



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)



Leading a
Healthy
Lifestyle

INTERIM REPORT 2017





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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. George Lu (*Chairman*)
Mr. Yeung Wing Kong
Mr. Wong Kwok Ming

NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Fai Andrew (*Vice Chairman*)
(appointed on 23 January 2017)

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. George Lu
Mr. Wu Wai Leung Danny

NOMINATION COMMITTEE

Mr. Li Wei (*Chairman*)
Mr. George Lu
Mr. Wu Wai Leung Danny

AUTHORISED REPRESENTATIVES

Mr. George Lu
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 22, 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 sourcing cultivated ginseng and wild ginseng (collectively, the "American Ginseng") from Canada and sell American Ginseng to the second level wholesaler in Hong Kong.

In the first half of year 2017, the price of the American Ginseng is relatively stable and the Group will continue to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June				
	2017		2016		Change in revenue (approximate %)
	Revenue HK\$'million	Approximate % of total	Revenue HK\$'million	Approximate % of total	
Cultivated Ginseng	88.6	78.5%	188.7	77.4%	-53.1%
Wild Ginseng	22.6	20.0%	54.5	22.3%	-58.5%
Ginseng wine	0.2	0.2%	0.2	0%	+100%
Others	1.5	1.3%	0.6	0.3%	+150%
TOTAL	112.9	100%	244.0	100%	-53.7%

During the six months ended 30 June 2017, the Group continued to focus on trading of the American Ginseng, while the overall revenue amounted to approximately HK\$112.9 million, representing a decrease of approximately 53.7% compared with the same of last period.

Gross Profit

The gross profit increased to approximately HK\$7.7 million in the first half of 2017, which accounted for approximately 122.0% increment as compared with that of the same period in 2016. The gross profit margin increased to approximately 6.9% from a gross loss margin of 14.5% in the Interim Period. During the six months ended 30 June 2017, the Group recognised provision for inventory write-down of approximately HK\$5.6 million in cost of sales (six months ended 30 June 2016: HK\$56.6 million).

Management Discussion And Analysis

Expenses

Total administrative expenses decreased by approximately 58.3% to HK\$16.9 million for the six months ended 30 June 2017, which was mainly attributable from:

- (i) foreign exchange loss of approximately HK\$38.2 million mainly arising from depreciation of Renminbi ("RMB") recorded for the six months ended 30 June 2016 (no such expenses were recorded for the six months ended 30 June 2017); and
- (ii) impairment loss on property, plant and equipment of approximately HK\$8.2 million recorded for the six months ended 30 June 2016 (no such expenses were recorded for the six months ended 30 June 2017).

Inventories

The Group's inventories as at 30 June 2017 was approximately HK\$96.0 million (net of write down on inventories) (as at 31 December 2016: HK\$166.4 million). The inventories of the Group were stated at lower of cost or net realisable value.

Trade receivables

The Group's trade receivables, net of provision of sales discount and rebates, as at 30 June 2017 decreased to approximately HK\$37.1 million from approximately HK\$46.3 million as at 31 December 2016.

For the long outstanding trade receivables of the customers (the "Customers") of approximately HK\$567.0 million, the Group undertook legal proceedings to enforce debt collection from the Customers. Final judgments were released by the High Court in Hong Kong in December 2016, ordering 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 and no settlements were received from the Customers after April 2016. As the result, the Group had made a total full provision for rebates and discounts of HK\$567.0 million during the year ended 31 December 2016 and 2015. As at 30 June 2017 and 31 December 2016, the net receivables due from the Customers were nil after offsetting the total provision for sales rebates and discounts.

The Group has tightened its credit policy offered to the new customers. Other than the trade receivables from the Customers, other trade receivables were within credit period. The management will continue to regularly review the recoverability, creditworthiness of its customers and the age of such other trade receivables. The management considered that such other trade receivables are recoverable.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2017, the Group incurred a profit of approximately HK\$18.1 million.

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately HK\$200.1 million (31 December 2016: approximately HK\$244.5 million), and the Group's net current assets were approximately HK\$470.4 million (31 December 2016: approximately HK\$460.6 million).

