Qianhai Health Holdings Limited
前海健康控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 911)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Qianhai Health Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 ("the **Interim Period**"), together with the comparative figures for the corresponding period ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**52,647**	38,990
Costs of sales		**(42,284)**	(32,233)
Gross profit		**10,363**	6,757
Other income	*5*	**9,960**	11,837
Other gains, net	*6*	**901**	5,457
Administrative expenses		**(12,037)**	(16,802)
Finance costs	*7*	**(283)**	(233)
Operating profit		**8,904**	7,016
Share of profit of an associate accounted for using the equity method		**–**	5,183
Share of loss of a joint venture accounted for using the equity method		**(438)**	–
Profit before income tax	*8*	**8,466**	12,199
Income tax expense	*9*	**(365)**	(85)

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period		**8,101**	12,114
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		**749**	(5,169)
Total comprehensive income for the period		**8,850**	6,945
Profit for the period attributable to:			
– owners of the Company		**8,101**	12,114
– non-controlling interests		**–**	–
		8,101	12,114
Total comprehensive income attributable to:			
– owners of the Company		**8,850**	6,084
– non-controlling interests		**–**	861
		8,850	6,945
			(Restated)
Earnings per share			
– basic	*11*	**0.48 cents**	0.71 cents
– diluted	*11*	**0.48 cents**	0.71 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	**As at 30 June 2019 *HK$'000* (unaudited)**	As at 31 December 2018 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**9,203**	4,017
Investment properties		**92,500**	92,500
Interest in a joint venture		**115,394**	115,823
Loan to a joint venture	*12*	**33,900**	33,900
Deposit for acquisition of property, plant and equipment		**4,865**	–
		255,862	246,240
Current assets			
Inventories		**46,009**	41,131
Trade and other receivables	*12*	**78,502**	75,901
Loan and interest receivables	*13*	**156,588**	183,666
Financial assets at fair value through profit or loss	*14*	**–**	7,290
Cash and cash equivalents		**158,970**	138,304
Total current assets		**440,069**	446,292
Total assets		**695,931**	692,532
EQUITY			
Equity attributable to owners of the Company			
Share capital		**67,710**	67,710
Reserves		**577,757**	567,847
Total equity		**645,467**	635,557

	NOTES	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**4,189**	–
Obligations under finance lease		**–**	68
		4,189	68
Current liabilities			
Trade and other payables	*15*	**15,852**	49,816
Contract liabilities		**–**	7,000
Lease liabilities		**2,519**	–
Obligations under finance leases		**–**	91
Bank borrowings		**27,539**	–
Current income tax liabilities		**365**	–
Total current liabilities		**46,275**	56,907
Total liabilities		**50,464**	56,975
Total equity and liabilities		**695,931**	692,532

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

These Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The accounting policies and methods of computation used in the preparation of these Financial Statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2018, except for the adoption of new and revised standards with effect from 1 January 2019 as detailed in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs have had no significant financial impact on these Financial Statements. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to accounts for all leases under a single on-balance sheet model.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. Since the Group recognised the right-of-use assets at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payment, there was no impact to the retained earnings.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of plant and machinery and land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. Such right-of-use assets were included in the property, plant and equipment in the condensed consolidated statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK$'000 (unaudited)
Assets	
Increase in right-of-use assets	6,586
Decrease in property, plant and equipment	(159)
Increase in total assets	6,427
Liabilities	
Increase in lease liabilities	6,586
Decrease in finance lease payables	(159)
Increase in total liabilities	6,427

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK$'000 (unaudited)
Operating lease commitments as at 31 December 2018	9,376
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments at 1 January 2019	9,327
Less:	
Recognition exemption – short-term leases	(2,900)
Add:	
Commitments relating to leases previously classified as finance leases	159
Lease liabilities as at 1 January 2019	6,586

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

4. REVENUE AND SEGMENT INFORMATION

(A) Revenue

Revenue represents the sale value of health-care products supplied to customers, which is recognised at point in time. The health-care products include American ginseng and other health-care products.

(B) Segment information

The Group conducts its business within one business segment, sale of health-care products. All of the Group's products is of a similar nature and subject to similar risk and returns. The management reviews the performance of the business in health-care products as a whole. Accordingly, the Group's operating activities are attributable to a single operating segment, such changes have been restated for comparative amounts in prior period.

