

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 UNAUDITED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Qianhai Health Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Year**”), (the “**Unaudited Annual Results**”) together with the comparative audited figures for the corresponding year ended 31 December 2020 (the “**Prior Year**”) as below.

The Unaudited Annual Results derived from the management accounts of the Group for the Year, have neither been audited nor reviewed by the auditors of the Company (the “**Auditors**”). In addition, the Unaudited Annual Results have not been agreed by the Auditors as required under Rule 13.49 of the Rules Governing (the “**Listing Rules**”) the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) due to delay in the audit procedures resulting from the outbreak of the novel coronavirus (“**COVID-19**”), in particular for the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement.

The Unaudited Annual Results for the Year have been reviewed and agreed by the audit committee of the Company (the “**Audit Committee**”). The auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed. The Company will make appropriate announcement(s) and disclose as and when it is aware of any material adjustment to the Unaudited Annual Results. An announcement relating to the audited results for the Year will be made when the auditing process has been completed by the Auditors in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants.

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

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
Revenue	3	<b>283,398</b>	760,721
Cost of sales	6	<u><b>(267,360)</b></u>	<u>(715,593)</u>
<b>Gross profit</b>		<b>16,038</b>	45,128
Other income	4	<b>119</b>	947
Other gains/(losses), net	5	<b>4,137</b>	(18,153)
Selling and distribution expenses	6	<b>(158)</b>	(1,438)
Administrative expenses	6	<b>(20,516)</b>	(23,875)
Finance costs	7	<u><b>(508)</b></u>	<u>(1,774)</u>
Operation (loss)/profit		<b>(888)</b>	835
Share of loss of a joint venture accounted for using the equity method		<u>—</u>	<u>(1,639)</u>
Loss before income tax		<b>(888)</b>	(804)
Income tax	8	<u>—</u>	<u>—</u>
<b>Loss for the year</b>		<b>(888)</b>	(804)
<b>Other comprehensive income/(loss) for the year:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising from translation of foreign operation, net of nil tax		<u><b>(2)</b></u>	<u>8,697</u>
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>		<u><b>(890)</b></u>	<u>7,893</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>			
Basic and diluted	9	<u><b>(0.05)</b></u>	<u>(0.05)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>30,086</b>	32,513
Loan receivable	<i>11</i>	<b>18,000</b>	–
Interests in a joint venture		–	118,477
Loan to a joint venture		–	29,675
		<hr/>	<hr/>
Total non-current assets		<b>48,086</b>	180,665
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>455,082</b>	326,381
Trade and other receivables	<i>11</i>	<b>232,988</b>	212,060
Cash and cash equivalents		<b>2,470</b>	16,365
		<hr/>	<hr/>
Total current assets		<b>690,540</b>	554,806
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>738,626</b>	735,471
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	<b>67,778</b>	67,710
Reserves		<b>602,755</b>	605,476
		<hr/>	<hr/>
<b>Total equity</b>		<b>670,533</b>	673,186
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		—	666
Total non-current liabilities		—	666
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	54,262	38,220
Contract liabilities		6,000	—
Lease liabilities		666	694
Bank borrowings	<i>13</i>	7,165	22,705
Total current liabilities		68,093	61,619
<b>Total liabilities</b>		<b>68,093</b>	<b>62,285</b>
<b>Total equity and liabilities</b>		<b>738,626</b>	<b>735,471</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021 (Audited)	67,710	-	8,249	3,075	3,944	590,208	673,186
Comprehensive income							
Loss for the year	-	-	-	-	-	(888)	(888)
Other comprehensive income							
Exchange differences arising from translation of foreign operations, net of nil tax	-	-	-	(2)	-	-	(2)
Reclassification adjustment on exchange differences released upon disposal of a subsidiary, net of nil tax	-	-	-	(3,078)	-	-	(3,078)
Other comprehensive income for the year	-	-	-	(3,080)	-	-	(3,080)
Total comprehensive income for the year	-	-	-	(3,080)	-	(888)	(3,968)
<b>Transactions with owners in their capacity as owners</b>							
Exercise of share options	68	246	-	-	-	-	314
Equity-settled share-based payments	-	-	-	-	1,001	-	1,001
<b>Total transactions with owners in their capacity as owners</b>	68	246	-	-	1,001	-	1,315
At 31 December 2021 (Unaudited)	67,778	246	8,249	(5)	4,945	589,320	670,533

