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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Qianhai Health Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 (the "**Year**"), together with the comparative figures for the corresponding year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000* (Restated)
Revenue, net of rebates and discounts	*2*	**354,385**	835,531
Cost of sales		**(752,281)**	(964,219)
Gross loss	*3*	**(397,896)**	(128,688)
Other income	*4*	**11,470**	52,335
Other losses, net	*5*	**(83,661)**	(100,092)
Selling and distribution expenses		**(4,244)**	(31,644)
Administrative expenses		**(60,266)**	(146,567)
Finance costs		**(29,890)**	(42,200)
Loss before income tax		**(564,487)**	(396,856)
Income tax credit/(expense)	*6*	**38,625**	(41,664)
Loss for the year		**(525,862)**	(438,520)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operation		**27**	373
Total comprehensive loss for the year		**(525,835)**	(438,147)

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Loss attributable to:			
– Owners of the Company		**(525,710)**	(438,396)
– Non-controlling interests		**(152)**	(124)
		(525,862)	(438,520)
Total comprehensive loss attributable to:			
– Owners of the Company		**(525,683)**	(438,023)
– Non-controlling interests		**(152)**	(124)
		(525,835)	(438,147)
			(Restated)
Basic loss per share	7	**(3.73) cents**	(8.77) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**74,034**	79,450
Investment properties		**93,630**	116,576
Deposit placed for a life insurance policy	*9*	**–**	16,907
Deposits paid for acquisition of property, plant and equipment		**–**	900
		167,664	213,833
Current assets			
Inventories		**166,394**	657,436
Trade and other receivables	*9*	**60,641**	432,186
Pledged bank deposits		**–**	954,471
Cash and cash equivalents		**244,523**	75,630
		471,558	2,119,723
Total assets		**639,222**	2,333,556
EQUITY			
Equity attributable to owners of the Company			
Share capital	*10*	**68,016**	20,016
Reserves		**551,888**	487,374
		619,904	507,390
Non-controlling interests		**(3)**	2,876
Total equity		**619,901**	510,266

	Notes	**2016**	2015
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**250**	349
Deferred income tax liabilities		**8,131**	8,621
		8,381	8,970
Current liabilities			
Trade and other payables	*11*	**7,310**	176,658
Obligations under finance leases		**91**	126
Bank borrowings		**–**	1,440,867
Bonds		**–**	123,746
Derivative financial instruments		**–**	29,300
Current income tax liabilities		**3,539**	43,623
		10,940	1,814,320
Total liabilities		**19,321**	1,823,290
Total equity and liabilities		**639,222**	2,333,556

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New standards, amendments to standards and annual improvements adopted by the Group

The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2016 and currently relevant to the Group:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exemption
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Annual improvements 2012 – 2014 cycle

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

(b) New standards and amendments to standards that have been issued but are not effective

		Effective for accounting periods beginning on or after
Amendments to HKFRS 2	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date to be determined

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

(c) Prior year reclassifications

The Group has made certain reclassifications in the comparative information to conform to the current year presentation. The nature and amounts of the reclassifications are as follows:

(i) reclassifying provision for inventory write-down amounting to HK$131,568,000 to cost of sales, which was previously recognised within "other losses, net" for the year ended 31 December 2015;

(ii) reclassifying importing freight charges amounting to HK$10,355,000 to cost of sales, which was previously recognised within "administrative expenses" for the year ended 31 December 2015;

(iii) reclassifying changes in fair value of investment properties amounting to HK$2,108,000 to other losses, net, which was previously presented in statement of profit or loss separately; and

(iv) reclassifying consultancy service fee amounting to HK$66,495,000 to "administrative expenses", which was previously recognised within "other losses, net" for the year ended 31 December 2015.

The reclassification impact on statement of profit or loss for the year ended 31 December 2015 are presented as below:

	2015
	HK$'000
Increase in cost of sales	(141,923)
Decrease in other losses, net	195,955
Increase in administrative expenses	(56,140)
Decrease in changes in fair value of investment properties	2,108

2 REVENUE

Revenue

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**594,004**	1,187,531
Less: provision for rebates and discounts	**(239,619)**	(352,000)
Revenue, net of rebates and discounts	**354,385**	835,531

Since the announcements of the possible change in control of the Company in February 2016, the Group had experienced a significant slowdown in settlement of trade receivables from the customers. Certain major customers (the "**Customers**") expressed concerns about the negative impact on the ginseng price and have requested the former Chairman of the Company for rebates and discounts on the original sales amounts. During the year ended 31 December 2015, the Group recognised a provision for rebates and discounts of approximately HK$352,000,000 in relation to the sales made to the Customers.