The Group had no interest-bearing loans as at 30 June 2017 and 31 December 2016.

Management Discussion And Analysis

CHARGE OF ASSETS

No assets have been charged as at 30 June 2017 and 31 December 2016.

CAPITAL EXPENDITURE

No capital expenditure of the Group was noted as at 30 June 2017 and 31 December 2016.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016.

SUBSEQUENT EVENTS

On 17 July 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement with the a project partner to form a joint venture by way of capital injection of RMB102 million (equivalent to approximately HK\$117.3 million) for the joint development of villas and a medical and health check centre at the site located in Lin An, Hangzhou, the People's Republic of China (the "PRC"). For the details, please refer to the announcement of the Company dated 17 July 2017.

LOOKING AHEAD

Facing the challenging market environment, the Group will continue the trading of American Ginseng with a cautious approach. The Directors consider that given the leading position in the ginseng market and experienced management team of the Group, the Group can remain competitive in the future.

Since the change of company name in September 2016, the Company has been actively exploring various healthcare related projects, including general hospitals, specialty hospitals, health check centres and senior housing in the PRC in order to develop a healthcare services network to capture China's fast-growing healthcare space. It is the Group's strategy to explore possibilities of engaging in new business in order to maximise returns to the shareholders of the Company and to broaden the source of income of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017.

Corporate Governance And Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 30 June 2017, 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 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 Listing Rules and the Stock Exchange were as follows:

(i) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. George Lu	Interest of controlled corporations	7,874,880,000 Shares (Note 1)	46.31%
Mr. Yeung Wing Kong	Beneficial owner	5,000,000 Shares (Note 2)	0.03%
Mr. Yeung Wai Fai Andrew	Beneficial owner	160,040,000 Shares (Note 2)	0.94%

Notes:

- These Shares held by Super Generation Group Limited ("Super Generation"), which is wholly owned by Mr. George Lu.
- These Shares would be allotted and issued upon exercise in full of the options granted to such Director under the share options schemes of the Company.

(ii) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY — SUPER GENERATION

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. George Lu	Beneficial owner	50,000 Shares of US\$1 each	100%

Save as disclosed above, as at 30 June 2017, 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.

Corporate Governance And Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Ms. Shen Wei	Interest of spouse	7,874,880,000 Shares (Note 1)	46.31%
Super Generation	Beneficial owner	7,874,880,000 Shares	46.31%

Notes:

- Ms. Shen Wei is the wife of Mr. George Lu.

Saved as disclosed above, as at 30 June 2017, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions 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 are, 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 member of the Group or has any options in respect of such capital.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 20 to the financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

Corporate Governance And Other Information

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.

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.

Corporate Governance And Other Information

As at 30 June 2017, options to subscribe for an aggregate of 416,090,000 shares granted to the Directors, certain employees and other participants pursuant to the Scheme remained outstanding, details of which are as follows:

Type of participants	Date of grant	Exercisable period	Adjusted exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2017	Lapsed during the period	Outstanding as at 30 June 2017
Directors						
Mr. Yeung Wing Kong	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752*	5,000	–	5,000
Mr. Yeung Wai Fai Andrew	1 November 2016	1 November 2016 to 31 October 2019	HK\$0.165	53,347	–	53,347
		1 November 2017 to 31 October 2019	HK\$0.165	53,347	–	53,347
		1 November 2018 to 31 October 2019	HK\$0.165	53,346	–	53,346
Associates of Directors						
	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752*	3,333	(3,333)	–
		6 January 2016 to 5 January 2018	HK\$0.752*	3,333	(3,333)	–
		6 January 2017 to 5 January 2018	HK\$0.752*	3,334	(3,334)	–
Other employees						
	6 January 2015	6 January 2016 to 5 January 2018	HK\$0.752*	550	(25)	525
		6 January 2017 to 5 January 2018	HK\$0.752*	550	(25)	525
Other participants						
	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752*	250,000	–	250,000
				426,140	(10,050)	416,090

* The exercise price were adjusted for the effect of share sub-division on 26 May 2015 and share consolidation on 7 July 2016.