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2020 (Audited)</b>	67,710	8,249	(5,622)	1,064	591,012	662,413
Comprehensive income						
Loss for the year	-	-	-	-	(804)	(804)
Other comprehensive income						
Exchange differences arising from translation of foreign operations, net of nil tax	-	-	8,697	-	-	8,697
Other comprehensive income for the year	-	-	8,697	-	-	8,697
Total comprehensive income for the year	-	-	8,697	-	(804)	7,893
<b>Transactions with owners in their capacity as owners</b>						
Equity-settled share-based payments	-	-	-	2,880	-	2,880
<b>Total transactions with owners in their capacity as owners</b>	-	-	-	2,880	-	2,880
<b>At 31 December 2020 (Audited)</b>	<b>67,710</b>	<b>8,249</b>	<b>3,075</b>	<b>3,944</b>	<b>590,208</b>	<b>673,186</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Cash flows from operating activities</b>		
Loss before income tax	(888)	(804)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	2,436	3,024
Interest expense	508	1,774
Gain on disposal of a subsidiary	(14,296)	–
Loss on disposal of property, plant and equipment	–	349
Loss on disposal of an investment property	–	1,044
Interest income	(119)	(141)
Equity-settled share-based payment expenses	1,110	2,880
Loss allowance for expected credit losses on trade receivables, net	–	14,000
Share of loss of a joint venture accounted for using the equity method	–	1,639
Gain on derecognition of right-of-use assets and liabilities arising from early termination of lease	–	(19)
Provision for impairment of inventories	11,419	3,500
Operating cash inflow before changes in working capital	170	27,246
Decrease in trade and other receivables	72,431	43,988
Increase in inventories	(140,120)	(133,640)
Increase in trade and other payables	16,464	22,766
Increase/(decrease) in contract liabilities	6,000	(31,246)
<b>Net cash used in operating activities</b>	<b>(45,055)</b>	<b>(70,886)</b>

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>Cash flows from investing activities</b>		
Interest received from banks	–	28
Interest received from a joint venture	–	113
Interest received from loan receivables	<b>119</b>	4,327
Purchases of property, plant and equipment	<b>(9)</b>	(10)
Loans to third parties	–	–
Repayments of loans by third parties	<b>6,000</b>	24,219
Proceeds from disposal of property, plant and equipment	–	–
Proceeds from disposal of an investment property, net of direct costs	–	93,756
Net cash inflow from disposal of a subsidiary	<b>42,000</b>	–
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>48,110</b>	122,433
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Interest paid on bank borrowings	<b>(480)</b>	(2,251)
Proceeds from bank borrowings	<b>40,440</b>	146,371
Repayments of bank borrowings	<b>(55,980)</b>	(198,304)
Principal element of lease payments paid	<b>(694)</b>	(950)
Interest element of lease payments paid	<b>(50)</b>	(60)
Share issued under share option scheme	<b>205</b>	–
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(16,559)</b>	(55,194)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(13,504)</b>	(3,647)
	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of the year</b>	<b>16,365</b>	19,999
	<hr/>	<hr/>
<b>Effect of change of foreign exchange rate</b>	<b>(391)</b>	13
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	<b>2,470</b>	16,365
	<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

Qianhai Health Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in sale of health-care products and sale of electronic components products.

