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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)

**(1) SUPPLEMENTAL ANNOUNCEMENT TO
2022 INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2022; AND
(2) ADVANCE TO AN ENTITY**

SUPPLEMENTAL INFORMATION TO 2022 INTERIM REPORT

References are made to (i) the annual report of Qianhai Health Holdings Limited (the “**Company**”) for the year ended 31 December 2021 published on 29 April 2022 (the “**2021 Annual Report**”); and (ii) the interim report of the Company for the six months ended 30 June 2022 published on 29 September 2022 (the “**2022 Interim Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those set out in the 2021 Annual Report and the 2022 Interim Report.

In addition to the information disclosed in the section headed “Management Discussion and Analysis” in the 2022 Interim Report, the board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following additional information in relation to the Electronic Component Business and the Health-care Business.

1. ELECTRONIC COMPONENT BUSINESS

Business model

As disclosed on pages 3 and 4 of the 2022 Interim Report, the Electronic Component Business has started since July 2019 after Mr. Huang Guanchao (“**Mr. Huang**”), the Company’s chairman, executive Director and one of the controlling shareholders of the Company, acquired the shares of the Company (the “**Acquisition**”) in May 2019.

The sales team of the Group comprises (i) three Directors, namely Mr. Huang, Mr. Lim Tzea (“**Mr. Lim**”) and Mr. Chen Li Kuang (“**Mr. Chen**”) (biographical details of which are set out on pages 10 and 12 of the 2021 Annual Report); and (ii) the sales staff which possesses 10 to 20 years of experience in the electronic components industry and extensive work experience gained in a Hong Kong-based global electronic components trading and distribution group and other electronic components distributors. These distributors mainly distributes CPUs, data storage devices (e.g. SSD, RAMs, hard drives) and other digital media products. Leveraging on the extensive experience of the sales team of the Group, the Group has established an extensive Hong Kong-based global electronic components trading network. Thus, the Group has been able to source electronic components products, with high quality, in bulk at a reasonable price from supplier; and identify appropriate potential customers with high credibility and procure them to purchase electronic components products sourced by the Group.

The Group has a customer base of over 20 customers and a supplier base of over 20 suppliers. Most of the customers and suppliers of the Group have established long-term relationship of over 15 years with Mr. Huang and were introduced by Mr. Huang to the Group after the Acquisition and the commencement of the Electronic Component Business. With respect to the suppliers of the Group, most of them are mainly electronic components distributors and corporations specialising in electronics and information technology.

With respect to the customers of the Group, most of them are trading companies based in Hong Kong which are engaged in trading of a variety of electronic components. The customers onward sell the electronic components to a wide spread of industry players, including trading companies and downstream manufacturers, such as, OEM factories, chip packaging factories located in the PRC, Taiwan, Hong Kong and certain Southeast Asian countries, etc..

Throughout the years, the Group mainly serves customers by sourcing electronic components from upstream distributors. Generally, the sales team of the Group keeps track of the latest market demand and supply trend through regular contact with suppliers and customers. After analysing the potential market trend, the Group would source the required electronic components in bulk at relatively reasonable pricing, and further resell the electronic components to downstream manufacturers or other distributors, such as other trading companies, for their onward sale to downstream manufacturers and trading companies. Customers may sometimes verbally request for quotations of some specific electronic components before placing orders, and the Group would then assist to liaise with relevant suppliers to obtain such quotations.

Besides, the Group also acts as an authorised distributor for certain electronic components products. As an authorised distributor, the Group purchases particular products directly from the upstream manufacturer and resells to other distributors and downstream manufacturers.

Leveraging on the experience of the staff of its sales team in the electronic components industry and frequent communication with the customers, the Group understands the needs of its customer well and is able to provide, along with its sale of electronic components, additional warehousing and quality control services, and consultation and product application advisory services as to different aspects to satisfy customers' specific needs. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the business model of the Group is in line with the industry norm.

It has always been the Group's business strategy to continue to conduct review on its business activities and assets to formulate business plans and strategies for a sustainable business development of the Group. Under that backdrop, the Group will continue to develop its existing business segments while always looking for other business alternatives in order to bring better results, broaden its revenue base and to add value to the Group and its shareholders. With the better performance and growth potential in the Electronic Component Business, the Group has shifted its resources and focus from the Health-care Business to the Electronic Component Business in the Interim Period, in order to maximise the Company's shareholders' profits.

Business plan

As disclosed on page 4 of the 2022 Interim Report, as a result of the better performance and growth potential in the Electronic Component Business, the Group has shifted its resources and focus from the Health-care Business to the Electronic Component Business in the Interim Period. Going forward, the Group plans to expand the Electronic Component Business through various means as disclosed on page 4 of the 2022 Interim Report in the paragraph headed "Outlook".