As at 31 December 2015, the Group had net trade receivables of approximately HK$234,149,000 due from the Customers, after offsetting the provision for rebates and discounts of approximately HK$352,000,000. During the period from January 2016 to February 2016, the Group recognised revenue of approximately HK$134,057,000 from sales to two of the Customers.

During the year ended 31 December 2016, the Directors attempted to contact the Customers to commence negotiations of the rebates and discounts amounts as well as the trade receivable settlement plan. The Group undertook legal proceedings to enforce debt collection. Final judgements were released by the High Court in Hong Kong in December 2016, ordering certain of the Customers to repay the outstanding balances together with accrued interests to the Group. Despite the court's verdict and the Group's continued efforts to enforce settlement, the Customers did not respond to the court order.

In the light of the requests from the Customers and the developments in the current year, the Board considered whether the amounts recognised as revenue from the sale of ginseng to the Customers should be further adjusted to take into account of the possible rebates and discounts. In making the judgement, the Directors reconsidered the requirements set out in HKAS18 Revenue and, in particular, that the Group should measure revenue at the fair value of the estimated consideration received or receivable taking into account the amount of any rebates and discounts allowed by the Group. Accordingly, following a detailed assessment, having regard to the insignificant amount of settlement so far and the fact that the Customers still did not respond to the court order, the Directors made a further provision for rebates and discounts of approximately HK$239,619,000 during the year ended 31 December 2016, attributable to revenue from sales to the Customers of approximately HK$134,057,000 and approximately HK$105,562,000 recognised during January to February 2016 and for the year ended 31 December 2015, respectively. As at 31 December 2016, the net trade receivables due from the Customers became nil (2015: approximately HK$234,149,000) after offsetting the total provision for sales rebates and discount of approximately HK$567,037,000.

In the opinion of the Board, the provision for rebates and discounts represented the Board's assessments based on the requests from the Customers and the Group's current circumstances. The provision for rebates and discounts calculated by the Directors was based on a number of assumptions, including (i) an assessment of the probability of the Customers resuming payments having regard to the fact that the Customers did not respond to the court order; (ii) an estimate of the potential timing of these payments, and (iii) the likelihood that the Customers will agree with alternative settlement plans should they become contactable, taking into account the Group's current circumstances.

3 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive Directors, for the purpose of allocating resources to the segments and to assess their performance which focus on the different types of products. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Cultivated ginseng;

(ii) Wild ginseng from the United States ("**Wild ginseng**");

(iii) Ginseng wine; and

(iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood)

The comparative segment information has been reclassified to align with the presentation of consolidated statement of profit or loss and other comprehensive income.

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

	Cultivated ginseng	Wild ginseng	Ginseng wine	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
During the year ended 31 December 2016					
Segment revenue	**220,408**	**125,729**	**6,583**	**1,665**	**354,385**
Cost of sales	**(529,665)**	**(201,816)**	**(9,297)**	**(11,503)**	**(752,281)**
Segment result	**(309,257)**	**(76,087)**	**(2,714)**	**(9,838)**	**(397,896)**
Write-off on property, plant and equipment	**–**	**–**	**939**	**5,834**	**6,773**
During the year ended 31 December 2015					
Segment revenue	717,189	42,086	72,485	3,771	835,531
Cost of sales (Restated)	(797,543)	(141,339)	(23,398)	(1,939)	(964,219)
Segment result (Restated)	(80,354)	(99,253)	49,087	1,832	(128,688)

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Segment result	**(397,896)**	(128,688)
Unallocated		
Other income	**11,470**	52,335
Other losses, net	**(83,661)**	(100,092)
Selling and distribution expenses	**(4,244)**	(31,644)
Administrative expenses	**(60,266)**	(146,567)
Finance costs	**(29,890)**	(42,200)
Loss before income tax	**(564,487)**	(396,856)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2015 and 2016.

Segment results during the year represents the gross loss of each segment without allocation of other income, other losses, net, selling and distribution expenses, administrative expenses and finance costs. This is the measure reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered and the Group's property, plant and equipment and investment properties are all physically located in Hong Kong.