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. The Company’s immediate and ultimate holding company is Explorer Rosy Limited (“**Explorer Rosy**”), a company incorporated in the British Virgin Islands (the “**BVI**”). 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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited consolidated financial statements of the Group for the year ended 31 December 2021 (“**Unaudited Consolidated Financial Statements**”) are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. The Unaudited Consolidated Financial Statements are unaudited, but they have been reviewed by the Audit Committee and have been approved for issue by the Board on 31 March 2021.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Compliance with HKFRS and HKCO

The Unaudited 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 (“**HKCO**”).

### (b) Historical cost convention

The Unaudited 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 2021:

Amendments to IAS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS4 and HKFRS16	Interest Rate Benchmark Reform

The 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.

**3. SEGMENT INFORMATION**

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive Directors, for the purpose of allocating resources to the segments and to assess their performance which focus on the sale of different types of products from different business lines.

Specifically, the Group's reportable and operating segments have been identified as follows:

- (i) Health-care products: sale of health-care products (including Chinese herbal medicines and skin-care products); and
- (ii) Electronic component products: sale of information technology components products (including central processing unit and semi-conductors).

The following is an analysis of the Group's revenue from contracts with customers, net of rebates and discounts and results by segment:

	<b>Health-care products</b> <i>HK\$'000</i>	<b>Electronic components products</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Year ended 31 December 2021 (Unaudited)</b>			
Segment revenue	<b>98,129</b>	<b>185,269</b>	<b>283,398</b>
Cost of sales	<b>(96,392)</b>	<b>(170,968)</b>	<b>(267,360)</b>
Segment result	<b><u>1,737</u></b>	<b><u>14,301</u></b>	<b><u>16,038</u></b>
<b>Year ended 31 December 2020 (Audited)</b>			
Segment revenue	443,810	316,911	760,721
Cost of sales	<u>(415,660)</u>	<u>(299,933)</u>	<u>(715,593)</u>
Segment result	<b><u>28,150</u></b>	<b><u>16,978</u></b>	<b><u>45,128</u></b>

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Segment result</b>	<b>16,038</b>	45,128
<b>Unallocated</b>		
Other income	119	947
Other gains/(losses), net	4,137	(18,153)
Selling and distribution expenses	(158)	(1,438)
Administrative expenses	(20,516)	(23,875)
Finance costs	(508)	(1,774)
Share of loss of a joint venture accounted for using the equity method	—	(1,639)
Loss before income tax	<u>(888)</u>	<u>(804)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2020 and 2021.

Segment result during the year represents the gross profit of each segment without allocation of other income, other gains/(losses), net, selling and distribution expenses, administrative expenses, finance costs and share of results of a joint venture 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 in the case of property, plant and equipment, and the operation is located in the case of interests in a joint venture, is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>		
The People's Republic of China (the "PRC")	–	118,477
Hong Kong	<u>30,086</u>	<u>32,513</u>
	<u><b>30,086</b></u>	<u><b>150,990</b></u>

## 4. OTHER INCOME

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest income from loan receivables	119	–
Government grants ( <i>Note</i> )	–	806
Interest income from bank deposits	–	28
Interest income from a joint venture	<u>–</u>	<u>113</u>
	<u><b>119</b></u>	<u><b>947</b></u>

*Note:* In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprise to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss on disposal of property, plant and equipment	–	(349)
Loss on disposal of investment property	–	(1,044)
Gain on disposal of a subsidiary	<b>14,296</b>	–
Provision for impairment of inventories	<b>(11,419)</b>	(3,500)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease	–	19
Exchange gain, net	<b>1,260</b>	721
Loss allowance for expected credit losses on trade receivables, net	–	(14,000)
	<b><u>4,137</u></b>	<b><u>(18,153)</u></b>

## 6. EXPENSES BY NATURE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Auditor's remuneration	<b>960</b>	880
Cost of inventories sold	<b>267,360</b>	715,593
Employee benefit expense	<b>12,909</b>	13,714
Depreciation of property, plant and equipment	<b>2,436</b>	3,024
Expenses relating to short-term leases and other leases with remaining lease term ending within one year	<b>218</b>	724
Transportation expenses	<b>129</b>	130
Legal and professional fee	<b>1,180</b>	1,438
Insurance expense	<b>631</b>	576
Office expense	<b>411</b>	667
Consultancy fee	<b>815</b>	600
Others	<b>985</b>	3,560
Total cost of sales, selling and distribution expenses and administrative expenses	<b><u>288,034</u></b>	<b><u>740,906</u></b>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest expense on:		
– Bank loans	458	1,714
– Lease liabilities	50	60
	<u>508</u>	<u>1,774</u>

## 8. INCOME TAX

### Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profit.

