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 2017

The board (the "**Board**") of directors (the "**Directors**") of Qianhai Health Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Year**"), together with the comparative figures for the corresponding year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue, net of rebates and discounts	*2*	**197,062**	354,385
Costs of sales		**(188,141)**	(752,281)
Gross profit/(loss)		**8,921**	(397,896)
Other income	*4*	**18,327**	11,470
Other gains/(losses), net	*5*	**37,577**	(83,661)
Selling and distribution expenses		**(1,643)**	(4,244)
Administrative expenses		**(33,316)**	(60,266)
Finance costs		**(76)**	(29,890)
Operation profit/(loss)		**29,790**	(564,487)
Share of net profit of an associate accounted for using the equity method		**6,130**	–
Profit/(loss) before income tax		**35,920**	(564,487)
Income tax (expense)/credit	*6*	**(59)**	38,625
Profit/(loss) for the year		**35,861**	(525,862)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operation		**7,694**	27
Total comprehensive income/(loss) for the year		**43,555**	(525,835)

	Notes	**2017** **HK$'000**	2016 HK$'000
Profit/(loss) attributable to:			
– Owners of the Company		**35,861**	(525,710)
– Non-controlling interests		**–**	(152)
		35,861	(525,862)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**43,273**	(525,683)
– Non-controlling interests		**282**	(152)
		43,555	(525,835)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company:			
Basic and diluted earnings/(loss) per share	*8*	**0.21 cent**	(3.73) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**61,415**	74,034
Land use rights		**97,274**	–
Investment properties		**91,000**	93,630
Investment accounted for using the equity method	*9*	**43,300**	–
Prepayment	*10*	**12,000**	–
Total non-current assets		**304,989**	167,664
Current assets			
Inventories		**63,682**	166,394
Trade and other receivables	*10*	**27,069**	60,641
Loan and interest receivables	*11*	**149,200**	–
Financial assets at fair value through profit or loss		**8,030**	–
Cash and cash equivalents		**183,453**	244,523
		431,434	471,558
Assets classified as held for sale	*12*	**59,311**	–
Total current assets		**490,745**	471,558
Total assets		**795,734**	639,222
EQUITY			
Equity attributable to owners of the Company			
Share capital		**68,016**	68,016
Reserves		**597,487**	551,888
		665,503	619,904
Non-controlling interests		**7,200**	(3)
Total equity		**672,703**	619,901

	Notes	**2017** *HK$'000*	2016 *HK$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**159**	250
Deferred income tax liabilities		**8,124**	8,131
Total non-current liabilities		**8,283**	8,381
Current liabilities			
Trade and other payables	*13*	**97,631**	7,310
Obligations under finance leases		**91**	91
Bank borrowings		**15,032**	–
Current income tax liabilities		**1,817**	3,539
		114,571	10,940
Liabilities directly associated with assets classified as held for sale	*12*	**177**	–
Total current liabilities		**114,748**	10,940
Total liabilities		**123,031**	19,321
Total equity and liabilities		**795,734**	639,222

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group 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 the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss and investment properties, which are measured 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 and amended standards adopted by the Group

The Group has applied the following standards, amendments to standards and annual improvements for the first time for their annual reporting period commencing 1 January 2017:

Amendments to HKAS 7	Statement of cash flows
Amendments to HKAS 12	Income taxes
Annual improvements project	Annual improvements 2014-2016 cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) New standards, amendments to standards and interpretations not yet adopted

		Effective for accounting periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	Effective date to be determined
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 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfer of investment property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of HKFRS 9, HKFRS 15 and HKFRS 16 is set out below.

HKFRS 9 "Financial Instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

The financial assets held by the Group include equity investments currently measured at fair value through profit or loss ("FVPL") which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 "Revenue from Contracts with Customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management has performed a preliminary assessment and expect that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirements under HKFRS 15 upon its adoption.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$11,009,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards, amendments to standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**194,308**	594,004
Reversal of/(provision for) rebates and discounts *(Note)*	**2,754**	(239,619)
Revenue, net of rebates and discounts	**197,062**	354,385

Note:

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 2016, the directors of the Company 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 light of the requests from the Customers and the developments in the year ended 31 December 2016, the board of directors considered whether the amounts recognised as revenue from sales of ginseng to the Customers should be further adjusted to take into account the possible rebates and discounts. In making the judgement, the directors of the Company reconsidered the requirements set out in HKAS 18 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 of the Company made a 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 January to February 2016 and for the year end 31 December 2015, respectively. As at 31 December 2016, the net trade receivables due from the Customers became nil after offsetting the total provision for rebates and discounts of HK$567,037,000.