4 OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Other income comprised the follows:		
– Interest income on bank deposits	**8,328**	49,715
– Rental income	**2,963**	2,620
– Sundry income	**179**	–
	11,470	52,335

5 OTHER LOSSES, NET

	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**101**	404
Changes in fair value of investment properties	**(11,374)**	(2,108)
Gain on disposal of a subsidiary	**475**	–
Discount of trade receivable	**(1,050)**	–
Provision for investment project deposit	**(15,962)**	–
Exchange loss, net	**(59,653)**	(66,984)
Loss on sales of financial assets at fair value through profit or loss	**(311)**	–
Realised gain/(loss) on change in fair value of derivative financial instruments, net	**4,249**	(2,106)
Unrealised loss on change in fair value of derivative financial instruments	**–**	(29,300)
Others	**(136)**	2
	(83,661)	(100,092)

6 INCOME TAX CREDIT/(EXPENSE)

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(221)**	(41,446)
Over/(under) – provision in respect of prior years	**38,832**	(177)
	38,611	(41,623)
Deferred tax credit/(charge)	**14**	(41)
Income tax credit/(expense)	**38,625**	(41,664)

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

7 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company	**(525,710)**	(438,396)
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share (thousands)	**14,094,592**	5,000,849

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2015 has been retrospectively adjusted to reflect the share consolidation on 7 July 2016.

The weighted average number of ordinary shares for the year ended 31 December 2016 has included the effect of share consolidation as mentioned above as well as the bonus element arising from placement of shares at discount.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all share options. The Company has dilutive potential ordinary shares from share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

Diluted loss per share is of the same amount as the basic loss per share for both years ended 31 December 2015 and 2016 because the exercise of the outstanding share options would be anti-dilutive.

8 DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Final dividend – 2014	**–**	40,000
Special dividend – 2014	**–**	60,000
Interim dividend – 2015	**–**	120,000
	–	220,000

No dividend has been proposed by the Directors during the year ended 31 December 2016 and subsequent to the end of the reporting period.

9 TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Deposit placed for a life insurance policy – non-current portion *(Note (a))*	**–**	16,907
Trade receivables	**613,343**	615,475
Less: Provision for rebates and discounts	**(567,037)**	(352,000)
	46,306	263,475
Deposits paid for inventory purchase	**11,904**	133,179
Deposit for proposed acquisition *(Note (b))*	**–**	21,960
Amounts due from non-controlling shareholders	**–**	3,027
Amount due from a related company	**–**	1,434
Interest receivables	**–**	2,160
Other deposits	**1,405**	2,628
Prepayments	**1,026**	4,323
	14,335	168,711
Total trade and other receivables	**60,641**	432,186

Notes:

(a) In August 2015, the Company's subsidiary, Hang Fat Ginseng Trading Company Limited ("**HFG Trading**"), entered into a life insurance policy with an insurance company to insure a former executive Director. As at 31 December 2015, the life insurance product was assigned to a bank to secure general banking facilities granted to the Group. During the year, the life insurance was terminated and the surrender value of HK$16,907,000 was realised by netting off the repayment of bank during the year ended 31 December 2016.

(b) On 19 November 2015, the Group entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition of 100% of the equity interest of a target group ("**Proposed Acquisition**") for a total consideration of RMB200,000,000 (approximately HK$244,000,000). The target group is principally engaged in (i) the research and development, sales, application, technical consulting, technical training and technical testing of electronic equipment; (ii) the business of investments, and imports and exports; and (iii) the manufacturing of machinery and electronic equipment. In 2015 and in connection with the Proposed Acquisition the Group paid a refundable deposit of RMB20,000,000 (approximately HK$24,400,000) as part of the consideration of the Proposed Acquisition.

In March 2016, the Group terminated the Proposed Acquisition and agreed a settlement plan with the vendor for the refund of the deposit to be repaid to the Group before the end of year 2016. In connection with the settlement plan, the Group agreed a haircut amount of RMB2,000,000 (approximately HK$2,440,000) with the vendor, which was charged in the statement of profit or loss within "administrative expenses" during the year ended 31 December 2015. During the year ended 31 December 2016, an amount of HK$5,998,000 was received. The remaining receivables from the vendor were not settled in accordance with the originally agreed settlement plan and timetable; and thus have become overdue. In this connection, the management of the Company has taken legal procedures for the debt collection. Final judgement have been released by High Court on 25 January 2017. On 20 February 2017, the High Court has issued a garnishee order to order a bank, garnishee, to attend a hearing for recovering the debts of approximately HK$125,000 due to the vendor and one of the guarantors. Given the outstanding amounts have become overdue, the Group has recognised a provision against the remaining amounts of deposits paid of HK$15,962,000.