In addition to what have been disclosed in the 2022 Interim Report, based on the Directors' experience and judgement in the Electronic Component Business, the Group also plans to recruit additional engineers, sales and marketing personnel with relevant technical background and administration personnel. Such recruitment of additional staff will be implemented in stages in line with the progress of the development of the Electronic Component Business.

2. HEALTH-CARE BUSINESS

Business model

As disclosed on page 3 of the 2022 Interim Report, the Group is primarily engaged in sourcing and wholesale of health-care products in its Health-care Business. The Group's health-care products mainly comprise American ginseng, health and beauty supplements, skin-care products, medical consumables, and other health-care products.

The Group has a specialised team (“**Specialised Health-care Team**”) that is mainly responsible for the operation of the Health-care Business. Most of the members of the Specialised Health-care Team have over 10-year experience in sourcing and sale of health-care products which enables the Group to sustain the operation of the Health-care Business.

Mr. Chen, one of the members of the Specialised Health-care Team, has extensive working experience in the health-care products industry. He acted as a business development manager of an innovative raw material extraction manufacturer, which engaged in the manufacturing of raw material for health-care products from 2019 to 2022 in Taiwan. He also possesses extensive experience in business development, sales and marketing of raw materials of the health-care products, brand and company image building and cross-industry cooperation.

Leveraging on the experience and knowhow of the Specialised Health-care Team, the Group has built a business network in health-care products industry and is able to source health-care products with quality and potential growth in bulk at a reasonable price from suppliers; and identify appropriate potential customers with credibility and procure them to purchase health-care products sourced by the Group.

With the established business network in the health-care products industry, the Group is able to maintain a close and stable supplier and customer base for its Health-care Business. The Group usually maintains a supplier base of over 10 suppliers. The Group's suppliers mainly consist of growers of American ginseng, manufacturers or the trading companies. With respect to the customers of the Group, the Group usually maintains a customer base of over 10 customers. Most of its customers are wholesalers and retailers of health-care products based in Hong Kong and the PRC. In general, the Group has established long-term business relationship with most of its suppliers and customers.

Similar to the Electronic Component Business, the sales team of the Group usually keeps track of the latest market demand and supply trend through regular contact with its suppliers. Through site visits, the Group communicates with its suppliers, to assess the quality of the health-care products that are available. After analysing the potential market trend and assessing the quality and quantity of health-care products that are available by its suppliers, the Group would place bulk order with its suppliers and resell the health-care products to customers for their onward sale to end customers. For certain health-care products, such as medical consumables, the Group would also purchase such products from manufacturers or trading companies on an ad hoc basis.

The Group generally sells its products to its customers on an order-by-order basis in bulk form or packaged form. Along with the Group's sale of health-care products, the Group also offers additional services to enhance customer experience, such as provision of sourcing services and warehousing and quality control services to satisfy customers' specific needs. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the business model of the Group is in line with industry norm.

Business plan

As disclosed on page 4 of the 2022 Interim Report, despite the fact that focus being shifted to the Electronic Component Business during the Interim Period, the Group has been actively developing the Health-care Business by continuing to diversify its product range and customer base and further exploring business opportunities and possible collaborations with players in the same industry.

Based on the Directors' experience, network and judgement in the Health-care Business, the Directors have been actively exploring different opportunities to expand the Health-care Business by the following means:

(i) Potential collaboration with an established online retail platform

The Group is currently negotiating on the possibility of collaboration (the "Collaboration") with one of the largest online retail platforms in the PRC (the "Retail Platform") to supply health-care products, including health-care products from China and Malaysia, to one of the online retail stores on the Retail Platform. As at the date of this announcement, the negotiation is still at a preliminary stage and the Group has not yet entered into any formal agreement with the Retail Platform in relation to the Collaboration.

In the event that the Collaboration materialises, the Group is expected to leverage on the well-recognised online sales channel of the Retail Platform and to further promote the Group's brand and its business to other potential customer(s).

(ii) Possible investment opportunity

The Group is currently in the progress of liaising and negotiating with potential business partner to explore a potential investment in a food processing and raw material extraction factory in Taiwan, which engages in the manufacturing of raw materials for health-care supplements.

In the event that the investment materialises in the future, the Group would be able to create synergy between such factory and the Group where the Group can obtain information regarding manufacturing of the relevant products to have a more in-depth understanding of the market trend from the perspective of supplier along the value-chain of the health-care products industry; and on the other hand, the Group would also provide information regarding downstream demand and sales to such factory so that the health-care products manufactured would be of quality and more consumer-oriented.

(iii) Sourcing of additional products

In order to diversify the Group's product portfolios and to source new high-quality products, the Group has been conducting site visits to manufacturers of health-care supplements and medical consumables in Taiwan and Thailand respectively to explore the feasibility of sourcing new products and establishing authorised distributor relationship with manufacturers.

