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## **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 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Qianhai Health Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 (“the **Year**”), together with the comparative figures for the corresponding year ended 31 December 2017 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2018*

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		<b>78,047</b>	197,062
Cost of sales	6	<b>(75,044)</b>	(182,194)
<b>Gross profit</b>		<b>3,003</b>	14,868
Other income	4	<b>23,277</b>	18,327
Other (losses)/gains, net	5	<b>(5,241)</b>	31,630
Selling and distribution expenses	6	<b>(3,678)</b>	(1,643)
Administrative expenses	6	<b>(30,961)</b>	(33,316)
Finance costs	7	<b>(233)</b>	(76)
Operation (loss)/profit		<b>(13,833)</b>	29,790
Share of profit of an associate accounted for using the equity method		<b>8,830</b>	6,130
Share of loss of a joint venture accounted for using the equity method		<b>(13)</b>	–
(Loss)/profit before income tax		<b>(5,016)</b>	35,920
Income tax credit/(expense)	8	<b>10,049</b>	(59)
<b>Profit for the year</b>		<b>5,033</b>	35,861

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations, net of nil tax		(14,372)	7,694
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax		<u>541</u>	<u>–</u>
<b>Other comprehensive (loss)/income for the year</b>		<b><u>(13,831)</u></b>	<b><u>7,694</u></b>
<b>Total comprehensive (loss)/income for the year</b>		<b><u>(8,798)</u></b>	<b><u>43,555</u></b>
Profit for the year attributable to:			
– Owners of the Company		5,071	35,861
– Non-controlling interests		<u>(38)</u>	<u>–</u>
		<b><u>5,033</u></b>	<b><u>35,861</u></b>
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		(7,440)	43,273
– Non-controlling interests		<u>(1,358)</u>	<u>282</u>
		<b><u>(8,798)</u></b>	<b><u>43,555</u></b>
		<b>HK cents</b>	HK cents (restated)
<b>Earnings per share</b>			
Basic and diluted	<i>10</i>	<b><u>0.30</u></b>	<b><u>2.11</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,017</b>	61,415
Land use rights		–	97,274
Investment properties	<i>11</i>	<b>92,500</b>	91,000
Interests in an associate		–	43,300
Interests in a joint venture		<b>115,823</b>	–
Loan to a joint venture		<b>33,900</b>	–
Prepayment		–	12,000
<b>Total non-current assets</b>		<b>246,240</b>	304,989
<b>Current assets</b>			
Inventories		<b>41,131</b>	63,682
Trade and other receivables	<i>12</i>	<b>75,901</b>	27,069
Loan and interest receivables	<i>13</i>	<b>183,666</b>	149,200
Financial assets at fair value through profit or loss	<i>14</i>	<b>7,290</b>	8,030
Cash and cash equivalents		<b>138,304</b>	183,453
		<b>446,292</b>	431,434
Assets classified as held for sale		–	59,311
<b>Total current assets</b>		<b>446,292</b>	490,745
<b>Total assets</b>		<b>692,532</b>	795,734
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>17</i>	<b>67,710</b>	68,016
Reserves		<b>567,847</b>	597,487
		<b>635,557</b>	665,503
Non-controlling interests		–	7,200
<b>Total equity</b>		<b>635,557</b>	672,703