The Group generally grants credit periods ranging from 30 days to 60 days (2015: 30 days to 365 days) to its customers. The Group has reduced its credit periods from 365 days granted to certain customers in the current year in order to tighten the credit term to customers. Before accepting any new customer, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. The management of the Company 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 (net of rebates and discounts) based on the invoice date at the end of each reporting period:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**33,299**	72,254
31 to 90 days	**13,007**	18,897
91 to 180 days	**–**	17,907
Over 180 days to 365 days	**–**	154,417
	46,306	263,475

The following is an aging analysis of trade receivables (net of rebates and discounts) which are past due but not impaired:

	2016	2015
	HK$'000	*HK$'000*
31 to 90 days	**4,030**	–
Over 180 days to 365 days	**–**	18,210
	4,030	18,210

10 SHARE CAPITAL

	Notes	Number of shares (thousands)	Nominal value HK$'000
Ordinary shares			
Authorised:			
At 1 January 2015		5,000,000	50,000
Share sub-division and increase in authorised share capital	*(a)*	45,000,000	–
At 31 December 2015 and 1 January 2016		50,000,000	50,000
Increase in authorised share capital	*(b)*	150,000,000	150,000
Share consolidation	*(e)*	(150,000,000)	–
At 31 December 2016		50,000,000	200,000

		Number of shares (thousands)	Share capital HK$'000
Issued and fully paid:			
At 1 January 2015		2,000,000	20,000
Share sub-division	(a)	18,000,000	–
Exercise of share options		16,200	16
At 31 December 2015 and 1 January 2016		20,016,200	20,016
Issue of new shares upon the subscription	(c)	31,200,000	31,200
Issue of new shares upon placing	(d)	8,800,000	8,800
Share consolidation	(e)	(45,012,150)	–
Issue of new shares upon placing	(f)	1,000,000	4,000
Issue of new shares upon placing	(g)	1,000,000	4,000
At 31 December 2016		17,004,050	68,016

Notes:

(a) On 26 May 2015, the Company had completed a capital reorganisation in which each of the existing issued and unissued share of HK$0.01 each in the share capital of the Company had been subdivided into 10 subdivided shares of par value of HK$0.001 each. Following the effective date of the share sub-division, the authorised share capital of the Company became HK$50,000,000 representing 50,000,000,000 subdivided shares of HK$0.001 each, of which 20,000,000,000 subdivided shares were in issue and fully paid.

(b) On 6 May 2016, the Company had increased the authorised share capital from HK$50,000,000 divided into 50,000,000,000 shares to HK$200,000,000 divided into 200,000,000,000 shares.

(c) On 17 May 2016, 31,200,000,000 ordinary shares were duly allotted and issued to a subscriber, at the subscription price of HK$0.01 per share, at consideration of HK$312,000,000.

(d) On 17 May 2016, 8,800,000,000 ordinary shares were issued at the subscription price of HK$0.01 per share by way of placement for an aggregate consideration of HK$88,000,000.

(e) On 7 July 2016, the Company implemented the share consolidation on the basis that every four issued and unissued existing ordinary shares of HK$0.001 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK$0.004 each.

(f) On 15 August 2016, 1,000,000,000 ordinary shares were issued at the subscription price of HK$0.127 per share by way of placement for an aggregate consideration of HK$127,000,000.

(g) On 22 December 2016, 1,000,000,000 ordinary shares were issued at the subscription price of HK$0.135 per share by way of placement for an aggregate consideration of HK$135,000,000.

The shares issued rank pari passu with other shares in issue in all respects.

11 TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**–**	157,844
Other payables		
– Accrued expenses	**6,361**	11,767
– Rental deposit	**435**	527
– Freight charges	**–**	4,287
– Others	**514**	2,233
	7,310	18,814
	7,310	176,658

The Group normally receives credit terms of 90 days to 150 days (2015: 90 days to 150 days) from its suppliers. The following is an aging analysis of trade payables based on invoice date at the end of each reporting period:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**–**	137,673
31 to 90 days	**–**	3,978
91 to 180 days	**–**	10,556
Over 180 days	**–**	5,637
	–	157,844

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading wholesaler of American ginseng, which is principally engaged in sourcing cultivated ginseng and wild ginseng (collectively, the "**American Ginseng**") from Canada and the United States and sell American Ginseng to the second level wholesalers in Hong Kong, China and overseas.

