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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 2019

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 2019 (the “**Year**”), together with the comparative figures for the corresponding year ended 31 December 2018 (the “**Prior Year**”) as follows:

HIGHLIGHTS

- Total revenue increased by approximately 653% to HK\$587.8 million for the year ended 31 December 2019.
- Gross profit amounted to approximately HK\$32.7 million for the year ended 31 December 2019, being over 10 times of that of 2018.
- Profit from operations for the year amounted approximately HK\$28.1 million for the year ended 31 December 2019, which is a turnaround from loss from operations for the year in 2018.
- The Group recorded an increase in its profit attributable to the shareholders for the year ended 31 December 2019 by over 5 times to approximately HK\$26.7 million as compared with that of the same period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	587,808	78,047
Costs of sales	6	<u>(555,125)</u>	<u>(75,044)</u>
Gross profit		32,683	3,003
Other income	4	17,777	23,277
Other gains/(losses), net	5	1,159	(5,241)
Selling and distribution expenses	6	(933)	(3,678)
Administrative expenses	6	(21,141)	(30,961)
Finance costs	7	<u>(1,442)</u>	<u>(233)</u>
Operation profit/(loss)		28,103	(13,833)
Share of profit of an associate accounted for using the equity method		–	8,830
Share of loss of a joint venture accounted for using the equity method		<u>(1,388)</u>	<u>(13)</u>
Profit/(loss) before income tax		26,715	(5,016)
Income tax credit	8	<u>–</u>	<u>10,049</u>
Profit for the year		<u>26,715</u>	<u>5,033</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operation, net of nil tax		(923)	(14,372)
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax		<u>–</u>	<u>541</u>
Other comprehensive loss for the year		<u>(923)</u>	<u>(13,831)</u>
Total comprehensive income/(loss) for the year		<u>25,792</u>	<u>(8,798)</u>

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year attributable to:			
– Owners of the Company		26,715	5,071
– Non-controlling interests		–	(38)
		<u>26,715</u>	<u>5,033</u>
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		25,792	(7,440)
– Non-controlling interests		–	(1,358)
		<u>25,792</u>	<u>(8,798)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	<i>10</i>	<u>1.58</u>	<u>0.30</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		35,368	4,017
Investment property	<i>11</i>	94,800	92,500
Interests in a joint venture		113,423	115,823
Loan to a joint venture		33,600	33,900
		<hr/>	<hr/>
Total non-current assets		277,191	246,240
		<hr/>	<hr/>
Current assets			
Inventories		196,241	41,131
Trade and other receivables	<i>12</i>	264,113	75,901
Loan and interest receivables	<i>13</i>	28,546	183,666
Financial assets at fair value through profit or loss	<i>14</i>	–	7,290
Cash and cash equivalents		19,999	138,304
		<hr/>	<hr/>
Total current assets		508,899	446,292
		<hr/>	<hr/>
Total assets		786,090	692,532
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	67,710	67,710
Reserves		594,703	567,847
		<hr/>	<hr/>
Total equity		662,413	635,557
		<hr/>	<hr/>