	<i>Notes</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>68</b>	159
Deferred income tax liabilities		–	8,124
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>68</b>	8,283
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>49,816</b>	97,631
Contract liabilities		<b>7,000</b>	–
Obligations under finance leases		<b>91</b>	91
Bank borrowings	<i>16</i>	–	15,032
Current income tax liabilities		–	1,817
		<hr/>	<hr/>
		<b>56,907</b>	114,571
Liabilities directly associated with assets classified as held for sale		–	177
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>56,907</b>	114,748
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>56,975</b>	123,031
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>692,532</b>	795,734
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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained profits/ (accumulated deficits) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2018</b>	<b>68,016</b>	<b>1,523,446</b>	<b>8,249</b>	<b>7,812</b>	<b>72,476</b>	<b>(1,014,496)</b>	<b>665,503</b>	<b>7,200</b>	<b>672,703</b>
Comprehensive income									
Profit for the year	-	-	-	-	-	5,071	5,071	(38)	5,033
Other comprehensive income for the year									
Exchange differences arising from translation of foreign operations, net of nil tax	-	-	-	(13,052)	-	-	(13,052)	(1,320)	(14,372)
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	-	-	-	541	-	-	541	-	541
Other comprehensive loss for the year	-	-	-	(12,511)	-	-	(12,511)	(1,320)	(13,831)
Total comprehensive loss for the year	-	-	-	(12,511)	-	5,071	(7,440)	(1,358)	(8,798)
<b>Transactions with owners in their capacity as owners</b>									
Repurchase of shares	(306)	(5,196)	-	-	-	-	(5,502)	-	(5,502)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	12,200	12,200
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	(18,042)	(18,042)
Dividend declared and paid (Note 9)	-	-	-	-	-	(17,004)	(17,004)	-	(17,004)
Transfer between reserves	-	(1,518,250)	-	-	-	1,518,250	-	-	-
Lapse of share options	-	-	-	-	(72,476)	72,476	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	<b>(306)</b>	<b>(1,523,446)</b>	<b>-</b>	<b>-</b>	<b>(72,476)</b>	<b>1,573,722</b>	<b>(22,506)</b>	<b>(5,842)</b>	<b>(28,348)</b>
<b>At 31 December 2018</b>	<b>67,710</b>	<b>-</b>	<b>8,249</b>	<b>(4,699)</b>	<b>-</b>	<b>564,297</b>	<b>635,557</b>	<b>-</b>	<b>635,557</b>

*For the year ended 31 December 2017*

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Share option reserve	Accumulated deficits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>At 1 January 2017</b>	<u>68,016</u>	<u>1,523,446</u>	<u>8,249</u>	<u>400</u>	<u>71,999</u>	<u>(1,052,206)</u>	<u>619,904</u>	<u>(3)</u>	<u>619,901</u>
Comprehensive income									
Profit for the year	-	-	-	-	-	35,861	35,861	-	35,861
Other comprehensive income for the year									
Exchange differences arising from translation of foreign operations, net of nil tax	-	-	-	7,412	-	-	7,412	282	7,694
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,412</u>	<u>-</u>	<u>35,861</u>	<u>43,273</u>	<u>282</u>	<u>43,555</u>
<b>Transactions with owners in their capacity as owners</b>									
Derecognition of non-controlling interests on dissolution of a subsidiary	-	-	-	-	-	-	-	3	3
Capital injection from non-controlling interests	-	-	-	-	-	-	-	6,918	6,918
Recognition of equity-settled share-based payments	-	-	-	-	2,326	-	2,326	-	2,326
Lapse of share options	-	-	-	-	(1,849)	1,849	-	-	-
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477</u>	<u>1,849</u>	<u>2,326</u>	<u>6,921</u>	<u>9,247</u>
<b>At 31 December 2017</b>	<u><u>68,016</u></u>	<u><u>1,523,446</u></u>	<u><u>8,249</u></u>	<u><u>7,812</u></u>	<u><u>72,476</u></u>	<u><u>(1,014,496)</u></u>	<u><u>665,503</u></u>	<u><u>7,200</u></u>	<u><u>672,703</u></u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2018*