The supplemental information provided in this announcement does not affect other information contained in the 2022 Interim Report. Save as disclosed above, the contents of the 2022 Interim Report remain unchanged.

ADVANCE TO AN ENTITY

During the Interim Period, the Group placed purchase orders with Jingdong E-Commerce (Trade) Hong Kong Co., Ltd. (the “**Entity**”) to purchase electronic components in its ordinary and usual course of business for the Electronic Component Business from time to time. For each individual purchase order placed with the Entity, the Group was required to pay (i) 20% of the purchase price of the products within three business days after each purchase order is placed (the “**Deposit**”); and (ii) the remaining balance of the purchase price (together with the Deposit, the “**Prepayment**”) prior to the delivery of the relevant products.

The Prepayment is without any interest or collateral. Upon delivery of the relevant products, the Prepayment made by the Group would be recognised as inventory cost. To the best of the Directors' knowledge and belief, after making all reasonable enquiries, the Entity and its ultimate beneficial owners are not connected persons of the Company and are independent of and not connected with the Directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

Under Rules 13.13 and 13.15 of the Listing Rules, where the relevant advance to an entity exceeds 8% under the assets ratio defined under Rule 14.07 of the Listing Rules, a general disclosure obligation for the Company will arise. Under Rules 13.14 and 13.15 of the Listing Rules, where the relevant advance to an entity increases from that previously disclosed under Rules 13.13 and 13.14 of the Listing Rules and such amount of increase since the previous disclosure is 3% or more under the assets ratio defined under Rule 14.07(1) of the Listing Rules, a general disclosure obligation for the Company will arise.

As at 28 February 2022, the total amount of Prepayment paid to the Entity for purchase of products amounted to approximately HK\$60.5 million, representing approximately 8.0% of the Group's total assets as at 30 June 2021 (being the then latest published total assets of the Group). Therefore, such payment constituted an advance to an entity under Rule 13.13 of the Listing Rules, the Company is required to disclose details thereof in accordance with Rule 13.15 of the Listing Rules.

Subsequent to 28 February 2022, the Group paid further Prepayment to the Entity from time to time for purchase of products. The following table sets out details of the aggregate amount of Prepayment further paid to the Entity as of the relevant date, where the increase in the relevant aggregate amount of the Prepayment further paid to the Entity resulting 3% or more of the Group's total assets as at 30 June 2021 and 31 December 2021 (where applicable), as compared to the previous transactions being required to be disclosed:

Relevant date	The aggregate amount of the Prepayment paid as at the relevant date	Approximate percentage of the Group's total assets	The percentage increment of the Group's total assets compared with the previous transaction being required to be disclosed
9 March 2022	Approximately HK\$84.0 million	Approximately 11.2% of the Group's total assets	Approximately 3.2% (as compared with as at 28 February 2022)
22 March 2022	Approximately HK\$106.7 million	Approximately 14.2% of the Group's total assets	Approximately 3.0% (as compared with as at 9 March 2022)
25 March 2022	Approximately HK\$169.1 million	Approximately 22.5% of the Group's total assets	Approximately 8.3% (as compared with as at 22 March 2022)
8 June 2022	Approximately HK\$212.4 million	Approximately 28.8% of the Group's total assets	Approximately 6.3% (compared with as at 25 March 2022)

Relevant date	The aggregate amount of the Prepayment paid as at the relevant date	Approximate percentage of the Group's total assets	The percentage increment of the Group's total assets compared with the previous transaction being required to be disclosed
17 June 2022	Approximately HK\$245.0 million	Approximately 33.2% of the Group's total assets	Approximately 4.4% (compared with as at 8 June 2022)
14 July 2022	Approximately HK\$272.0 million	Approximately 36.8% of the Group's total assets	Approximately 3.6% (compared with as at 17 June 2022)
15 July 2022	Approximately HK\$314.9 million	Approximately 42.6% of the Group's total assets	Approximately 5.8% (compared with as at 14 July 2022)

The Directors consider that the Prepayment made from time to time were on normal commercial terms and in the ordinary course of business of the Company.

Due to an inadvertent oversight, the Company had not complied with the disclosure requirements in accordance with Rules 13.13, 13.14 and 13.15 of the Listing Rules in a timely manner. The Company will strengthen the relevant internal control procedures to avoid the occurrence of similar incidents in the future.

Save as disclosed above, as at the date of this announcement, the Company does not have any other disclosure obligations under Rules 13.13, 13.14 and 13.15 of the Listing Rules.

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

Hong Kong, 6 December 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 Director is Mr. Chen Li Kuang and the independent non-executive Directors are Mr. Li Wei, Mr. Yuen Chee Lap Carl and Mr. Leung Chun Tung.