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

During the six months ended 30 June 2017, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance And Other Information

CORPORATE GOVERNANCE CODE

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 Mr. George Lu. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. George Lu 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. 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 Mr. George Lu.

The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive Directors on the Board 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.

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 2017.

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 Interim 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. George Lu

Chairman & Chief Executive Officer

Hong Kong, 11 August 2017

Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	112,919	243,989
Costs of sales		(105,178)	(279,246)
Gross profit (loss)		7,741	(35,257)
Other income, gains and losses	5	17,185	(34,519)
Administrative expenses		(16,874)	(40,494)
Change in fair value of investment properties		10,000	(4,600)
Finance costs	6	–	(15,002)
Profit (loss) before taxation	7	18,052	(129,872)
Income tax refund	8	37	–
Profit (loss) for the period		18,089	(129,872)
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		–	23
Total comprehensive income (expense) for the period		18,089	(129,849)
Profit (loss) for the period attributable to:			
– owners of the Company		18,166	(129,872)
– non-controlling interests		(77)	–
		18,089	(129,872)
Total comprehensive income (expense) attributable to:			
– owners of the Company		18,166	(129,849)
– non-controlling interests		(77)	–
		18,089	(129,849)
Earnings (loss) per share			(Restated)
– basic	10	0.11 cents	(1.56) cents
– diluted	10	0.11 cents	N/A

Condensed Consolidated Statement Of Financial Position

At 30 June 2017

	<i>Notes</i>	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	75,976	74,034
Investment properties	12	103,630	93,630
Deposits paid for acquisition of property, plant and equipment		3,009	–
		182,615	167,664
Current assets			
Inventories		95,968	166,394
Trade and other receivables	13	44,328	60,641
Loan receivables	14	128,630	–
Held-for-trading investments	15	9,360	–
Bank balances and cash		200,066	244,523
		478,352	471,558
Total assets		660,967	639,222
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	68,016	68,016
Reserves		571,217	551,888
		639,233	619,904
Non-controlling interests		5,443	(3)
Total equity		644,676	619,901
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		205	250
Deferred tax liabilities		8,131	8,131
		8,336	8,381
Current liabilities			
Other payables	16	5,415	7,310
Obligations under finance leases		91	91
Taxation payable		2,449	3,539
		7,955	10,940
Total liabilities		16,291	19,321
Total equity and liabilities		660,967	639,222

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000 (Note)	Exchange reserves HK\$'000	Share option reserve HK\$'000	Retained earnings/ accumulated loss HK\$'000	Total HK\$'000	Non-Controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2017 (audited)	68,016	1,523,446	8,249	400	71,999	(1,052,206)	619,904	(3)	619,901
Profit and total comprehensive income for the period	-	-	-	-	-	18,166	18,166	(77)	18,089
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	5,523	5,523
Recognition of equity-settled share-base payments	-	-	-	-	1,163	-	1,163	-	1,163
Lapse of share option	-	-	-	-	(1,148)	1,148	-	-	-
At 30 June 2017 (unaudited)	68,016	1,523,446	8,249	400	72,014	(1,032,892)	639,233	5,443	644,676
At 1 January 2016 (audited)	20,016	936,493	8,553	373	71,361	(529,406)	507,390	2,876	510,266
Profit and total comprehensive income for the period	-	-	-	23	-	(129,872)	(129,849)	-	(129,849)
Recognition of equity-settled share-base payments	-	-	-	-	500	-	500	-	500
Lapse of share option	-	-	-	-	(1,382)	1,382	-	-	-
Issue of new shares	40,000	360,000	-	-	-	-	400,000	-	400,000
Expense incurred in connection with the issue of new shares	-	(16,102)	-	-	-	-	(16,102)	-	(16,102)
At 30 June 2016 (unaudited)	60,016	1,280,391	8,553	396	70,479	(657,896)	761,939	2,876	764,815

Note: Capital reserves represent (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 to acquire of equity interest in subsidiaries held by non-controlling shareholders.