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
(Loss)/profit before income tax	<b>(5,016)</b>	35,920
Adjustments for:		
Depreciation of property, plant and equipment	<b>1,867</b>	3,169
Interest expense	<b>233</b>	76
Changes in fair value of investment properties	<b>(1,500)</b>	(15,499)
Gain on disposal of property, plant and equipment	<b>(6,685)</b>	(29,877)
Interest income	<b>(22,587)</b>	(15,428)
Share-based payments	<b>–</b>	2,326
Change in fair value of financial assets at fair value through profit or loss	<b>3,388</b>	8,024
Reversal of rebates and discounts	<b>–</b>	(2,754)
Reversal of investment project deposit	<b>–</b>	(123)
Gain on disposal of a subsidiaries	<b>(3,722)</b>	–
Gain on deemed disposal of a subsidiary	<b>(616)</b>	–
Gain on dissolution of subsidiaries	<b>–</b>	(84)
Realised loss on disposal of financial assets at fair value through profit or loss	<b>1,203</b>	–
Share of profit of an associate accounted for using the equity method	<b>(8,830)</b>	(6,130)
Share of loss of a joint venture accounted for using the equity method	<b>13</b>	–
Provision for inventory write-down	<b>15,027</b>	5,947
Operating cash outflows before changes in working capital	<b>(27,255)</b>	(14,433)
(Increase)/decrease in trade and other receivables	<b>(11,456)</b>	38,065
Decrease in inventories	<b>7,524</b>	96,765
Increase in trade and other payables	<b>3,187</b>	46,735
Decrease in contract liabilities	<b>(2,862)</b>	–
<b>Cash (used in)/generated from operations</b>	<b>(30,832)</b>	167,132
Hong Kong profits tax refunded/(paid), net	<b>108</b>	(1,722)
Net cash (used in)/generated from operating activities	<b>(30,724)</b>	165,410

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Cash flows from investing activities</b>		
Interest received from banks	433	3
Interest received from a joint venture	171	–
Interest received from loan receivables	15,017	9,225
Purchases of property, plant and equipment	(28,505)	(6,235)
Purchases of land use rights	–	(104,619)
Purchases of financial assets at fair value through profit or loss	(10,099)	(16,054)
Capital injection to an associate accounted for using the equity method	–	(34,740)
Loans to third parties	(150,500)	(143,000)
Repayments from third parties	123,000	–
Proceeds from disposal of property, plant and equipment	20,145	43,540
Proceeds from disposal of investment properties	–	2,961
Proceeds from disposal of financial assets at fair value through profit or loss	6,248	–
Deposit refunded from a proposed acquisition	–	123
Net cash inflow on disposal of subsidiaries	72,500	–
Net cash outflow on deemed disposal of a subsidiary	(35,622)	–
Net cash generated from /(used in) investing activities	<u>12,788</u>	<u>(248,796)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(309)	–
Proceeds from bank borrowings	–	15,032
Repayments of bank borrowings	(15,032)	–
Repayments of obligations under finance leases	(91)	(91)
Capital injection from non-controlling interests	12,200	6,918
Share repurchased	(5,502)	–
Dividends paid	(17,004)	–
Net cash (used in)/generated from financing activities	<u>(25,738)</u>	<u>21,859</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(43,674)</b>	<b>(61,527)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>183,453</b>	<b>244,523</b>
<b>Effect of change of foreign exchange rate</b>	<u>(1,475)</u>	<u>457</u>
<b>Cash and cash equivalents at end of the year</b>	<u><b>138,304</b></u>	<u><b>183,453</b></u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

Qianhai Health Holdings Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) are principally engaged in sale of health products which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. Following the change of controlling shareholder of the Company on 1 February 2019, the Company’s immediate and ultimate holding company is Explorer Rosy Limited (“**Explorer Rosy**”), a company incorporated in the British Virgin Islands. The ultimate beneficial owners of Explorer Rosy are Mr. Huang Guanchao and Mr. Lim Tzea. The address of the Company’s registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301-3, 3/F, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board on 29 March 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

### **Basis of preparation**

#### *(a) Compliance with HKFRS and HKCO*

The consolidated financial statements of the Company have been prepared in accordance with 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.

**(b) Historical cost convention**

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.

**(c) 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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 40	Transfer to Investment Property
Annual Improvements Project	Annual Improvements 2014-2016 cycle
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2018 and have not been early adopted by the Group are as follows:

<b>Standards</b>	<b>Key requirements</b>	<b>Effective for accounting periods beginning on or after</b>
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS	Annual Improvement to HKFRS 2015- 2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

Revenue represents the sale value of health products supplied to customers which is recognised at point in time.