No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries incorporated in Hong Kong as they have no assessable profits or sufficient tax losses brought forward to set off against the estimated assessable profits for the current and prior year.

### PRC Enterprise Income Tax

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) rate of 25% (2020: 25%) during the year.

No provision for PRC EIT has been made as the subsidiaries established in the PRC have estimated tax losses for both current and prior year.

### Income tax from other tax jurisdictions

Pursuant to the income tax rules and regulations, the Group is not subject to income tax in the jurisdictions of the Cayman Islands and the BVI.

## 9. LOSS PER SHARE

### (a) Basic

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Loss for the year attributable to owners of the Company	<u><u>(888)</u></u>	<u><u>(804)</u></u>
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousands)	<u><u>1,693,010</u></u>	<u><u>1,692,760</u></u>

### (b) Diluted

Diluted loss per share is the same amount as the basic loss per share for both years ended 31 December 2021 and 2020 because the exercise of the outstanding share options would be anti-dilutive.

## 10. DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020.

A further meeting of the Board is expected to be held after completion of the audit by the Auditors for the purpose of considering the recommendation for payment of a final dividend for the year ended 31 December 2021.



## 11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables, net of loss allowance	<u>104,948</u>	<u>193,416</u>
Consideration receivables ( <i>Note</i> )	90,000	–
Loan receivables ( <i>Note</i> )	30,000	–
Loan to a joint venture	–	35,610
Prepayment for inventory purchase	25,431	12,000
Other prepayments	435	462
Deposits	<u>174</u>	<u>247</u>
	<u>146,040</u>	<u>48,319</u>
Total trade and other receivables	250,988	241,735
<i>Less: Non-current loan</i>	<u>(18,000)</u>	<u>(29,675)</u>
Current portion	<u><u>232,988</u></u>	<u><u>212,060</u></u>

*Note:* During the year ended 31 December 2021, the Group disposed of a subsidiary (the “Disposal”), which indirectly owned 51% equity interests in a joint venture at a consideration of RMB110,000,000 (approximately equivalent to HK\$132,000,000). The outstanding consideration receivables of approximately HK\$90,000,000 as at 31 December 2021 is unsecured, non-interest bearing and repayable within one year. Subsequent to the reporting period and up to the date of this announcement, the entire outstanding remaining balance with a total of approximately HK\$90,000,000 was received.

With the Disposal, the loan receivables from joint venture as at 31 December 2020 was shown as loan receivables from a third party as at 31 December 2021. The loan is unsecured, interest-bearing at a fixed rate of 0.33% per annum and repayable by instalments from 2022 to 2023.

The Group recognised a gain on Disposal of approximately HK\$14,296,000, with inclusion of other gain/(losses), net.

The Group generally grants credit periods ranging from 60 days to 120 days (2020: 60 to 120 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 and net of loss allowance at the end of each reporting period:

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <b>HK\$'000</b> <b>(Audited)</b>
Within 30 days	–	88,259
31 to 90 days	–	52,319
91 to 180 days	–	39,941
181 to 365 days	<b>67,306</b>	12,897
Over 1 year	<b>37,642</b>	–
	<b>104,948</b>	<b>193,416</b>

As at 31 December 2021, the trade receivables of the Group amounted to approximately HK\$104,948,000 (net of the loss allowance of approximately HK\$17,099,000). Subsequent to the reporting period and up to the date of the announcement, approximately HK\$77.3 million of the outstanding balances were received, which accounted for 73.7% of the trade receivables, net of loss allowance as at 31 December 2021.

