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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 2023

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 2023 (the “**Year**”), together with the comparative figures for the corresponding year ended 31 December 2022 (the “**Prior Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

| | <i>Note</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Revenue | 3 | 961,291 | 1,961,704 |
| Cost of sales | 4 | (996,894) | (1,885,222) |
| Gross (loss)/profit | | (35,603) | 76,482 |
| Other income | 5 | 69 | 452 |
| Other (losses)/gains, net | 6 | (548) | (308,176) |
| Reversal of loss allowance for expected credit losses on trade receivables, net | | 171 | 16,928 |
| Selling and distribution expenses | 4 | (142) | (166) |
| Administrative expenses | 4 | (16,609) | (19,189) |
| Finance costs | 7 | (43) | (34) |
| Operating loss and loss before income tax | | (52,705) | (233,703) |
| Income tax | 8 | – | – |
| Loss for the year attributable to owners of the Company | | (52,705) | (233,703) |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share | | | |
| Basic and diluted | 9 | (3.11) | (13.79) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss for the year | <u>(52,705)</u> | <u>(233,703)</u> |
| Other comprehensive income: | | |
| <i>Item that may be reclassified to profit or loss:</i> | | |
| Exchange differences arising from translation of foreign operations | <u>114</u> | <u>(125)</u> |
| Other comprehensive loss for the year | <u>114</u> | <u>(125)</u> |
| Total comprehensive loss for the year attributable to owners of the Company | <u><u>(52,591)</u></u> | <u><u>(233,828)</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | <u>26,465</u> | <u>28,898</u> |
| Total non-current assets | | <u>26,465</u> | <u>28,898</u> |
| Current assets | | | |
| Inventories | | 329,785 | 380,461 |
| Trade and other receivables | 11 | 102,342 | 123,433 |
| Cash at bank | | <u>19,525</u> | <u>1,642</u> |
| Total current assets | | <u>451,652</u> | <u>505,536</u> |
| Total assets | | <u>478,117</u> | <u>534,434</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 67,778 | 67,778 |
| Reserves | | <u>316,336</u> | <u>368,927</u> |
| Total equity | | <u>384,114</u> | <u>436,705</u> |

| | <i>Note</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------------------------|-------------|---------------------------------------|-------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | — | 487 |
| Total non-current liabilities | | — | 487 |
| Current liabilities | | | |
| Other payables and accruals | <i>12</i> | 1,317 | 3,345 |
| Provision | <i>13</i> | 92,199 | 93,197 |
| Lease liabilities | | 487 | 700 |
| Total current liabilities | | 94,003 | 97,242 |
| Total liabilities | | 94,003 | 97,729 |
| Total equity and liabilities | | 478,117 | 534,434 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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 Zhiqun 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 14 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

(a) *Compliance*

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“**HKCO**”). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

(c) New and amendments to standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|--|---|
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction |
| Amendments to HKAS 12 HKFRS 17 | International Tax Reform – Pillar Two Model Rules Insurance Contracts |

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior year and/or the disclosures set out in this announcement.

(d) Change in accounting policy

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong.

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

(e) New Standard, Amendments to Standards and Interpretationss Not Yet Effective

The Group has not applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. The amendments to standards and interpretation include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|--|---|
| Amendments to HKAS 1 – Classification of liabilities as current or non-current | 1 January 2024 |
| Amendments to HKAS 1 – Non-current liabilities with covenants | 1 January 2024 |
| Amendments to HKFRS 16 – Lease Liability in a sales and leaseback | 1 January 2024 |
| Amendments to Hong Kong Interpretation 5 (revised) presentation of financial statements-classification by borrower of a term loan that contains a repayment on demand clause | 1 January 2024 |
| Amendments to HKAS 7 and HKFRS 7 – Supplier finance arrangements | 1 January 2024 |
| Amendments to HKAS 21 – Lack of Exchangeability | 1 January 2025 |
| Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture | <i>To be determined by the HKICPA</i> |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. The directors of the Company hence concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue from contracts with customers within the scope of HKFRS 15 represents the sale value of health-care products and electronic components products supplied to customers, which is recognised at a point in time.

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.

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 other health-care products); and
- (ii) Electronic component products: sale of information technology components products (including NAND flash wafer (a thin slice of semiconductor material, such as silicon, which is a vital component of flash memory integrated circuits (ICs)); embed multi-chip package (eMCP) memory (an electronic component containing several memory chip; and other electronic components).