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>859</u>	<u>68</u>
Total non-current liabilities		<u>859</u>	<u>68</u>
Current liabilities			
Trade and other payables	<i>15</i>	15,970	49,816
Contract liabilities		31,246	7,000
Lease liabilities		964	91
Bank borrowings	<i>16</i>	<u>74,638</u>	<u>–</u>
Total current liabilities		<u>122,818</u>	<u>56,907</u>
Total liabilities		<u>123,677</u>	<u>56,975</u>
Total equity and liabilities		<u>786,090</u>	<u>692,532</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 equity <i>HK\$'000</i>
At 1 January 2019	<u>67,710</u>	<u>8,249</u>	<u>(4,699)</u>	<u>-</u>	<u>564,297</u>	<u>635,557</u>
Comprehensive income						
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,715</u>	<u>26,715</u>
Other comprehensive income						
Exchange differences arising from translation of foreign operations, net of nil tax	<u>-</u>	<u>-</u>	<u>(923)</u>	<u>-</u>	<u>-</u>	<u>(923)</u>
Other comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(923)</u>	<u>-</u>	<u>-</u>	<u>(923)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(923)</u>	<u>-</u>	<u>26,715</u>	<u>25,792</u>
Transactions with owners in their capacity as owners						
Equity-settled share-based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,064</u>	<u>-</u>	<u>1,064</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,064</u>	<u>-</u>	<u>1,064</u>
At 31 December 2019	<u><u>67,710</u></u>	<u><u>8,249</u></u>	<u><u>(5,622)</u></u>	<u><u>1,064</u></u>	<u><u>591,012</u></u>	<u><u>662,413</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	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/ (accumulated deficits) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2018	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703
Comprehensive income									
Profit for the year	-	-	-	-	-	5,071	5,071	(38)	5,033
Other comprehensive income									
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)
Transactions with owners in their capacity as owners									
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	-	-	-	-	-	(17,004)	(17,004)	-	(17,004)
Transfer between reserves	-	(1,518,250)	-	-	-	1,518,250	-	-	-
Lapse of share options	-	-	-	-	(72,476)	72,476	-	-	-
Total transactions with owners in their capacity as owners	(306)	(1,523,446)	-	-	(72,476)	1,573,722	(22,506)	(5,842)	(28,348)
At 31 December 2018	67,710	-	8,249	(4,699)	-	564,297	635,557	-	635,557

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cash flows from operating activities		
Profit/(loss) before income tax	26,715	(5,016)
Adjustments for:		
Depreciation of property, plant and equipment	2,408	1,867
Interest expense	1,442	233
Changes in fair value of investment property	(2,300)	(1,500)
Loss/(Gain) on disposal of property, plant and equipment	1,836	(6,685)
Interest income	(17,777)	(22,587)
Equity-settled share-based payment expenses	1,064	–
Changes in fair value of financial assets at fair value through profit or loss	–	3,388
Gain on disposal of subsidiaries	–	(3,722)
Gain on deemed disposal of a subsidiary	–	(616)
Loss allowance for expected credit loss on trade receivables	3,099	–
Realised loss on disposal of financial assets at fair value through profit or loss	445	1,203
Share of profit of an associate accounted for using the equity method	–	(8,830)
Share of loss of a joint venture accounted for using the equity method	1,388	13
Gain on derecognition of right-of-use assets and liabilities arising from early termination of lease	(535)	–
Reversal of provision of variable lease expense	(3,277)	–
Provision for inventory write-down	–	15,027
Operating cash inflow/(outflow) before changes in working capital	14,508	(27,225)
Increase in trade and other receivables	(231,311)	(11,456)
(Increase)/decrease in inventories	(155,110)	7,524
(Decrease)/increase in trade and other payables	(31,139)	3,187
Increase/(decrease) in contract liabilities	24,246	(2,862)

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash used in operations	(378,806)	(30,832)
Hong Kong Profits Tax refunded, net	–	108
	<hr/>	<hr/>
Net cash used in operating activities	(378,806)	(30,724)
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received from banks	755	433
Interest received from a joint venture	115	171
Interest received from loan receivables	25,746	15,017
Purchases of property, plant and equipment	(33,128)	(28,505)
Purchases of financial assets at fair value through profit or loss	–	(10,099)
Loans to third parties	(171,000)	(150,500)
Repayments from third parties	317,281	123,000
Proceeds from disposal of property, plant and equipment	157	20,145
Proceeds in relation to the disposal of subsidiaries	40,000	–
Proceeds from disposal of financial assets at fair value through profit or loss	6,845	6,248
Net cash inflow on disposal of subsidiaries	–	72,500
Net cash outflow on deemed disposal of a subsidiary	–	(35,622)
	<hr/>	<hr/>
Net cash generated from investing activities	186,771	12,788
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(628)	(309)
Proceeds from bank borrowings	102,177	–
Repayments of bank borrowings	(27,539)	(15,032)
Principal element of lease payments	(431)	(91)
Interest element of lease payments	(244)	–
Capital injection from non-controlling interests	–	12,200
Share repurchased	–	(5,502)
Dividends paid	–	(17,004)
	<hr/>	<hr/>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net cash generated from /(used in) financing activities	<u>73,335</u>	<u>(25,738)</u>
Net decrease in cash and cash equivalents	(118,700)	(43,674)
Cash and cash equivalents at beginning of the year	138,304	183,453
Effect of change of foreign exchange rate	<u>395</u>	<u>1,475</u>
Cash and cash equivalents at end of the year	<u>19,999</u>	<u>138,304</u>

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 electronic component 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. Following the change of the 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 were 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 of directors of the Company on 26 March 2020.