## 12. TRADE AND OTHER PAYABLES

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <b>HK\$'000</b> <b>(Audited)</b>
Trade payables	<b>50,439</b>	34,865
Other payables		
– Accrued expenses	<b>3,598</b>	3,144
– Others	<b>225</b>	211
	<b>3,823</b>	3,355
Total trade and other payables	<b>54,262</b>	<b>38,220</b>

The Group normally receives credit terms of 90 to 150 days from its suppliers.

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 30 days	5,652	18,560
31 to 90 days	–	16,305
151 to 180 days	23,200	–
181 to 365 days	21,587	–
	<u>50,439</u>	<u>34,865</u>

### 13. BANK BORROWINGS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Secured bank borrowings		
– Trade loans	<u>7,165</u>	<u>22,705</u>

All the bank borrowings are secured by the banking facilities as mentioned below and bear variable interest rate at Hong Kong Interbank Offered Rate (“**HIBOR**”) or London Interbank Offered Rate (“**LIBOR**”) plus a margin ranging from 2% to 2.4% (2020: 2% to 2.4%) per annum. As at 31 December 2021, all the Group’s bank borrowings were repayable within 3 months (2020: 3 months).

### 14. SHARE CAPITAL

	Number of shares <i>(thousands)</i>	Nominal value <i>HK\$'000</i>
Ordinary shares		
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>5,000,000</u>	<u>200,000</u>
	Number of shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 and 1 January 2021 (Audited)	1,692,760	67,710
Exercise of share options	<u>1,690</u>	<u>68</u>
As at 31 December 2021 (Unaudited)	<u>1,694,450</u>	<u>67,778</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in sale of health-care products (the “**Health-care Business**”) and electronic component products (the “**Electronic Component Business**”).

During the Year, the global outbreak of COVID-19 pandemic imposed adverse impact on the consumer demand for both the health-care products and electronic component products globally.

In the Year, with the general slowdown in the growth of the global economy, the revenue of the Group decreased by 62.7% when compared to that of the Prior Year. The sale of health-care products contributed the revenue of approximately HK\$98.1 million, while the sale of the electronic component products contributed revenue of approximately HK\$185.3 million in the Year.

With the higher gross profit margin generated from the Electronic Component Business of approximately 7.7% (comparing with the gross profit margin of the Health-care Business of approximately 1.8%), the Group has shifted its focus on Electronic Component Business in the Year, in order to maximise the Company’s shareholders’ profits. Around 65% of the Group’s revenue was generated from the Electronic Component Business in the Year.

In view of (i) unstable property investment market in People of Republic of China (the “**PRC**”); and (ii) avoiding further capital investment into a non-core business, the Group disposed of its interests in a joint controlled entity (through disposal of a subsidiary), which engaged in joint development of a land parcel in Lin An city, Hangzhou Province in China, in the Year, with the gain on disposal of the subsidiary of approximately HK\$14.3 million. For further details, please refer to the announcement of the Company dated 18 August 2021 and the circular of the Company dated 1 November 2021.

The Group will continue to monitor the market situation and will continue to diversify its product range and customer base and explore business opportunities to leverage on our established experience and to sustain its strong competitive advantages in the market.

## FINANCIAL REVIEW

	Revenue for the year 31 December				Gross profit margin for the year 31 December	
	2021		2020		2021	2020
	<i>HK\$'000</i> <i>(Unaudited)</i>	%	<i>HK\$'000</i> <i>(Audited)</i>	%	% <i>(Unaudited)</i>	% <i>(Audited)</i>
Health-care Business	98,129	34.6	443,810	58.3	1.8	6.3
Electronic Component Business	185,269	65.4	316,911	41.7	7.7	5.4
<b>TOTAL</b>	<b>283,398</b>	<b>100</b>	<b>760,721</b>	<b>100</b>	<b>5.7</b>	<b>5.9</b>

### Health-care Business

During the Year, the revenue generated from sale of health-care products, which includes American ginseng and skin-care products, of approximately HK\$98.1 million, representing a decrease of approximately 77.9%, as compared to that of the Prior Year. Segment profit of approximately HK\$1.7 million, representing a decrease of approximately 93.8%, as compared to that of the Prior Year. The deteriorating performance of the Health-care Business was mainly due to a sluggish market.