In the opinion of the board of directors, the provision for rebates and discounts represented the board of directors' 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 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, an estimate of the potential timing of these payments and the likelihood that the customers will agree with alternative settlement plans should they become contactable, taking into account the Group's current circumstances.

During the year ended 31 December 2017, trade receivable of HK$2,754,000 has been recovered from one of the Customers and the respective provision for the rebates and discounts has been reversed accordingly, while the remaining outstanding balances remained uncollectible. As a result, trade receivable of HK$564,283,000 were written off during the year ended 31 December 2017.

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 of the Company, 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 following is an analysis of the Group's revenue, net of rebates and discounts and results by segment:

	Cultivated ginseng HK$'000	Wild ginseng HK$'000	Ginseng wine HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2017					
Segment revenue	**131,119**	**57,002**	**8,356**	**585**	**197,062**
Cost of sales	**(122,793)**	**(59,238)**	**(6,110)**	**–**	**(188,141)**
Segment result	**8,326**	**(2,236)**	**2,246**	**585**	**8,921**
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

	2017 HK$'000	2016 HK$'000
Segment result	**8,921**	(397,896)
Unallocated		
Other income	**18,327**	11,470
Other gains/(losses), net	**37,577**	(83,661)
Selling and distribution expenses	**(1,643)**	(4,244)
Administrative expenses	**(33,316)**	(60,266)
Finance costs	**(76)**	(29,890)
Share of net profit of an associate accounted for using the equity method	**6,130**	–
Profit/(loss) before income tax	**35,920**	(564,487)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2016 and 2017.

Segment result during the year represents the gross profit/(loss) of each segment without allocation of other income, other gains/(losses), net, selling and distribution expenses, administrative expenses, finance costs and share of net profit of an associate accounted for using the equity method. 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.

The Group's non-current assets other than financial instruments by geographical locations, which are determined by the geographical locations in which the asset is located, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
The People's Republic of China (the "**PRC**")	**199,762**	–
Hong Kong	**105,227**	167,664
	304,989	167,664

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income from bank deposits	**3**	8,328
Interest income from loan receivables	**15,425**	–
Rental income	**2,649**	2,963
Sundry income	**250**	179
	18,327	11,470

5. OTHER GAINS/(LOSSES), NET

	2017	2016
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**29,877**	101
Change in fair value of investment properties	**15,499**	(11,374)
Gain on disposal of a subsidiary	**–**	475
Gain on dissolution of subsidiaries	**84**	–
Exchange gain/(loss), net	**18**	(59,653)
Loss on disposal of financial assets at fair value through profit or loss	**–**	(311)
Change in fair value of financial assets at fair value through profit or loss	**(8,024)**	–
Realised gain on change in fair value of derivative financial instruments, net	**–**	4,249
Reversal of/(provision for) investment project deposit	**123**	(15,962)
Others	**–**	(1,186)
	37,577	(83,661)

6. INCOME TAX (EXPENSE)/CREDIT

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current income tax	**(65)**	(221)
Over – provision in respect of prior years	**90**	38,832
	25	38,611
Deferred tax (charges)/credit	**(84)**	14
Income tax (expenses)/credit	**(59)**	38,625

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

7. DIVIDEND

The directors of the Company proposed the payment of a final dividend of HK$0.1 cent per share amounting to approximately HK$17,004,000 in aggregate in respect of the year ended 31 December 2017 (2016: Nil), which is subject to approval of the shareholders at the forthcoming annual general meeting.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) attributable to owners of the Company	**35,861**	(525,710)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (thousands)	**17,004,050**	14,094,592
Basic earnings/(loss) per share	**0.21 cent**	(3.73) cents

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

(b) Diluted

Diluted earnings/(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 earnings/(loss) per share.