Condensed Consolidated Statement Of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash from operating activities	(44,384)	548
Cash flows from investing activities		
Interest received	131	271
Purchases of property, plant and equipment	(9,740)	(224)
Deposits paid on acquisition of property, plant and equipment	(3,009)	–
Withdrawal of pledge bank deposits	–	750,314
Proceeds from disposal of property, plant and equipment	16,427	520
Purchases of held-for-investment properties	(9,360)	–
Net cash (used in) generated from investing activities	(5,551)	750,881
Cash flows from financing activities		
Interest paid	–	(12,357)
Proceeds from issuance of ordinary shares (net of issue costs)	–	383,898
Capital contributions from non-controlling shareholders	5,523	–
New bank loan raised	–	24,618
Repayments of bank borrowings	–	(1,112,820)
Increase in bank overdrafts	–	314
Repayments of obligations under finance leases	(45)	(81)
Net cash generated from (used in) financing activities	5,478	(716,428)
Net decrease/(increase) in cash and cash equivalents	(44,457)	35,001
Cash and cash equivalents at beginning of the period	244,523	75,631
Cash and cash equivalents at end of the period	200,066	110,632

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. GENERAL AND BASIS OF PREPARATION

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 33 of 1961, as consolidated and revised) of the Cayman Islands. The Company's immediate and ultimate holding company is Super Generation Group Limited, a company incorporated in the British Virgin Islands. 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, Sheung Wan, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are sourcing, wholesale of ginseng.

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

3. PRIOR PERIOD RECLASSIFICATION

The Group has reclassified provision for inventory write-down amounting to HK\$56,643,000 to cost of sales, which was previously recognised with in "other gain and losses" for the six months ended 30 June 2016.

4. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chairman of the Company, for the purpose of allocating resources to the segments and to assess its performance which focus on the different types of product. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

- (i) Cultivated ginseng;
- (ii) Wild ginseng;
- (iii) Ginseng wine;
- (iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood).

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June			
	Segment revenue		Segment results	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cultivated ginseng	88,595	188,661	6,161	(38,452)
Wild ginseng	22,572	54,498	844	2,802
Ginseng wine	164	255	96	190
Others	1,588	575	640	203
	112,919	243,989	7,741	(35,257)
Unallocated				
Gain (loss) on disposal of property, plant and equipment			10,165	(1,544)
Change in fair value of investment properties			10,000	(4,600)
Exchange gain (loss)			282	(38,193)
Other income, gains and losses			7,118	9,185
Loss on change in fair value of held-for-trading investments			(380)	–
Unallocated expenses			(16,874)	(40,494)
Finance costs			–	(15,002)
Impairment loss on property, plant and equipment			–	(8,216)
Gain on change in fair value of financial assets/ liabilities classified as derivative financial instrument			–	4,249
Profit (loss) before taxation			18,052	(129,872)

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

Segment result during the period represents the gross profit (loss) of each segment without allocation of gain on disposal of property, plant and equipment, changes in fair value of investment properties, exchange gain (loss), other income, gains and losses, unallocated expenses such as central administrative expenses, finance costs, impairment loss on property, plant and equipment, loss on change in fair value of held-for-trading investments and gain on change in fair value of financial assets/liabilities classified as derivative financial instrument. This is the measure reported to the Group's chief operating decision maker, 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 maker for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision maker.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
OTHER INCOME		
Interest income from loan receivables	5,630	–
Interest income on bank deposits	131	4,916
Rental income	1,336	1,532
Sundry income	21	2,737
	7,118	9,185
OTHER GAIN AND LOSSES		
Exchange gain (loss), net	282	(38,193)
Gain (loss) on disposal of property, plant and equipment	10,165	(1,544)
Loss on change in fair value of held-for-trading investments	(380)	–
Impairment loss on property, plant and equipment	–	(8,216)
Gain on change in fair value of financial assets/liabilities classified as derivative financial instrument	–	4,249
	10,067	(43,704)
TOTAL	17,185	(34,519)

6. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on:		
Bank loans and overdrafts	–	11,036
Bonds	–	3,966
	–	15,002

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For the six months ended 30 June 2017

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,536	3,045
Operating lease rental in respect of premises	2,396	3,142

8. INCOME TAX REFUND

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
The taxation comprises:		
Hong Kong profits tax:		
Overprovision in respect of prior years (<i>Note</i>)	(37)	–

Note: Hong Kong profits tax is calculated at 16.5% (2016:16.5%) on the estimated assessable profit for the period.