For management purposes, the Group has only one reportable operating segment which is sales of health products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

#### 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 is determined by the geographical locations in which the asset is located, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Non-current assets</b>		
The People's Republic of China (the "PRC")	119,566	199,762
Hong Kong	92,774	105,227
	<u>212,340</u>	<u>304,989</u>

### 4. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income from bank deposits	433	3
Interest income from loan receivables	21,983	15,425
Interest income from a joint venture	171	–
Rental income	666	2,649
Sundry income	24	250
	<u>23,277</u>	<u>18,327</u>

## 5. OTHER (LOSSES)/GAINS, NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	6,685	29,877
Fair value gain of investment properties	1,500	15,499
Gain on disposal of subsidiaries	3,722	–
Gain on deemed disposal of a subsidiary	616	–
Gain on dissolution of subsidiaries	–	84
Exchange gain, net	1,854	18
Realised loss on disposal of financial assets at fair value through profit or loss	(1,203)	–
Fair value loss of financial assets at fair value through profit or loss	(3,388)	(8,024)
Reversal of investment project deposit	–	123
Inventory write down	(15,027)	(5,947)
	<u>(5,241)</u>	<u>31,630</u>

## 6. EXPENSE BY NATURE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	880	2,080
– Non-audit services	–	20
Cost of inventories sold	75,044	182,194
Employee benefit expense	11,525	17,136
Depreciation of property, plant and equipment	1,867	3,169
Operating lease payments in respect of rented premises	5,834	2,547
Transportation expenses	418	516
Legal and professional fee	1,867	3,079
Insurance expense	534	437
Office expense	4,738	1,682
Consultancy fee	1,200	1,200
Others	5,776	3,093
	<u>109,683</u>	<u>217,153</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>109,683</u>	<u>217,153</u>

## 7. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest expense on:		
– Bank loans and overdrafts	<u>233</u>	<u>76</u>

## 8. INCOME TAX CREDIT/(EXPENSE)

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong profits tax		
Current income tax	–	(65)
Over – provision in respect of prior years	<u>1,925</u>	<u>90</u>
	<u>1,925</u>	<u>25</u>
Deferred tax credit/(charge)	<u>8,124</u>	<u>(84)</u>
Income tax credit/(expense)	<u>10,049</u>	<u>(59)</u>

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

## 9. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Final dividend to equity shareholders of the Company in respect of the previous financial year, approved and paid during the year, of HK\$1 cent per share* (2017: Nil)	<u>17,004</u>	<u>–</u>

\* *adjusted as a result of the Share Consolidation*

No dividend has been proposed for ordinary shareholders of the Company since the end of the reporting periods.

## 10. EARNINGS PER SHARE

### (a) Basic

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u>5,071</u>	<u>35,861</u>
Weighted average number of ordinary shares for the purpose of basic profit per share (thousands)	<u>1,697,052</u>	<u>17,004,050</u>

### (b) Diluted

Diluted earnings per share is the same amount as the basic earnings per share for the years ended 31 December 2018 and 2017 because the exercise of the outstanding share options would be anti-dilutive.

## 11. INVESTMENT PROPERTIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At fair value		
At 1 January	91,000	93,630
Disposal	–	(2,961)
Change in fair value	1,500	15,499
Transfer to assets classified as held for sale	<u>–</u>	<u>(15,168)</u>
At 31 December	<u>92,500</u>	<u>91,000</u>

The Group's investment property as at 31 December 2018 and 2017 has been pledged to secure the banking facilities.

## 12. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	28,392	16,432
Amount due from an associate	–	2,316
Loan to a joint venture	33,900	–
Consideration receivables in relation to disposal of subsidiaries	40,000	–
Prepayment for acquisition of land use rights	–	12,000
Prepayment for inventory purchase	6,000	6,220
Other prepayments	916	1,414
Deposits	527	545
Value-added tax recoverable	–	76
Others	66	66
	<u>81,409</u>	<u>22,637</u>
Total trade and other receivables	109,801	39,069
Less: Non-current loan/prepayment	<u>(33,900)</u>	<u>(12,000)</u>
Current portion	<u><u>75,901</u></u>	<u><u>27,069</u></u>

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 based on the invoice date at the end of each reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	2,634	–
31 to 90 days	19,226	7,383
91 to 180 days	–	9,049
181 to 365 days	6,532	–
	<u><u>28,392</u></u>	<u><u>16,432</u></u>

### 13. LOAN AND INTEREST RECEIVABLES

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loan receivables	<b>170,500</b>	143,000
Interest receivables	<b>13,166</b>	6,200
	<b><u>183,666</u></b>	<u>149,200</u>

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

The loan receivables are bearing a fixed interest rate at ranging from 0.7% to 18% (2017: 15%) per annum, and are repayable within half year or one year from the dates of inception of the loans. All the interests of loans are payable in every 6 months in arrears or at the expiry date of principal repayment.