Diluted earnings/(loss) per share is of the same amount as the basic earnings/(loss) per share for both years ended 31 December 2016 and 2017 because the exercise of the outstanding share options would be anti-dilutive.

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Set out below is the associate of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The associate has share capital consisting solely of paid-up capital, which is held directly by the Group. The country of establishment is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of establishment	Proportion of ownership interest held by the Company		Principal activities	Measurement method	Carrying amount	
		2017	2016			**2017**	2016
		%	%			***HK$'000***	*HK$'000*
浙江滙尊網絡科技有限公司	PRC	**49**	–	Provision for information technology service	Equity method	**43,300**	–

10. PREPAYMENT AND TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**16,432**	613,343
Less: provision for rebates and discounts	**–**	(567,037)
	16,432	46,306
Amount due from an investment accounted for using the equity method	**2,316**	–
Prepayment paid for acquisition of land use rights	**12,000**	–
Prepayment paid for inventory purchase	**6,220**	11,904
Other prepayments	**1,414**	1,026
Deposits	**545**	1,405
Value-added tax recoverable	**76**	–
Others	**66**	–
	22,637	14,335
Total trade and other receivables	**39,069**	60,641
Less: Non-current prepayment	**(12,000)**	–
Current portion	**27,069**	60,641

The Group generally grants credit periods ranging from 30 days to 60 days to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

The following is an aging analysis of trade receivables (net of provision for rebates and discounts) based on the invoice date at the end of each reporting period:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**–**	33,299
31 to 90 days	**7,383**	13,007
91 to 180 days	**9,049**	–
	16,432	46,306

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**5,815**	–
31 to 90 days	**4,049**	4,030
91 to 180 days	**5,000**	–
	14,864	4,030

Included in the Group's trade receivable balance as at 31 December 2017 are debtors with aggregate carrying amount of HK$14,864,000 (2016: HK$4,030,000), which are past due at the reporting date but not assessed as individually impaired as these receivables are due from certain customers of which the Group had either good trading relationship or with subsequent settlement. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with satisfactory settlement history. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2016 and 2017.

11. LOAN AND INTEREST RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Loan receivables	**143,000**	–
Interest receivables	**6,200**	–
	149,200	–

The Group's loan and interest receivables, arising from the money lending activities, are denominated in Hong Kong dollars.

The loan receivables of HK$143,000,000 (2016: Nil) are unsecured, bearing a fixed interest rate at 15% per annum and are repayable within one year from the dates of inception of the loans. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables mentioned above.

As at 31 December 2017, none of loan and interest receivables were neither past due or impaired.

12. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 26 September 2017, the Group entered into provisional sales and purchase agreements with certain third parties for disposal of shares in two subsidiaries (the “Disposals). The Disposals were completed on 19 January 2018. Assets and liabilities of the two subsidiaries (“Disposal group”) were classified as held for sale as at 31 December 2017.

The following assets and liabilities were reclassified as held for sale as at 31 December 2017:

	2017
	HK$’000
Assets classified as held for sale	
Property, plant and equipment	**43,515**
Investment properties	**15,168**
Other receivables	**603**
Current income tax recoverable	**25**
Total assets of the Disposal group held for sale	**59,311**
Liabilities directly associated with assets classified as held for sale	
Other payables	**86**
Deferred income tax liabilities	**91**
Total liabilities of the Disposal group held for sale	**177**

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**36,117**	–
Deposit received from a customer	**9,862**	–
Other payables		
– Payables for constructions work	**41,008**	–
– Payables for property, plant and equipment	**2,316**	–
– Accrued expenses	**7,888**	6,361
– Rental deposit	**320**	435
– Others	**120**	514
	61,514	7,310
Total trade and other payables	**97,631**	7,310

The Group normally receives credit terms of 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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**36,117**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

American ginseng business

The Group is principally engaged in sourcing of American ginseng from Canada and selling the American ginseng in Hong Kong.

During the Year, the trading of American ginseng business remained competitive. The average wholesale price of American ginseng decreased in 2017 when compared to the same of the 2016. The Group was able to keep tight control of its operations and focused on enhancing operation efficiency, and generated a gross profit of approximately HK$8.9 million in 2017, when compared to that of the gross loss of approximately HK$397.9 million in 2016.