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.

(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 disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“**HKCO**”).

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss and investment property, which is 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 2019:

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

The Group had to change its accounting policies as a result of adoption HKFRS 16. 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 2019 and have not been early adopted by the Group are as follows:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2019 or not been early adopted by the Group which are relevant to the Group's operation. The Group believes that the application of amendments to HKFRSs, amendments to HKASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

3. SEGMENT INFORMATION

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

For the year ended 31 December 2019, in order to sustain the Group's development, the Group has introduced one more business line, sale of electronic component products. 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 medicine, skin-care and other health-care products); and
- (ii) Electronic component products: sale of information technology ("IT") component products (including Central Processing Units ("CPU") and semi-conductors).

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

	Health-care products <i>HK\$'000</i>	Electronic component products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019			
Segment revenue	420,689	167,119	587,808
Cost of sales	(395,889)	(159,236)	(555,125)
Segment result	<u>24,800</u>	<u>7,883</u>	<u>32,683</u>
Year ended 31 December 2018			
Segment revenue	78,047	–	78,047
Cost of sales	(75,044)	–	(75,044)
Segment result	<u>3,003</u>	<u>–</u>	<u>3,003</u>

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment result	32,683	3,003
Unallocated		
Other income	17,777	23,277
Other gains/(losses), net	1,159	(5,241)
Selling and distribution expenses	(933)	(3,678)
Administrative expenses	(21,141)	(30,961)
Finance costs	(1,442)	(233)
Share of profit of an associate accounted for using the equity method	–	8,830
Share of loss of a joint venture accounted for using the equity method	(1,388)	(13)
	<u>26,715</u>	<u>(5,016)</u>
Profit/(loss) before income tax	<u>26,715</u>	<u>(5,016)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2018 and 2019.

Segment result during the year represents the gross profit/(loss) of each segment without allocation of other income, other gains/(losses), net, selling and distribution expenses, administrative expenses, finance costs and share of results of a joint venture and an associate accounted for using the equity method. This is the measure reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets		
The People's Republic of China (the "PRC")	114,104	119,566
Hong Kong	<u>129,487</u>	<u>92,774</u>
	<u>243,591</u>	<u>212,340</u>

4. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income from loan receivables	16,907	21,983
Interest income from bank deposits	755	433
Interest income from a joint venture	115	171
Rental income	–	666
Sundry income	<u>–</u>	<u>24</u>
	<u>17,777</u>	<u>23,277</u>

5. OTHER GAINS/(LOSSES), NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/gain on disposal of property, plant and equipment	(1,836)	6,685
Gain on disposal of subsidiaries	–	3,722
Gain on deemed disposal of a subsidiary	–	616
Fair value gain of investment property	2,300	1,500
Fair value loss of financial assets at fair value through profit or loss	–	(3,388)
Inventory write-down	–	(15,027)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease	535	–
Realised loss on disposal of financial assets at fair value through profit or loss	(445)	(1,203)
Exchange gain, net	427	1,854
Reversal of provision of variable lease expense	3,277	–
Loss allowance for expected credit losses on trade receivables	(3,099)	–
	<u>1,159</u>	<u>(5,241)</u>

6. EXPENSE BY NATURE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	880	880
– Non-audit services	–	–
Cost of inventories sold	555,125	75,044
Employee benefit expense	8,582	11,525
Depreciation of property, plant and equipment	2,408	1,867
Total minimum lease payments for lease previously classified as operating leases under HKAS 17	–	5,834
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	2,712	–
Transportation expenses	242	418
Legal and professional fee	2,470	1,867
Insurance expense	448	534
Office expense	606	4,738
Consultancy fee	621	1,200
Others	3,105	5,776
	<u>577,199</u>	<u>109,683</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>577,199</u>	<u>109,683</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expense on:		
– Bank loans	1,198	233
– Lease liabilities	244	–
	<u>1,442</u>	<u>233</u>

8. INCOME TAX CREDIT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current income tax	–	–
Over-provision in respect of prior years	–	1,925
	–	1,925
Deferred tax credit	–	8,124
	–	10,049

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2018: 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 estimate assessable profits for the current and prior year.