As at 31 December 2018, all the loan receivables were secured by certain of listed and unlisted shares held by the borrowers (2017: unsecured).

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represent investments in equity securities listed in Hong Kong, which all are held for trading.

Fair value loss resulting from the change in fair value of approximately HK\$3,388,000 (2017: HK\$8,024,000) and realised loss on disposal of approximately HK\$1,203,000 (2017: Nil) of financial assets at fair value through profit or loss was recognised in other (losses)/gains, net in profit or loss during the year.



## 15. TRADE AND OTHER PAYABLES

	<b>31 December 2018 HK\$'000</b>	1 January 2018 HK\$'000	31 December 2017 HK\$'000
Trade payables	<u>43,603</u>	<u>36,117</u>	<u>36,117</u>
Receipts in advance from customer	–	–	9,862
Other payables			
– Payables for construction works	–	41,008	41,008
– Payables for property, plant and equipment	–	2,316	2,316
– Accrued expenses	<b>6,113</b>	7,888	7,888
– Rental deposit	–	320	320
– Others	<b>100</b>	120	120
	<u><b>6,213</b></u>	<u>51,652</u>	<u>61,514</u>
Total trade and other payables	<u><b>49,816</b></u>	<u>87,769</u>	<u>97,631</u>

As a result of adoption of HKFRS 15, using the cumulative effect transition, receipts in advance from customers have been presented separately as contract liabilities and opening balance at 1 January 2018 has been adjusted accordingly.

The Group normally receives credit terms of 90 to 150 days from its suppliers. All of the trade payables as at 31 December 2018 and 2017, based on invoice date, were due within 30 days.

## 16. BANK BORROWINGS

Bank borrowings of approximately HK\$15,032,000 as at 31 December 2017 were related to import invoice financing loans which were interest-bearing at LIBOR plus 2.75% and secured by the Group's investment properties. All of the Group's bank borrowings were settled during the year.

## 17. SHARE CAPITAL

	<b>Number of shares (thousands)</b>	<b>Nominal value HK\$'000</b>
Ordinary shares		
Authorised:		
At 1 January 2017, 31 December 2017 and 1 January 2018	50,000,000	200,000
Share consolidation	<u>(45,000,000)</u>	<u>–</u>
At 31 December 2018	<u><u>5,000,000</u></u>	<u><u>200,000</u></u>
	<b>Number of shares (thousands)</b>	<b>Share capital HK\$'000</b>
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 1 January 2018	17,004,050	68,016
Shares repurchased in April and May 2018	(33,480)	(134)
Shares repurchased in June 2018	(27,440)	(110)
Share consolidation	(15,248,817)	–
Shares repurchased in September and October 2018	<u>(1,553)</u>	<u>(62)</u>
At 31 December 2018	<u><u>1,692,760</u></u>	<u><u>67,710</u></u>

## 18. CAPITAL COMMITMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the construction and acquisition of property, plant and equipment	<u>          –          </u>	<u>          55,320          </u>

As at 31 December 2017, all capital commitments were derived from operations of joint venture. Following the deemed disposal of joint venture, all the related capital commitments are regarded as the capital commitments of a joint venture of the Group. As at 31 December 2018, share of the capital commitments of the Group's joint venture, which were contracted for but not provided regarding construction and acquisition of property, plant and equipment, amounted to approximately HK\$32,620,000.

## 19. EVENT AFTER REPORTING PERIOD

On 24 January 2019, Explorer Rosy, an independent third party of the Group, entered into a sale and purchase agreement with Super Generation Group Ltd., the former controlling shareholder of the Company, to acquire approximately 47.60% issued share capital of the Company, at a consideration amounting to approximately HK\$201,422,000.