Revenue is generated from external customers. There were no inter-segment sales during the six months ended 30 June 2019 and 2018.

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

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current assets		
The People's Republic of China (the "**PRC**")	**158,309**	153,466
Hong Kong	**97,553**	92,774
	255,862	246,240

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from loan receivables	**9,302**	11,093
Interest income on bank deposits	**656**	78
Rental income	**–**	666
Sundry income	**2**	–
	9,960	11,837

6. OTHER GAINS, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Fair value gain of investment properties	**–**	7,000
Exchange gain, net	**1,346**	713
Gain on disposal of subsidiaries	**–**	2,490
Fair value loss of finance assets at fair value through profit or loss	**–**	(4,605)
Realised loss on disposal of financial assets at fair value through profit or loss	**(445)**	–
Others	**–**	(141)
TOTAL	**901**	5,457

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank loans	**112**	233
Lease liabilities	**171**	–
TOTAL	**283**	233

8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories sold	**42,284**	32,233
Depreciation*	**1,275**	974
Operating lease payment in respect of rented premises	**1,513**	1,207

* *Being included the depreciation of right-of-use assets of approximately HK$658,000 for the six months ended 30 June 2019 (2018: nil).*

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Hong Kong		
Charge for the period	**365**	–
Under provision in prior years	**–**	85
Total tax charge for the period	**365**	85

10. DIVIDENDS

No dividend has been proposed by the Directors during the six months ended 30 June 2019 and subsequent to the end of the reporting period.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company	**8,101**	12,114

	Six months ended 30 June	
	2019	2018
	('000)	*('000)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,692,760**	1,700,202*

* *The weighted average number of ordinary shares for the purpose of calculation of basic earning per share for the six months ended 30 June 2018 has been retrospectively adjusted to reflect the share consolidation on the basis of every ten issued and unissued existing ordinary shares of HK$0.004 each in the share capital of the Company be consolidated into one consolidated share of HK$0.04 each with effective on 12 September 2018 (the "**Share Consolidation**").*

Diluted earnings per share is the same amount as the basic earnings per share for the six months ended 30 June 2019 and 2018 because the exercise of the outstanding share options would be anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**26,054**	28,392
Loan to a joint venture	**33,900**	33,900
Consideration receivable in relation to disposal of subsidiaries	**40,000**	40,000
Prepayment for inventory purchase	**11,493**	6,000
Other prepayments	**367**	916
Deposits	**527**	527
Others	**61**	66
	86,348	81,409
Total trade and other receivables	**112,402**	109,801
Less: Non-current prepayment	**(33,900)**	(33,900)
Current portion	**78,502**	75,901

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

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

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Within 30 days	–	2,634
31 to 90 days	26,054	19,226
91 to 180 days	–	–
181 to 365 days	–	6,532
	26,054	28,392

13. LOAN AND INTEREST RECEIVABLES

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Loan receivables	151,000	170,500
Interest receivables	5,588	13,166
	156,588	183,666

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

The loan receivables of HK$151,000,000 (31 December 2018: HK$170,500,000) are bearing fixed interest rate at 13.2%-18% (2018: 0.7% to 18%) 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 30 June 2019, none of the loan and interest receivables were past due or impaired.

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 HK$Nil (six months ended 30 June 2018: HK$4,605,000) and realised loss on disposal of approximately HK$445,000 (six months ended 30 June 2018: Nil) of financial assets at fair value through profit or loss was recognised in other gains, net in profit or loss during the period.

15. TRADE AND OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**11,054**	43,603
Other payables		
– Accrued expenses	**4,797**	6,113
– Others	**1**	100
	4,798	6,213
	15,852	49,816

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in sale of health-care products, which including American ginseng, and other health-care products to wholesalers and retailers in Hong Kong.

The Group recorded revenue of approximately HK$52.6 million during the six months ended 30 June 2019 (the "**Period**"), representing an increase of approximately 35% as compared with that six months ended 30 June 2018 (the "**Prior Period**"). Overall gross profit margin is approximately 20% for the Period which represented a slight increase by approximately 3% when compared to the same of the Prior Period. Profit attributable to shareholders was approximately HK$8.1 million for the Period, representing a decrease of approximately 33% when compared to the same of the Prior Period. Basic earnings per share amounted to approximately 0.48 HK cents, representing a decrease of approximately 0.23 HK cents as compared with 0.71 HK cents in the Prior Period.