(ii) PRC Enterprise Income Tax

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) rate of 25% (2018: 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.

(iii) 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. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$Nil cent (2018: HK\$1 cent)* per share	<u> -</u>	<u> 17,004</u>

* adjusted as a result of the share consideration of every ten (10) of the 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”).

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 December 2019.

10. EARNINGS PER SHARE

(a) Basic

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u> 26,715</u>	<u> 5,071</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	<u> 1,692,760</u>	<u> 1,697,052</u>

The weighted average number of ordinary shares for the year ended 31 December 2018 has included the effect of the Share Consolidation and the repurchase of Shares.

(b) Diluted

Diluted earnings per share is the same amount as the basic earnings per share for the years ended 31 December 2019 and 2018 because the exercise of the outstanding share options would be anti-dilutive.

11. INVESTMENT PROPERTY

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At fair value		
At 1 January	92,500	91,000
Change in fair value	<u>2,300</u>	<u>1,500</u>
At 31 December	<u><u>94,800</u></u>	<u><u>92,500</u></u>

The Group's investment property as at 31 December 2019 and 2018 has been pledged to secure the banking facilities.

12. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables, net of loss allowance	<u>254,002</u>	<u>28,392</u>
Loan to a joint venture	33,600	33,900
Consideration receivables in relation to disposal of subsidiaries	–	40,000
Prepayment for inventory purchase	9,202	6,000
Other prepayments	383	916
Deposits	437	527
Others	<u>89</u>	<u>66</u>
	<u><u>43,711</u></u>	<u><u>81,409</u></u>
Total trade and other receivables	297,713	109,801
<i>Less: Non-current loan</i>	<u>(33,600)</u>	<u>(33,900)</u>
Current portion	<u><u>264,113</u></u>	<u><u>75,901</u></u>

The Group generally grants credit periods ranging from 30 to 90 days (2018: 30 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 and net of loss allowance at the end of each reporting period:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	212,301	2,634
31 to 90 days	33,495	19,226
91 to 180 days	5,990	–
181 to 365 days	2,216	6,532
	<u>254,002</u>	<u>28,392</u>

13. LOAN AND INTEREST RECEIVABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan receivables	24,219	170,500
Interest receivables	4,327	13,166
	<u>28,546</u>	<u>183,666</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 13.2% to 14.4% (2018: 0.7% to 18%) per annum. Loan and interest receivables are repayable within one year from the dates of inception of the loans.

As at 31 December 2019 and 2018, all the loan receivables were secured by floating charges regarding inventories (2018: certain of listed and unlisted shares) held by the borrowers.

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 (2018: HK\$3,388,000) and realised loss on disposal of HK\$445,000 (2018: HK\$1,203,000) of financial assets at fair value through profit or loss was recognised in other losses, net in profit or loss during the year.

15. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<u>13,971</u>	<u>43,603</u>
Other payables		
– Accrued expenses	1,797	6,113
– Others	<u>202</u>	<u>100</u>
	<u>1,999</u>	<u>6,213</u>
Total trade and other payables	<u><u>15,970</u></u>	<u><u>49,816</u></u>

The Group normally receives credit terms of 90 to 150 days from its suppliers. All of the trade payables as at 31 December 2019 and 2018, based on invoice date, were due within 30 days.

16. BANK BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Secured bank borrowings		
– Trade loans	53,188	–
– Revolving term loan	21,450	–
	<u>74,638</u>	<u>–</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 3% (2018: 2% to 2.75%) per annum.