Upon completion of the share transfer on 1 February 2019, Explorer Rosy held approximately 47.60% of the issued share capital of the Company and Explorer Rosy has become the immediate and ultimate holding company of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in sale of health products, which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

#### Health products

During the Year, the Group's sale of health products, the majority of which was American ginseng. The American ginseng was mainly imported from Canada to wholesalers and retailers in Hong Kong. The trading of American ginseng business remained competitive. The average wholesale price of American ginseng decreased in 2018, when compared to that of the 2017. The Group was keeping tight control of its operations and focused on enhancing operation efficiency.

The Group would like to deploy the multi-product strategy to broaden its revenue base, which is expected to have a positive future impact on the Group's performance given the positive outlook of the health-related business.

#### Joint development project – Lin An project

The Group held 51% of equity interests in 杭州湍口眾安滙尊溫泉度假村有限公司 (“**Huizun Hot Spring**”), which engaged 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 includes the development of high-ended hot spring residential resorts, and a medical and healthcare centre, which offers beautiful and comfortable living environment and supported by healthcare concept to the customers. The Li An Project was under development in 2018 and is expected to be completed in 2022.

In 2018, the Group signed a mutual control agreement with another equity-holder of Huizun Hot Spring, while all major decisions of Huizun Hot Spring would require unanimous consent from all its equity-holders, which resulting the Group had a loss in control over Huizun Hot Spring. Accordingly, Huizun Hot Spring ceased to be a subsidiary of the Group and the Group's investment in Huizun Hot Spring was reclassified as investment in a joint venture. However, there were no change in the Group's equity interest in Huizun Hot Spring, and the Group still maintains 51% of equity interests in Huizun Hot Spring.

## **Material acquisition and disposal**

### ***Disposal of an associate through disposal of a subsidiary***

During the Year, the Group disposed of a subsidiary, which indirectly owned 49% equity interests in an associate, which is an information technology problem solving service provider, at the consideration of HK\$50,000,000. The disposal has enabled the Group to deploy more resources and commitment in other business opportunities. With the disposal of the subsidiary, the Group recognised a gain on disposal of a subsidiary of approximately HK\$0.3 million, with included in other (losses)/gains, net.

## **FUTURE PROSPECTS**

In view of the continuous increasing awareness in health and the aging of population in Hong Kong, the demand for health care products has grown steadily in recent years. Meanwhile, the Group has been actively exploring new product mix from time to time so to broaden the Group's income sources, which is expected to have a positive future impact on the Group's performance given the positive outlook of the health related business.

The Group has always been looking for new and suitable investment or business opportunities and bring valuable returns to the shareholders of the Company.

## **FINANCIAL REVIEW**

### **Revenue and gross profit**

During the Year, the Group's revenue was mainly generated from sale of health products, while the major products were American ginseng. Due to the American ginseng market was volatile in 2018, the Group kept a conscious attitude in the trading of American ginseng. With the Group tightened the trading volume of the American ginseng and the decrease in the average selling price of the American ginseng, the total revenue decreased from approximately HK\$197.1 million to approximately HK\$78.0 million, representing a decrease of approximately 60.4%, as compared with the same of last year. Resulting a decrease in gross profit amounted to approximately HK\$11.9 million, as compared to that of prior year. The Group's gross profit margin decreased to approximately 3.8% for 2018 from approximately 7.5% for 2017.

## **Other income**

The Group's other income mainly represented the interest income from the money lending business of approximately HK\$22.0 million (2017: approximately HK\$15.4 million). Qianhai Health Finance Limited ("**Qianhai Health Finance**"), which is an indirect wholly-owned subsidiary of the Company, has obtained a money lenders licence under the Money Lenders Ordinance since August 2015, which enables Qianhai Health Finance to conduct money lending business in Hong Kong through the provision of secured and unsecured loans to customers.