9. DIVIDENDS

No dividend has been proposed by the Directors during the six months ended 30 June 2016 and subsequent to the end of the reporting period.

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For the six months ended 30 June 2017

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings (loss)		
Profit (loss) attributable to owners of the Company	18,166	(129,872)

	Six months ended 30 June	
	2017 (‘000)	2016 (‘000) (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	17,004,050	8,339,698

The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2016 has been retrospectively adjusted to reflect the share-consolidation on 7 July 2016.

The computation of diluted earning per share for the six months ended 30 June 2017 does not assume the exercise of outstanding share options of the Company as the exercise price of those options is higher than the average market price for shares for the period in which the options were outstanding.

The computation of diluted loss per share for the six months ended 30 June 2016 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.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$9,740,000 (six months ended 30 June 2016: approximately HK\$1,124,000) and disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$6,263,000 (six months period ended 30 June 2016: certain equipment of HK\$2,064,000) which was settled in cash amounting to HK\$16,427,000 (six months ended 30 June 2016: HK\$520,000), and resulting in a gain on disposal of approximately HK\$10,165,000 (six months ended 30 June 2016: loss on disposal of approximately HK\$1,544,000).

During the six months ended 30 June 2016, an impairment loss of HK\$8,216,000 (six months period ended 30 June 2017: nil) was recognized in respect of obsolete productive machinery.

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For the six months ended 30 June 2017

12. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2017 and 31 December 2016 was approximately HK\$103,630,000 and HK\$93,630,000 respectively.

The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer which is not connected to the Group. The fair value of the investment properties was arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting increase in fair value of the investment properties of approximately HK\$10,000,000 has been recognised directly in profit or loss for the six months ended 30 June 2017 (six months ended 30 June 2016: decrease in fair value of approximately HK\$4,600,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Trade receivables (net of provision for discounts and rebates) (Note)	37,066	46,306
Deposit paid for purchase	5,366	11,904
Other deposits	1,123	1,405
Prepayments	773	1,026
	7,262	14,335
Total trade and other receivables	44,328	60,641

Note:

The balances included the long outstanding trade receivables of the customers (the "Customers") of approximately HK\$567.0 million, the Group undertook legal proceedings to enforce debt collection from the Customers. Final judgements were released by the High Court in Hong Kong in December 2016, ordering 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 and no settlements were received from the Customers after April 2016. As the result, the Group had made a total full provision for rebates and discounts of HK\$567.0 million during the year ended 31 December 2016 and 2015. As at 30 June 2017 and 31 December 2016, the net receivables due from the Customers were nil after offsetting the total provision for sales rebates and discounts.

The Group generally grants credit periods ranging from 30 days to 60 days to its customers. Before accepting any new customer, the Group will internally assess the potential customer's credit quality and define an appropriate credit limit. The management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

13. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period:

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Within 30 days	20,636	33,299
31 to 90 days	14,900	13,007
91 to 365 days	1,530	–
	37,066	46,306

14. LOAN RECEIVABLES

The amount as at 30 June 2017 represented a loan advanced to the independent third parties arising from the money lending business in Hong Kong. The amounts are denominated in Hong Kong dollars, unsecured, bear fixed interest rate at 15% per annum and repayable within one year from the dates of inception of loan agreements.

15. HELD-FOR-TRADING INVESTMENTS

The investments as at 30 June 2017 represent investments in listed equity securities in Hong Kong which present the Group with opportunity for return through dividend income and trading gain. The fair value of these securities at 30 June 2017 is based on bid prices quoted in active market.