As at 31 December 2019, all the Group’s bank borrowings were repayable within 3 months to 1 year.

For the year ended 31 December 2019, the effective interest expenses in respect of above loans were ranging from 3.94% to 5.10% (2018: 4.66% to 5.08%) per annum.

As at 31 December 2019, the banking facilities of approximately HK\$76,200,000 (2018: HK\$48,500,000) were secured by an investment property held by the Group, with the carrying amount of HK\$94,800,000 (2018: HK\$92,500,000), the leasehold land and buildings held by the Group, with the carrying amount of HK\$29,659,000 (2018: Nil), and the cross corporate guarantee executed by the Company and certain subsidiaries of the Group.

17. SHARE CAPITAL

	Number of shares <i>(thousands)</i>	Nominal value <i>HK\$'000</i>
Ordinary shares		
Authorised:		
At 1 January 2018	50,000,000	200,000
Share Consolidation	(45,000,000)	–
	<u>5,000,000</u>	<u>200,000</u>
At 31 December 2018 and 2019	<u>5,000,000</u>	<u>200,000</u>

	Number of shares (thousands)	Share capital HK\$'000
Issued and fully paid:		
At 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 and 2019	<u>1,692,760</u>	<u>67,710</u>

18. EVENT AFTER REPORTING PERIOD

On 12 March 2020, an indirect wholly-owned subsidiary of the Company (the “**Vendor**”), an independent third party (the “**Purchaser**”) and a property agent entered into a provisional sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the only investment property owned by the Vendor at a consideration of HK\$94,800,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sale of health-care products and electronic component products.

The Group recorded an increase in the revenue by approximately 653% to approximately HK\$587.8 million for the Year, as compared to approximately HK\$78.0 million for the Prior Year. During the Year, the Group continued its main business of sale of health-care products, and at the same time diversify its business to sale of electronic component products.

During the Year, the sale of health-care products contributed the revenue of approximately HK\$420.7 million while the sale of the electronic component products, contributed revenue of approximately HK\$167.1 million in the Year.

The business of sale of the electronic component products helped the Group mitigate the risk exposure under the uncertainty of the global economy.

Health-care products

During the Year, the revenue generated from sale of health-care products, which includes Chinese herbal medicine, skin-care and other health-care products, of approximately HK\$420.7 million, representing approximately 5.4 times of that of 2018. The positive increment was mainly due to the diversification the product portfolio. During the Year, profit of approximately HK\$24.8 million was generated from the sale of health-care products, representing approximately 8.3 times of that of the Prior Year.

Electronic component products

The Group started the sale of electronic component product business in mid of 2019. The electronic component products that the Group sells are mainly central processing unit and semi-conductor. Although such business has commenced since July 2019, the sale of electronic component products was able to generate positive results, which contributed a revenue of approximately HK\$167.1 million and recorded a segment profit of approximately HK\$7.9 million. The Group considers the sale of the electronic component products enables the Group to broaden its income stream and will bring positive results to the Group.

Joint development project – Lin An Project

The Group has a 51% of equity interest of 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 Lin An Project includes development of high-ended hot spring residential resorts and a medical and health care centre, which offers beautiful and comfortable living environment and supported by healthcare concept to the customers. The Lin An Project was under development during the Year and is expected to be completed in 2022. Thus, no profit was generated by the Lin An Project in 2019.

FINANCIAL REVIEW

Results

During the Year, the Group’s revenue increased by approximately 653% to approximately HK\$587.8 million, compared with approximately HK\$78.0 million in the Prior Year.

Gross profit increased by approximately 10.9 times from approximately HK\$3.0 million in the Prior Year to approximately HK\$32.7 million in the Year, while the gross profit margin gently increased from approximately 3.8% in the Prior Year to approximately 5.6% in the Year which maintaining at a stable level between these two years.

Overall, the Group recorded a profit attributable to owners of the Company of approximately HK\$26.7 million, being over 5.3 times of that during the Prior Year, which amounted to approximately HK\$5.0 million.