During the year of 2016, due to the unfavorable market condition, the global economic growth recovery continued to slowdown, and China was experiencing continuous adjustment of economic structure with changes in mode of economic growth and slowdown in growth of gross domestic product.

In addition, with the publication of the announcement of the Company dated 2 February 2016 regarding the change in control of the Company, a turbulence has been caused in the American Ginseng market and customers of the Group have been conscious of the American Ginseng trading. As a result, the price of the American Ginseng decreased significantly. It has been a harsh operating environment for American Ginseng industry in 2016 and which created a heavy pressure on the Group's financial results.

The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions. To improve the economic benefits, the Company proposed to cut down the costs and to focus on wholesale of the American Ginseng.

FINANCIAL REVIEW

Revenue and Gross Profit

The following table sets out the Group's revenue by product type for the year ended 31 December 2016 as compared with the same of last year.

	2016		2015		Change in
	Revenue	**% of total**	Revenue	% of total	revenue
	HK$'000		*HK$'000*		*(approximate %)*
Cultivated Ginseng	**220,408**	**62.2**	717,189	85.9	(69.3)
Wild Ginseng	**125,729**	**35.5**	42,086	5.0	198.7
Ginseng wine	**6,583**	**1.8**	72,485	8.7	(90.9)
Others	**1,665**	**0.5**	3,771	0.4	(55.9)
TOTAL	**354,385**	**100**	835,531	100	(57.6)

American ginseng

During the year ended 31 December 2016, the Group's overall revenue (net of provision for rebates and discounts) amounted to approximately HK$354 million, representing a decrease of approximately 57.6% compared with the same of last year. Gross loss amounted to approximately HK$398 million (2015: HK$129 million) which was mainly attributable to provision for rebates and discounts and decrease in the market price of American Ginseng in 2016.

Loss for the year

The loss for the year attributable to owners of the Company during the year amounted to approximately HK$526 million (2015: HK$438 million) which was mainly attributable from:

(i) provision of rebates and discounts of approximately HK$240 million (2015: HK$352 million);

(ii) provision for inventory write down of approximately HK$97 million (2015: HK$132 million), which included in cost of sales; and

(iii) foreign exchange loss of approximately HK$60 million (2015: HK$67 million);

Inventories

The Group's inventories as at 31 December 2016 were approximately HK$166 million (net of provision for inventory write down) (2015: HK$657 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower selling price of the cultivated American Ginseng, a provision of inventories of approximately HK$97 million (2015: HK$132 million) has been recognised for the year ended 31 December 2016, after re-assessing the net realisable value of the inventories. The Group considered that the recognision of provision for inventory write down can more accurately reflect the financial position of the Group.

Trade receivables

The Group's trade receivables as at 31 December 2016 were approximately HK$613 million (2015: HK$615 million). The Group's net trade receivables, as at 31 December 2016 were approximately HK$46 million (2015: HK$263 million).

The Group has been using its best endeavour to collect the trade receivables from the customers and at the same time seeking legal advice regarding the delayed settlement of the trade receivables. The Group undertook legal proceedings to enforce debt collection. Final judgements were released by the High Court in Hong Kong in December 2016, ordering certain of the Customers to repay the outstanding balances together with accrued interests to the Group. In fulfilling their fiduciary duties to protect the Group's interests, the Board will continue to take the appropriate actions on each of the customers who had delayed the settlement.

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 some sales of the Group were denominated in Renminbi and the Group receives all its trade receivables from customers in HKD. The purchases of cultivated ginseng are mainly made in Canadian dollars ("**CAD**") and the purchases of wild ginseng are mainly made in United States dollars ("**USD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the year ended 31 December 2016, the Group incurred foreign exchange loss amounted to approximately HK$60 million (2015: a foreign exchange loss amounted to approximately HK$67 million). The Group utilises currency derivatives to hedge significant future transactions and cash flows arising from CAD exposure. The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$245 million (2015: HK$76 million) and net current assets of approximately HK$461 million, which increased by approximately HK$156 million as compared with the last fiscal year. The increase in cash and cash equivalents was mainly due to the increase of bank balances as a result of the subscription and placing of new shares during the year.