## **Other (losses)/gains, net**

The Group recorded other net losses of approximately HK\$5.2 million in 2018, while other net gains for the year of 2017. The turnaround was mainly due to (i) a gain on disposal of property, plant and equipment of approximately HK\$6.7 million was recognised in 2018, as compared that of approximately HK\$29.9 million was recognised in 2017; (ii) a gain on changes in fair value of the investment property of approximately HK\$1.5 million was recognised in the Year, as compared to the same of approximately HK\$15.5 million in 2017; (iii) an inventory write down of approximately HK\$15.0 million was recognised in 2018, as compared to that of the approximately HK\$5.9 million in 2017; and (iv) a gain on disposal of a warehouse through disposal of subsidiaries of approximately HK\$3.4 million was recognised in 2018, while no such gain was recognised in 2017.

## **Inventories**

The Group's inventories as at 31 December 2018 was approximately HK\$41.1 million (2017: approximately HK\$63.7 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower of selling price of the cultivated American ginseng, a provision of inventories of approximately HK\$15.0 million (2017: approximately HK\$5.9 million) has been recognised for the Year, after re-assessing the net realisable value of the inventories. The Group considered that the making of provision for inventories can more accurately reflect the financial position of the Group.

## **Loan and interest receivables**

The loan and interest receivables were mainly arising from the money lending business of Qianhai Health Finance. As at 31 December 2018, the Group's loan and interest receivables was approximately HK\$183.7 million (2017:HK\$149.2 million), while generated an interest income of approximately HK\$22.0 million in the Year. (2017:HK\$15.4 million).

The Group will continue to maintain cautious attitude in assessing borrowers' ability to repay and approving loans to its borrowers in order to reduce the Group's credit risk.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2018, cash and cash equivalents of the Group amounted to approximately HK\$138.3 million (2017: approximately HK\$183.5 million), and the Group's net current assets were approximately HK\$389.4 million (2017: approximately HK\$376.0 million).

The Directors are of the view that, at the date hereof, the Group's financial resources are sufficient to support its business and operations.

The Group had no interest-bearing loans as at 31 December 2018 (2017: HK\$15.0 million).

### **Foreign currency exposure**

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("HKD") and the purchases of health products 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\$1.9 million (2017: approximately HK\$18,000). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

### **Charge of assets**

Certain borrowings were secured by the Group's investment property having a carrying value of approximately HK\$92.5 million (2017: HK\$91.0 million).

### **Capital commitments**

As at 31 December 2018, the Group had no capital commitments.

### **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2018 and 31 December 2017.

### **Dividend**

The Board does not recommend the payment of final dividend for the Year.

## **Share consolidation**

On 12 September 2018, the share consolidation of every ten (10) of the existing issued and unissued shares of HK\$0.004 each in the share capital of the Company into one consolidated share (“**Share**”) of HK\$0.04 each in the share capital of the Company has become effective (“**Share Consolidation**”). Upon completion of the Share Consolidation, the authorised share capital of the Company was HK\$200,000,000 divided into 5,000,000,000 Shares, of which 1,692,760,000 Shares are in issue and fully paid.

## **Share premium reduction**

In 2018, the Company reduced the entire amount standing to the credit of the share premium account of the Company to nil and the entire amount of approximately HK\$1,518 million was credited to the retained earnings/accumulated deficits account of the Company.

The share premium reduction has enabled the Company to eliminate its accumulated deficits, thus enabling the shareholders of the Company (“**Shareholders**”) and investors to have a better appreciation of the financial position of the Company and its current businesses. Furthermore, this would also give the Company the flexibility to declare dividends to the Shareholders at the earliest opportunity in the future when the Board considers appropriate.

## **HUMAN RESOURCES**

As at 31 December 2018, we had a total of 20 employees. The Company determines employee salaries based on each employee’s qualifications, position and seniority. The Group has established an annual review system to assess the performance of its employees, which forms the basis of the Group’s decisions with respect to salary raises, bonuses and promotions.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group’s financial performance, the achievement of special targets and the individual performance of the Directors, etc..

Apart from mandatory provident fund and medical insurance, the Company has adopted a share option scheme under which share options may also be awarded to the Directors and eligible employees as an incentive with reference to the assessment of individual performance. The Board believes that the Group maintains an admirable relationship with the employees.