The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

Lin An Project

During the Year, the Group is in the process of undergoing business transformation and has commenced the business in various PRC projects. The Directors are of the view that the cultural tourism, healthcare and elderly care sectors will gradually become the trend. The Group has commenced the business in joint development of a land parcel in Lin An city, Hangzhou Province in China (the "**Lin An Project**"), with a total gross floor area of approximately 90,000 square metres. The project including development of high-end hot spring residential resorts and a medical and health care centre, which offers beautiful and comfortable living environment and supported by healthcare concept to the customers. The project has been under development in 2017 and is expected to be completed in 2019.

The Group is optimistic about the prospects of the real estate market in PRC and it is expected that the Lin An Project will be able to generate ongoing economic benefits.

Investment in an associate

The Group holds 49% equity interest of 浙江滙尊網絡科技有限公司 ("**HJIT**"), which is an information technology problem solving service provider. It is committed to developing internet technology and establishing a technology platform to provide industry partners with technical capabilities such as big data, cloud computing, artificial intelligence and data analysis, as well as service capabilities such as operational, quality control and customer service capabilities to the small to medium size companies.

HJIT was newly set up in 2017, and has reported a net profit for the year ended 31 December 2017. With the popularity of the internet in the PRC, the demand in internet in the PRC has continued to grow rapidly in the recent years, which means there is still huge potential for its development.

FUTURE PROSPECTS

The Group has always been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. Meanwhile, the Group has been actively exploring various healthcare related projects, including hospitals, health check centers and senior housing in the PRC in order to develop a healthcare services network to capture China's fast-growing healthcare space.

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.

FINANCIAL REVIEW

Revenue and gross profit

During the Year, the Group's revenue mainly generated from sourcing and trading of the American ginseng, and the total revenue (net of rebates and discounts) amounted to approximately HK$197.1 million, representing a decrease of approximately 44.4% compared with the same of the last year.

	2017		2016	
	Revenue	**% of total**	Revenue	% of total
	HK$'000		*HK$'000*	
Cultivated ginseng	**131,119**	**66.5%**	220,408	62.2%
Wild ginseng	**57,002**	**28.9%**	125,729	35.5%
Ginseng wine	**8,356**	**4.2%**	6,583	1.8%
Others	**585**	**0.4%**	1,665	0.5%
TOTAL	**197,062**	**100%**	354,385	100%

During the Year, the Group's revenue (net of rebates and discounts) generated from American ginseng (including both cultivated and wild ginseng) amounted to approximately HK$188.1 million, representing a decrease of approximately 45.7% compared with the same of last year. With the American ginseng business remains competitive, the average wholesale price of American ginseng decreased and the Group tightened the trading volume of American ginseng in 2017.

The Group's gross profit amounted to approximately HK$8.9 million, as compared to the gross loss of approximately HK$397.9 million in the prior year. The turnaround was mainly due to a provision of the rebates and discounts, which net off the revenue, of approximately HK$239.6 million was recognised in the year of 2016, while a reversal of rebates and discounts of approximately HK$2.8 million was recognised in 2017; and decrease in inventory write down, which included in the costs of sales, of approximately HK$5.9 million in 2017, when compared with that of approximately HK$96.5 million in 2016.

OTHER INCOME

The Group's other income mainly represented the interest income derived from the money lending activities of approximately HK$15.4 million during the Year. (2016: nil).

OTHER GAINS/(LOSSES), NET

The Group recorded other net gains of approximately HK$37.6 million in 2017, while the Group recorded other net losses of approximately HK$83.7 million for the year of 2016. The turnaround was mainly due to recognition of (i) an exchange gain of approximately HK$0.02 million in 2017, as compared to an exchange loss of approximately HK$59.7 million in 2016; (ii) a gain on changes in fair value of the investment properties of approximately HK$15.5 million in the year of 2017, as compared to a loss on changes in fair value of approximately HK$11.4 million in 2016; and (iii) a gain on disposal of property, plant and equipment of approximately HK$29.9 million in 2017, as compared to that of the approximately HK$0.1 million in 2016.