### Electronic Component Business

The electronic component products mainly include central processing units and semi-conductors. During the Year, the segment revenue and profit generated from the Electronic Component Business amounted to approximately HK\$185.3 million and HK\$14.3 million respectively, representing a decrease of approximately 41.5% and 15.8% respectively.

### Gross profit

Gross profit decreased by approximately 64.5% from approximately HK\$45.1 million in the Prior Year to approximately HK\$16.0 million in the Year, while the gross profit margin decreased slightly from approximately 5.9% in the Prior Year to approximately 5.7% in the Year.

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

The Group recorded other net gains of approximately HK\$4.1 million in the Year. The gain was mainly due to net of (i) gain on disposal of subsidiary of approximately HK14.3 million (2020:Nil); and (ii) provision for impairment of inventories of approximately HK\$11.4 million being recognised during the Year (2020: HK\$3.5 million).

### **Loss for the year**

Overall, the Group recorded a loss attributable to owners of the Company of approximately HK\$0.9 million for the year ended 31 December 2021, as compared to the loss attributable to owners of the Company of approximately HK\$0.8 million of the year ended 31 December 2020.

## **FUTURE PROSPECTS**

The COVID-19 pandemic has not yet been under control and there are still uncertainties in the worldwide economy, the Group foresees that 2022 will continue to be a very challenging year. The Group has been actively exploring opportunities to expand its 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 financial performance. The Group will continue to conduct its review on the business activities and assets of the Group for the purpose of formulating business plan and strategies for the future business development of the Group. The strategies of the Group are to achieve the best use of its resources, achieve portfolio diversification and improve its overall performance.

The Group has been actively looking to diversify its revenue sources in order to bring valuable returns to the shareholders of the Company through making investments and/or acquiring business or projects that have promising outlooks and prospects.

## **WORKING CAPITAL AND INVENTORY MANAGEMENT**

As at 31 December 2021, the non-current assets decreased by approximately 73.4% to approximately HK\$48.1 million, as compared with approximately HK\$180.7 million as at 31 December 2020. The decrease in non-current assets was mainly due to the disposal of a joint venture through disposal of a subsidiary during the Year.

As at 31 December 2021, the Group recorded total current assets of approximately HK\$690.5 million (2020: approximately HK\$554.8 million) and total current liabilities of approximately HK\$68.1 million (2020: approximately HK\$61.6 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 10.1 times as at 31 December 2021 (2020: approximately 9.0 times).

The increase in inventories by approximately 39.4% to approximately HK\$455.1 million as at 31 December 2021, as compared to that of approximately HK\$326.4 million as at 31 December 2020.

The trade receivables, net of loss allowances decreased by approximately 45.7% to approximately HK\$104.9 million as at 31 December 2021, as compared with approximately HK\$193.4 million as at 31 December 2020. Outstanding balances in over 180 days to 1 year category increased to approximately HK\$67.3 million and over 1 year category increase to approximately HK\$37.6 million was mainly due to a slowdown in payments from certain major customers. As at the date of this announcement, approximately HK\$77.3 million of the outstanding balances as at 31 December 2021 were subsequently received. The management of the Group regularly evaluates the Group's customers, assesses their known financial position and the credit risks.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, cash and cash equivalents of the Group amounted to approximately HK\$2.5 million (2020: approximately HK\$16.4 million).