## CLOSURE OF REGISTER OF MEMBERS

The 2018 annual general meeting of the Company (the “AGM”) will be held on Tuesday, 18 June 2019 and for the purpose of determining the Shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019, both days inclusive, during which period no transfer of the Shares 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, 12 June 2019.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, the Company repurchased and cancelled the Shares as follows:

Date	Number of Shares repurchased	Method of share repurchase	Prices per Share		Total paid  HK\$
			Highest	Lowest	
			HK\$	HK\$	
30 April 2018	221,000*	On the exchange	0.88*	0.84*	188,790
2 May 2018	320,000*	On the exchange	0.89*	0.88*	283,760
11 May 2018	510,000*	On the exchange	0.85*	0.83*	428,586
14 May 2018	105,000*	On the exchange	0.87*	0.86*	90,843
17 May 2018	765,000*	On the exchange	0.87*	0.82*	654,159
24 May 2018	230,000*	On the exchange	0.80*	0.80*	184,387
28 May 2018	252,000*	On the exchange	0.83*	0.80*	205,772
31 May 2018	945,000*	On the exchange	0.83*	0.79*	767,326
27 June 2018	2,744,000*	On the exchange	0.78*	0.72*	2,070,894
12 September 2018	405,000	On the exchange	0.405	0.390	160,473
13 September 2018	725,000	On the exchange	0.415	0.400	291,605
14 September 2018	380,000	On the exchange	0.420	0.405	158,238
18 September 2018	41,000	On the exchange	0.400	0.385	15,987
18 October 2018	2,000	On the exchange	0.400	0.365	875
<b>Total</b>	<b>7,645,000</b>				<b>5,501,695</b>

\* No. of shares and price were adjusted as a result of the Share Consolidation

During the Year, the Company repurchased and cancelled a total of 7,645,000 Shares at an aggregate consideration of approximately HK\$5,501,695. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

## **CORPORATE GOVERNANCE**

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the 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 provisions A.2.1 and A.6.7, 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 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 29 May 2018.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **SUBSEQUENT IMPORTANT EVENTS AFTER THE YEAR-CHANGE IN CONTROLLING SHAREHOLDER**

On 24 January 2019, Explorer Rosy Limited (the “**Offeror**”) as purchaser entered into a sale and purchase agreement (the “**SPA**”) with Super Generation Group Ltd., pursuant to which Super Generation Group Ltd. agreed to sell, and the Offeror agreed to purchase 805,688,000 Shares, representing approximately 47.60% of the entire issued share capital of the Company at the consideration of HK\$0.25 per Share (i.e. HK\$201,422,000 in aggregate).

Completion of the SPA took place on 1 February 2019 in accordance with the terms and provisions of the SPA. Immediately following completion of the SPA and as at the date of this results announcement, the Offeror was interested in an aggregate of 805,688,000 Shares, representing approximately 47.60% of the entire issued share capital of the Company. Haitong International Securities Company Limited, on behalf of the Offeror, pursuant to Rule 26.1 of the Code on Takeover and Mergers, made a mandatory unconditional general offer in cash (the “**Offer**”) for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer period has commenced since 1 February 2019 and not yet closed as at the date of this results announcement.

Details of the Offer were set out in the joint announcements issued by the Offeror and the Company dated 1 February 2019, 14 February 2019 and 13 March 2019. The composite document in relation to the Offer is expected to be despatched to the Shareholders on Thursday, 11 April 2019.

## **AUDIT COMMITTEE**

The Company has established the audit committee of the Company (the “**Audit Committee**”) with a specific written terms of reference in accordance with the requirements under Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee is responsible for, among others, reviewing and supervising the Group’s financial reporting process, assisting the Board to ensure effective risk management and internal control systems and providing advice and comments to the Board.

As at 31 December 2018 and up to the date of this results announcement, the Audit Committee comprised all 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 audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee together with the management and the external auditors of the Company. The Audit Committee is satisfied that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

## **SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED**

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 as set out in the annual results announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Baker Tilly Hong Kong Limited 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 and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary results announcement.

## **PUBLICATION OF THE FINAL RESULTS AND DESPATCH OF ANNUAL REPORT**

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 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders 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, 29 March 2019

*As at the date of this announcement, the executive Directors are Mr. George Lu and Mr. Wong Kwok Ming and the independent non-executive Directors are Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.*