Other income

The Group’s other income mainly represented the interest income from the money lending business of approximately HK\$16.9 million (2018: approximately HK\$22.0 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. The decrease was in line with the Group’s strategy to reduce its money lending activities and allocate more fund for the business operations. Subsequent to the settlement of the outstanding balance of the loan receivables as at 31 December 2019, no new loans had been granted after the Year and up to the date of this announcement.

Other gains/(losses), net

The Group recorded other net gains of approximately HK\$1.2 million in the Year, while other net loss of approximately HK\$5.2 million for the Prior Year. The turnaround was mainly due to (i) an inventory write down of approximately HK\$15.0 million being recognised in the Prior Year, while no such write down was recognised during the Year; and (ii) there was a reversal of provision of variable lease expense during the Year while no such provision was recognised in the Prior Year.

FUTURE PROSPECTS

Despite ongoing uncertainties of the worldwide economy and outbreak of coronavirus disease 2019 (“**COVID-19**”) will bring the Group additional challenges, management believes results are beginning to demonstrate that we are on the right path.

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 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 performance given the positive outlook of the health-care business.

The current business strategies of the Group is 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 shareholder of the Company (the “**Shareholders**”) through making investments and/or acquiring business or projects that have promising outlooks and prospects.

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 31 December 2019, the non-current assets increased by approximately 12.6% to approximately HK\$277.1 million, as compared with approximately HK\$246.2 million in the Prior Year. The increase in non-current assets was mainly due to acquisition of the warehouse for self-use.

As at 31 December 2019, the Group recorded total current assets of approximately HK\$508.9 million (2018: approximately HK\$446.3 million) and total current liabilities of approximately HK\$122.8 million (2018: approximately HK\$56.9 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 4.1 times as at 31 December 2019 (2018: approximately 7.8 times).

The increase in inventories by approximately 377.1% to approximately HK\$196.2 million as at 31 December 2019, as compared to that of approximately HK\$41.1 million as at 31 December 2018. Such increase was in line with the growing business during the Year.

The trade receivables increased by approximately 794.6% to approximately HK\$254.0 million as at 31 December 2019, as compared with approximately HK\$28.4 million as at 31 December 2018 which was in line with the increase in revenue during the Year. During the Year, a loss allowance for expected credit losses on trade receivables of approximately HK\$3.1 million (2018: nil) was recognised, which were estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. 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 2019, cash and cash equivalents of the Group amounted to approximately HK\$20.0 million (2018: approximately HK\$138.3 million).

As at 31 December 2019, the Group's borrowings amounted to approximately HK\$74.6 million (2018: HK\$Nil). The net debt to total asset ratio, calculated as borrowings less cash and cash equivalents divided by total assets, was approximately 0.07 (2018:Nil).

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\$0.4 million (2018: approximately HK\$1.9 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 2019, 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 2019 amounted to approximately HK\$74.6 million (2018: HK\$Nil).

Certain land and buildings and investment property of the Group, with a total carrying value of approximately HK\$124.5 million as at 31 December 2019, (2018: HK\$92.5 million) were pledged to banks as securities for bank loans of approximately HK\$74.6 million (2018: HK\$Nil) granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, we had a total of 20 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.

CLOSURE OF REGISTER OF MEMBERS

The 2019 annual general meeting of the Company (the "AGM") will be held on Tuesday, 23 June 2020 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 closed from Thursday, 18 June 2020 to Tuesday, 23 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 June 2020.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

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 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 Rules Governing (the "**Listing Rules**") the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except in relation to CG Code provision A.2.1, 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 (i) Mr. George Lu (who resigned as an executive Director on 2 May 2019) during the period between 1 January 2019 and 2 May 2019; (ii) Mr. Huang Guanchao (who resigned from his post as the chief executive officer of the Company on 17 July 2019) during the period between 2 May 2019 and 17 July 2019. Since 18 July 2019, the position of chief executive director is vacant and the Company is still indentifying a suitable candidate for the position of the chief executive officer, and the Company has re-complied with the CG Code provision A.2.1.

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

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 2019 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 ended 31 December 2019 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 ended 31 December 2019 as set out in the preliminary 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 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2020

As at the date of this announcement, the non-executive Directors are 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.