16. OTHER PAYABLES

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Accrued expenses	476	6,361
Rental deposit	435	435
Deposit received	2,738	–
Payables for acquisition of office equipment	980	–
Others	786	514
	5,415	7,310

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For the six months ended 30 June 2017

17. SHARE CAPITAL

	<i>Notes</i>	Number of shares (thousands)	Nominal value HK\$'000
Ordinary shares			
Authorised:			
At 1 January 2016		50,000,000	50,000
Increase in authorised share capital	<i>(a)</i>	150,000,000	150,000
Share consolidation	<i>(b)</i>	(150,000,000)	–
At 31 December 2016 and 30 June 2017		50,000,000	200,000
Issued and fully paid:			
At 1 January 2016		20,016,200	20,016
Issue of new shares upon the subscription	<i>(c)</i>	31,200,000	31,200
Issue of new shares upon placing	<i>(d)</i>	8,800,000	8,800
Share consolidation	<i>(b)</i>	(45,012,150)	–
Issue of new shares upon placing	<i>(e)</i>	1,000,000	4,000
Issue of new shares upon placing	<i>(f)</i>	1,000,000	4,000
At 31 December 2016 and 30 June 2017		17,004,050	68,016

Notes:

- (a) 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.
- (b) 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.
- (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, with 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 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.
- (f) 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.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

18. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 June 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including 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 third parties for settlement in respect of goods or services provided to the Group.

As at 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 426,140,000 (31 December 2016: 426,140,000), representing 2.5% (31 December 2016: 2.5%) of the shares of the Company in issue at that date. 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 in 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 one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 1 November 2016, 160,040,000 options were granted at an exercise price of HK\$0.165. The estimated fair value of the options on grant date was HK\$6,545,000. During the six months ended 30 June 2017, no new options were granted.

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees and consultants during the period:

Type of participants	Date of grant	Exercisable period	Adjusted exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2017	Lapsed during the period	Outstanding as at 30 June 2017
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752*	8,333	(3,333)	5,000
	6 January 2015	6 January 2016 to 5 January 2018	HK\$0.752*	3,333	(3,333)	–
	6 January 2015	6 January 2017 to 5 January 2018	HK\$0.752*	3,334	(3,334)	–
	1 November 2016	1 November 2016 to 31 October 2019	HK\$0.165	53,347	–	53,347
		1 November 2017 to 31 October 2019	HK\$0.165	53,347	–	53,347
1 November 2018 to 31 October 2019	HK\$0.165	53,346	–	53,346		
Employees	6 January 2015	6 January 2016 to 5 January 2018	HK\$0.752*	550	(25)	525
	6 January 2015	6 January 2017 to 5 January 2018	HK\$0.752*	550	(25)	525
Consultants	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752*	250,000	–	250,000
				426,140	(10,050)	416,090

* The exercise price were adjusted for the effect of share sub-division on 26 May 2015 and share consolidation on 7 July 2016.

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

18. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

	6 January 2015	1 November 2016
Share price on grant date	HK\$0.752*	HK\$0.162
Exercise price	HK\$0.752*	HK\$0.165
Expected volatility	58.69%	37.24%
Expected life	3 years	3 years
Risk-free rate	0.92%	0.63%
Expected dividend yield	1.7%	0.00%
Early exercise multiple		
— Directors:	N/A	N/A
— Employees, consultants and service provider	2.2X	3.09X

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.

During the six months ended 30 June 2017, the Group recognized the total share-based payment expenses of approximately HK\$1,163,000 (six months ended 30 June 2016: HK\$500,000) in relation to share options granted by the Company, which were recorded in "administrative expenses".

19. CAPITAL COMMITMENTS

No capital expenditure of the Group was noted as at 30 June 2017 and 31 December 2016.

20. RELATED PARTY TRANSACTIONS

The Group had paid rental expenses to the related parties, while all the transactions were carried out based on terms agreed between the transaction parties:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental expense paid	126,000	486,000

21. SUBSEQUENT EVENTS

On 17 July 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement with the a project partner to form a joint venture by way of capital injection of RMB102 million (equivalent to approximately HK\$117.3 million) for the joint development of villas and a medical and health check centre at the site located in Lin An, Hangzhou, the PRC. For the details, please refer to the announcement of the Company dated 17 July 2017.