The Group had no interest-bearing loans as at 31 December 2016 (31 December 2015: HK$1,565 million).

On 24 April 2015, the Company issued the unsecured bonds in an aggregate amount of HK$132 million, which shall be due on 24 October 2018. The bonds carry fixed interest rate of 6% per annum, payable semi-annually in arrears. During the year ended 31 December 2016, the Group redeemed all of outstanding bonds at 100% of their principal amount, together with accrued interest. No outstanding bonds were noted as at 31 December 2016.

CHARGE OF ASSETS

The Group did not have any assets charged as at 31 December 2016.

CAPITAL COMMITMENTS

No significant capital commitments of the Group as at 31 December 2016 (31 December 2015: approximately HK$1.6 million, which was mainly used in acquisition of office premises for the Group's self-use.)

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2016 and 31 December 2015.

SHARE CONSOLIDATION

On 7 July 2016, the share consolidation in which every four (4) of the existing issued and unissued shares of HK$0.001 each in the share capital of the Company has been consolidated into 1 consolidated share of par value of HK$0.004 each has become effective ("**Share Consolidation**"); and the authorised share capital of the Company was HK$200,000,000 representing 50,000,000,000 consolidated shares of the Company of HK$0.004 each, of which 15,004,050,000 consolidated shares of the Company are in issue and fully paid.

CAPITAL STRUCTURE

Subscription

On 17 May 2016, 31,200,000,000 ordinary shares of HK$0.001 each of the Company were duly allotted and issued to a subscriber, at the subscription price of HK$0.01 per share. Details please refer to the announcement of the Company dated 17 May 2016.

Placing

Placing I

On 17 May 2016, the Company completed the placing where 8,800,000,000 ordinary shares of HK$0.001 each of the Company were duly allotted and issued to not less than six placees, which are independent third parties of the Company, at the placing price of HK$0.01 per share. Details of which please refer to the announcement of the Company dated 17 May 2016.

Placing II

On 15 August 2016, the Company completed the placing where 1,000,000,000 ordinary shares of HK$0.004 each (after the Share Consolidation) of the Company were duly allotted and issued to not less than six placees, which are independent third parties of the Company, at the placing price of HK$0.127 per share. Details of which please refer the announcement of the Company dated 15 August 2016.

Placing III

On 22 December 2016, the Company completed the placing where 1,000,000,000 ordinary shares of HK$0.004 each (after the Share Consolidation) of the Company were duly allotted and issued to not less than six placees, which are independent third parties of the Company, at the placing price of HK$0.135 per share. Details of which please refer the announcement of the Company dated 22 December 2016.

As at 31 December 2016, the number of ordinary shares issued of the Company was 17,004,050,000.

LOOKING AHEAD

Looking ahead into 2017, the Group expects market conditions to remain challenging. Yet, with the leading position in the ginseng market and experienced management team of the Group, the Group can remain competitive in the future. With the efforts and progress made over the year for the transformation, the financial situation of the Group has been strengthened and the business has been refined. The Group will accelerate its growth rate in the future, placing more focus on the wholesale of the American Ginseng and at the same time proactively exploring new business areas and seeking suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016.

HUMAN RESOURCES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2016, the Group had 38 full-time employees (including the Directors).

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

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

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. For the year ended 31 December 2016, 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, except in relation to CG Code provisions A.2.1, A.5.1, A.6.7 and E.1.2, as more particularly described below.

CG Code Provision A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by (i) Mr. Yeung Wing Yan (who resigned as an executive Director on 5 July 2016) during the period between 1 January 2016 and 16 May 2016; and (ii) Mr. George Lu since 17 May 2016. The Board considers that for the period between 1 January 2016 and 16 May 2016, the Company is still in its growing stage and it would be beneficial to the Group for Mr. Yeung Wing Yan to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. In respect of the period from 17 May 2016 to 31 December 2016, having considered (i) the change of control of the Company in May 2016; and (ii) the Board's strategy to (a) continue the trading of American Ginseng with a cautious approach; and (b) explore new business areas and seek for suitable investment opportunities, the Board considers that it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and the chief executive officer of the Company, since, as abovementioned, the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of each of Mr. Yeung Wing Yan (during the period between 1 January 2016 and 16 May 2016) and Mr. George Lu since 17 May 2016.

