**”) or London Interbank Offered Rate (“**LIBOR**”) plus a margin ranging from 2% to 2.4% (31 December 2020: 2% to 2.4%) per annum.

As at 30 June 2021, all the Group’s bank borrowings were repayable within 3 months (31 December 2020: within 3 months).

For the six months ended 30 June 2021, the effective interest expenses in respect of above loans were ranging from 2.17% to 2.38% (31 December 2020: 2.21% to 5.10%) per annum.

As at 30 June 2021, the banking facilities were secured by certain leasehold land and buildings held by the Group, with the carrying amount of HK\$28,041,000 (31 December 2020: HK\$28,581,000), and the cross corporate guarantee executed by the Company and certain subsidiaries of the Group.

16. SHARE CAPITAL

	Number of shares (thousands)	Nominal value HK\$’000
Ordinary shares		
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	5,000,000	200,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 30 June 2021	1,692,760	67,710

Notes to the Consolidated Financial Statements

17. SHARE BASE PAYMENT

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January 2020	0.250	16,925
Granted	0.123	54,155
At 31 December 2020 and 30 June 2021	0.153	71,080

Share options outstanding as at 30 June 2021 have the following grant date and exercise price:

Grant date	Exercise price in HK\$ per share option	Number of share options (thousands)
20 May 2019	0.25	16,925
12 June 2020	0.121	37,230
3 July 2020	0.127	16,925

Notes to the Consolidated Financial Statements

17. SHARE BASE PAYMENT (CONTINUED)

The fair values for the share options granted were calculated using the Binomial model. The inputs into the model were as follows:

Grant date	3 July 2020	12 June 2020	20 May 2019
Fair value per option on grant date	HK\$0.0671/ HK\$0.083	HK\$0.0646/ HK\$0.0816	HK\$0.0629
Share price on grant date	HK\$0.123	HK\$0.121	HK\$0.250
Exercise price	HK\$0.127	HK\$0.121	HK\$0.250
Expected volatility	136.554%	135.911%	67.681%
Expected life	5 years	5.0521 years	3 years
Risk-free rate	0.3420%	0.4103%	1.6780%
Expected dividend yield	0%	0%	1.2195%
Early exercise multiple			
– Directors	N/A	2.8X	N/A
– A supplier	N/A	N/A	1.35X
– A shareholder of one customer	2.2X	N/A	N/A

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.