As at 31 December 2021, the Group's borrowings amounted to approximately HK\$7.2 million (2020: approximately HK\$22.7 million). The net debt to total asset ratio, calculated as borrowings less cash and cash equivalents divided by total assets, was approximately 0.01 for the Year (2020: 0.01).

## **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-care products and electronic component products are mainly made in United States dollars (“**USD**”) and 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\$1.3 million (2020: 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.

## **CONTINGENT LIABILITIES AND CHARGE OF ASSETS**

As at 31 December 2021, the Group continued to provide corporate guarantees on banking facilities granted to the Group’s subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 December 2021 amounted to approximately HK\$7.2 million (2020: HK\$22.7 million).

As at 31 December 2021, certain land and buildings (2020: certain land and buildings and investment property) of the Group, with a total carrying value of approximately HK\$27.5 million (2020: HK\$28.6 million) were pledged to banks as securities for bank loans of approximately HK\$7.2 million (2020: HK\$22.7 million) granted to the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, we had a total of 22 (2020: 22) employees. The Company determines employee salaries based on each employee’s qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our 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.



## **DISPOSAL OF A SUBSIDIARY**

On 6 January 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of one of its subsidiaries, namely Top Nova Limited, which indirectly owned 51% equity interests in a joint venture. Upon completion of such disposal, which took place on 6 January 2021, Top Nova Limited was no longer a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 18 August 2021 and circular of the Company dated 1 November 2021.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2021, 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.

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

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.

## **AUDIT COMMITTEE**

The Company has established 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 2021, following the resignation of Mr. Wu Wai Leung Danny on 31 December 2021, the Audit Committee comprised two independent non-executive Directors, namely, Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee) and Mr. Li Wei. On 1 March 2022, following the appointment of Mr. Leung Chun Tung, and up to the date of the announcement, the Audit Committee comprised all three independent non-executive Directors.

The Audit Committee has also reviewed and discussed with the management the Unaudited Annual Results for the Year. The Audit Committee is satisfied that such Unaudited Annual Results comply with the applicable accounting standards and that adequate disclosures have been made.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The reporting and audit processes for the audited annual results for the Year have not been completed due to a number of factors, including (i) delays in receiving audit confirmations from business partners of the Group, including customers and suppliers resulting from delays in postal services within the PRC and Hong Kong; (ii) delay in interviews to be conducted with the Group's customers and suppliers due to lock down measures implemented in the PRC and social distancing measures implemented in Hong Kong; and (iii) closure of the Company's office and warehouse in Hong Kong from time to time in March 2022 as staff of the Company (including staff of finance department who supporting the audit) and members of the Auditors were tested positive for COVID-19, which affected the ability to access and gather necessary documents and information required for the audit on a timely basis. The Auditors is not able to complete their necessary audit work for the consolidated financial statements of the Group for the Year before 31 March 2021. It is expected that the Auditors may deem necessary for further review and adjustments will be subject to further audit works of the Auditors, and are thus subject to uncertainties. As such, the Unaudited Annual Results contained herein have not been agreed with the Auditors as required under Rule 13.49(2) of the Listing Rules. The Unaudited Annual Results contained herein have been reviewed by the Audit Committee.

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

This Unaudited Annual Results announcement is published on the websites of the Stock Exchange and the Company. Following completion of the audit process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 as agreed by the Auditors and the accounting adjustment or material differences (if any) as compared with the Unaudited Annual Results contained herein. In addition, the Company will issue further announcement as and when necessary in a timely manner if there are other material development in completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2022. The 2021 annual report will be published on the websites of the Stock Exchange and the Company and also be despatched to the shareholders of the Company in due course.

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

Hong Kong, 31 March 2022

*As at the date of this announcement, the non-executive Directors are Mr. Huang Guanchao, Mr. Lim Tzea, Mr. Chen Kaiben and Mr. Chen Qi; the executive Directors are Mr. Xu Keli and Mr. Lam Hin Chi and the independent non-executive Directors are Mr. Li Wei, Mr. Yuen Chee Lap Carl and Mr. Leung Chun Tung.*