CG Code Provision A.5.1

CG Code provision A.5.1 stipulates that the number of independent non-executive Directors shall represent the majority of the nomination committee.

During the period between 22 February 2016 and 29 February 2016, due to the resignation of an independent non-executive Director, namely Mr. Cheung Chung Wai Billy, who was also then a member of the nomination committee of the Company, on 22 February 2016, the nomination committee of the Company then only consisted of one executive Director and one independent non-executive Director. Details of which please refer to the announcement of the Company dated 29 February 2016 (including non-compliance with Rules 3.10(1) and (2), 3.10A, 3.21 and 3.25 of the Listing Rules).

As Mr. Wu Wai Leung Danny was subsequently appointed as an independent non-executive Director, as well as, among others, a member of the nomination committee of the Company, on 29 February 2016 in order to replace the vacancy, such deviation from CG Code provision A.5.1 was rectified.

The Group also has in place an internal control system to perform the checks and balance function. There are also three independent non-executive Directors offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

CG Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, some independent non-executive Directors did not attend the extraordinary general meetings held on 6 July 2016 and 31 August 2016 and a non-executive Director did not attend the annual general meeting and extraordinary general meetings held during the period between 17 May 2016 and 31 December 2016.

CG Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 24 June 2016 due to other important business engagement. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by the 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.

AUDIT COMMITTEE

The audit committee of the Board (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. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2016 with the Directors.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2016.

EXTRACT OF AUDITOR'S QUALIFIED OPINION TO BE INCLUDED IN THE AUDITOR'S REPORT

Auditor's qualified opinion

The following is an extract of the Auditor's report on the Group's annual audited consolidated financial statements for the year ended 31 December 2016:

"**Basis for Qualified Opinion**

Provision for rebates and discounts

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another firm of auditor whose report dated 31 March 2016 expressed a qualified opinion in respect of limitation of scope of in respect of the provision for rebates and discounts of HK$352,000,000 made for the year ended 31 December 2015. The previous firm of auditor stated that they were unable to obtain sufficient audit evidence to satisfy themselves as to whether the provision for discounts and rebates were fairly stated.

As described in Note 6 to the consolidated financial statements, in response to concerns expressed by and requests from certain major customers (the "Customers"), the Group recognised a provision for rebates and discounts of HK$352,000,000 in the consolidated financial statements for the year ended 31 December 2015 in relation to its certain sales to the Customers recognised during that year. During the year ended 31 December 2016, the directors of the Company continued its efforts to try to negotiate the rebates and discounts amounts with the Customers as well as the trade receivables settlement plan, and was able to obtain a court order to enforce debt settlement from certain of the Customers. However, the Customers did not respond to the court order.

In view of the insignificant repayments from the Customers during the year and the fact that the Customers did not respond to the court order, the Group made a further provision for rebates and discounts of HK$239,619,000 during the year ended 31 December 2016, attributable to revenue from sales to the Customers of HK$134,057,000 and HK$105,562,000 recognised during the period from January to February 2016 and for the year ended 31 December 2015, respectively. As at the same date, after offsetting the total provision for rebates and discounts of HK$567,037,000, total net trade receivables due from the Customers was nil.

As the Group was not able to commence any formal negotiations with the Customers and absent of any formal contractual rebate agreements, there were inadequate documentary evidence available to us to verify the provision for rebates and discounts made during the year ended 31 December 2016. We were not able to receive satisfactory confirmation replies from the Customers to confirm the receivable balances with them, nor were we able to arrange interviews with the Customers to verify the rebates and discounts arrangements, if any. As such, we were unable to obtain sufficient appropriate evidence to assess the appropriateness of the assumptions used by the directors of the Company in determining the amounts of provision for rebates and discounts, and to verify its occurrence, existence, valuation and accuracy. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the additional provision for rebates and discounts of HK$239,619,000 recognised during the year ended 31 December 2016 and the balance of provision of sales and rebates of HK$567,037,000 as at the same date were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the annual general meeting of the Company (the "**AGM**"), the register of members will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 16 May 2017.

PUBLICATION OF THE ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Qianhai Health Holdings Limited
George Lu
Chairman & Chief Executive Officer

Hong Kong, 28 March 2017

As at the date of this announcement, the executive Directors are Mr. George Lu, Mr. Yeung Wing Kong and Mr. Wong Kwok Ming; the non-executive Director is Mr. Yeung Wai Fai Andrew and the independent non-executive Directors are Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.