INVENTORIES

The Group's inventories as at 31 December 2017 was approximately HK$63.7 million (2016: HK$166.4 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower of selling price of the American ginseng, a provision of inventories of approximately HK$5.9 million (2016: approximately HK$96.5 million) has been recognised for the year ended 31 December 2017, after re-assessing the net realizable value of the inventories. The Group considered that the making of provision for inventories can more accurately reflect the financial position of the Group.

TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2017 decreased to approximately HK$16.4 million from approximately HK$46.3 million as at 31 December 2016.

As at the date of this announcement, all outstanding trade receivables as at 31 December 2017 were received subsequently.

In 2016, the Group undertook certain legal proceedings to enforce debt collection from certain major customers (the "**Customers**") with the trade receivables of approximately HK$567.0 million. The final judgments were released by the High Court in Hong Kong and ordered the Customers to repay the outstanding balances, together with accrued interests thereto, to the Group. Despite the court's verdict and the Group's continued efforts in enforcing settlement, the Customers did not respond to the court order. Hence, the Group made a full provision for rebates and discounts regarding the outstanding balances. In 2017, only approximately HK$2.8 million has been recovered from one of the Customers and the respective provision for rebates and discounts has been reversed accordingly, while the remaining outstanding balances remained uncollectible. As a result, approximately HK$564.2 million of trade receivables in total were written off during the Year.

The management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. The management will continue to make its best endeavour to negotiate with its customers to collect the trade receivables.

LOAN RECEIVABLES

The loan receivables derived from the money lending activities of an indirect wholly-owned subsidiary of the Company, which is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The loan receivables of approximately HK$143.0 million (2016: Nil) are unsecured, bearing a fixed interest rate at 15% per annum and are repayable within one year from the respective dates of inception of the loans. As at the date of this announcement, approximately HK$123.0 million of the outstanding balances were due and received subsequently.

FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the purchases of cultivated ginseng are mainly made in Canadian dollars ("**CAD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Year, the Group incurred a gain of foreign exchange differences amounted to approximately HK$0.02 million (2016: a loss of foreign exchange differences amounted to approximately HK$59.7 million). 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

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company. This treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately HK$183.5 million (2016: approximately HK$244.5 million), and the Group's net current assets were approximately HK$376.0 million (2016: approximately HK$460.6 million).

The gearing ratio of the Group as at 31 December 2017, calculated as bank borrowing divided by total equity, was approximately 2.3% (2016: 0%).

CHARGE OF ASSETS

Certain borrowings were secured by the Group's investment properties having a carrying value of approximately HK$91.0 million during the Year. (2016: no assets were charged).

CAPITAL COMMITMENT

The capital commitment of the Group was approximately HK$55.3 million (2016: nil), which was mainly used for the constructions and acquisitions of property, plant and equipment of the Lin An Project.

CONTINGENT LIABILITIES

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

DIVIDEND

At the Board meeting held on 28 March 2018, the Directors proposed a final dividend of HK0.1 cent per share, amounting to approximately HK$17,004,000 for the year ended 31 December 2017 (2016: nil). The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meetings of the Company to be held on 29 May 2018 (the "**AGM**"), the proposed dividends will be payable on or about Wednesday, 27 June 2018 to the shareholders of the Company whose names are registered on the register of member of the Company (the "**Register of Members**") on Wednesday, 6 June 2018. The dividends have not yet been recognised in the liabilities in the financial statements for the Year.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the AGM, the Register of Members will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, 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 Wednesday, 23 May 2018.

For determining the entitlement to the proposed final dividend (if approved at the AGM), the Register of Members will be closed from Monday, 4 June 2018 to Wednesday, 6 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, 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 Friday, 1 June 2018.

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 2017, the Group had 28 full-time employees (including Directors).

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

During the Year, 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, 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 Rules Governing (the "**Listing Rules**") the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except in relation to CG Code provision A.2.1, 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 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.

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 annual general meeting held on 13 June 2017.

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 13 June 2017 due to other important business engagement. The Chairman will endeavour 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 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 after 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 with management 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 with the Directors.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement 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.

PUBLICATION OF THE ANNUAL RESULTS AND 2017 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 2017 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 2018

As at the date of this announcement, the executive Directors are Mr. George Lu 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.