As there is continuous increase level of health consciousness by the public in general, the Group intends to expand its sale of health-care products and expand product range offered to its customers. Furthermore, the Group will continue to implement its tight cost control measures and improve in operating efficiency to maximise its profitability.

The Group will continue to conduct its review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. With the aim to continue the existing principal business of the Group, the Group will go on its diversification into other businesses, which include the business of electronic components and international trading, with a view of to broaden its income stream, and to create a long term and sustainable growth of the Group's business.

FINANCIAL REVIEW

Revenue and gross profit

During the six months ended 30 June 2019, the revenue of the Group amounted to approximately HK$52.6 million, representing an increase of approximately 35% when compared to Prior Period. During the Period, the Group has expanded its health-care product mix, including sale of American ginseng and other health-care products.

The gross profit increased to approximately HK$10.4 million in the Period, which accounted for approximately 53% increment as compared with that of the Prior Period.

Other income

The Group's other income mainly represented the interest income derived from the money lending activities of approximately HK$9.3 million during the Period (Prior Period: approximately HK$11.1). The decrease was in line with the decrease in the loan receivables during the Period.

Profit for the period

The Group recorded profit of the approximately HK$8.1 million during the Period, representing a decrease of approximately 33% when compared to the same of the Prior Period. The decrease was mainly due to no recognition of share of net profit of an associate accounted for using the equity method during the Period (Prior Period: approximately HK$5,183,000) as the Company disposed of an associate (the "**Disposed Associate**") through disposal of a subsidiary (the "**Disposal**") in 2018. Upon completion of the Disposal, the Group no longer shared profit of the Disposed Associate during the Period.

Trade receivables

The Group's trade receivables as at 30 June 2019 decreased to approximately HK$26.1 million from approximately HK$28.4 million as at 31 December 2018. The management regularly reviews the recoverability, creditworthiness of its customers and the age of the trade receivables. The management considered that the trade receivables are recoverable.

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). As at 30 June 2019, the loan receivables of approximately HK$151.0 million (31 December 2018: HK$170.5 million) are bearing a fixed interest rate at 13.2%-18% per annum (31 December 2018: 0.7%-18%) and are repayable within one year from the respective dates of inception of the loans.

Foreign exchange exposure

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the purchases of cultivated ginseng are mainly denominated in Canadian dollars ("**CAD**") and United States dollars ("**USD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Period, the Group incurred a gain of foreign exchange differences amounted to approximately HK$1.3 million (Prior Period: approximately HK$0.7 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

As at 30 June 2019, cash and cash equivalents of the Group amounted to approximately HK$159.0 million (31 December 2018: approximately HK$138.3 million), and the Group's net current assets were approximately HK$393.8 million (31 December 2018: approximately HK$389.4 million).

The gearing ratio of the Group as at 30 June 2019, calculated as bank borrowing divided by total equity, was approximately 4.3% (31 December 2018: 0%).

CHARGE OF ASSETS

As at 30 June 2019, certain borrowings were secured by the Group's investment properties having a carrying value of approximately HK$92.5 million (31 December 2018: HK$92.5 million).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019 and 31 December 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

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

During the Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance Code

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2019, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code Provision A.2.1, 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 the following Directors during the Period:

Period	Chairman and the chief executive officer
1 January 2018 to 2 May 2019	Mr. George Lu
3 May 2019 to 30 June 2019	Mr. Huang Guanchao

The Board considers that the Company was still in its growing stage and it would be beneficial to the Group for Mr. George Lu or Mr. Huang Guanchao (when applicable) 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 did not expect any issues would arise due to the combined role of Mr. George Lu or Mr. Huang Guanchao (when applicable).

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

Model code for securities transactions by Directors

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the six months ended 30 June 2019.

Audit Committee

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

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

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

Hong Kong, 29 August 2019

As at the date of this announcement, the non-executive Directors are Mr. Huang Guanchao and Mr. Lim Tzea; the executive Directors are Mr. Xu Keli and Mr. Lam Hin Chi and the independent non-executive Directors are Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.