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

| | Health-care products HK\$'000 | Electronic components products HK\$'000 | Total HK\$'000 |
|------------------------------------|--|--|---------------------------|
| Year ended 31 December 2023 | | | |
| Segment revenue | 7,157 | 954,134 | 961,291 |
| Cost of sales | <u>(6,982)</u> | <u>(989,912)</u> | <u>(996,894)</u> |
| Segment results | <u><u>175</u></u> | <u><u>(35,778)</u></u> | <u><u>(35,603)</u></u> |

| | Health-care products HK\$'000 | Electronic components products HK\$'000 | Total HK\$'000 |
|------------------------------------|--|--|---------------------------|
| Year ended 31 December 2022 | | | |
| Segment revenue | 9,482 | 1,952,222 | 1,961,704 |
| Cost of sales | <u>(9,215)</u> | <u>(1,876,007)</u> | <u>(1,885,222)</u> |
| Segment results | <u><u>267</u></u> | <u><u>76,215</u></u> | <u><u>76,482</u></u> |

| | 2023 | 2022 |
|---|------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment results | (35,603) | 76,482 |
| Unallocated | | |
| Other income | 69 | 452 |
| Other (losses)/gains, net | (548) | (308,176) |
| Reversal of loss allowance for expected credit losses | | |
| on trade receivables, net | 171 | 16,928 |
| Selling and distribution expenses | (142) | (166) |
| Administrative expenses | (16,609) | (19,189) |
| Finance costs | (43) | (34) |
| | <hr/> | <hr/> |
| Loss before income tax | <u>(52,705)</u> | <u>(233,703)</u> |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2022 and 2023.

Segment result during the year represents the gross profit of each segment without allocation of other income, other (losses)/gains, net, movements of loss allowance for expected credit losses on trade receivable, net, selling and distribution expenses, administrative expenses and finance costs. 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 for control passed to customers.

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 is as follows:

| | 2023 | 2022 |
|---------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | | |
| Hong Kong | 26,465 | 28,898 |

4. EXPENSES BY NATURE

| | 2023 | 2022 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Auditor's remuneration | 950 | 2,100 |
| Cost of inventories sold | 996,894 | 1,885,222 |
| Bad debts written off on trade receivable | 2,701 | – |
| Employee benefit expense | 6,447 | 9,390 |
| Depreciation of property, plant and equipment | 2,433 | 2,434 |
| Building management fee, rent and rates | 254 | 217 |
| Transportation expenses | 5 | 34 |
| Legal and professional fee | 1,575 | 2,897 |
| Insurance expense | 315 | 450 |
| Office expense | 219 | 236 |
| Consultancy fee | 950 | 935 |
| Others | 902 | 662 |
| Total cost of sales, selling and distribution expenses and administrative expenses | 1,013,645 | 1,904,577 |

5. OTHER INCOME

| | 2023 | 2022 |
|---------------------------------------|-----------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Government grants (<i>Note</i>) | – | 352 |
| Interest income from bank deposits | 15 | 1 |
| Interest income from loan receivables | 54 | 99 |
| | <u>69</u> | <u>452</u> |

Note: In 2022, 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.

6. OTHER (LOSSES)/GAINS, NET

| | 2023 | 2022 |
|--|-----------------|------------------|
| | HK\$'000 | HK\$'000 |
| Provision for inventory | – | (238,000) |
| Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease | – | 7 |
| Gain on disposal of subsidiaries | – | 21,945 |
| Exchange (losses)/gains, net | (1,546) | 1,069 |
| (Reversal of provision)/Provision for onerous contracts | 998 | (93,197) |
| | <u>(548)</u> | <u>(308,176)</u> |

7. FINANCE COSTS

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Interest expense on: | | |
| – Bank loans | – | 3 |
| – Lease liabilities | 43 | 31 |
| | <u>43</u> | <u>31</u> |
| | <u><u>43</u></u> | <u><u>34</u></u> |

8. INCOME TAX

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2022: 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 have sufficient tax losses brought forward to set off against the estimated assessable profits for the current and prior years.

(ii) PRC Enterprise Income Tax

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) rate of 25% (2022: 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 years.

(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. 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.

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss for the year attributable to owners of the Company | <u>(52,705)</u> | <u>(233,703)</u> |
| Weighted average number of ordinary shares for the purpose of basic loss per share (in thousands) | <u>1,694,450</u> | <u>1,694,450</u> |

(b) Diluted

Diluted loss per share is the same amount as the basic loss per share for both years ended 31 December 2023 and 2022 because the exercise of the outstanding share options would be anti-dilutive.

10. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the years ended 31 December 2023 and 2022.

11. TRADE AND OTHER RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables, net of loss allowance (<i>Note A</i>) | ----- - | ----- 2,530 |
| Loan receivable (<i>Note B</i>) | - | 17,700 |
| Prepayment for inventory purchase (<i>Note C</i>) | 102,001 | 102,800 |
| Other prepayments | 171 | 233 |
| Deposits | <u>170</u> | <u>170</u> |
| | <u>102,342</u> | <u>120,903</u> |
| Total trade and other receivables | <u>102,342</u> | <u>123,433</u> |

Notes:

(A) Trade receivables

The Group generally grants credit periods ranging from 60 days to 120 days (2022: 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 defines 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:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------|------------------------------|----------------------------------|
| 91 to 180 days | <u> – </u> | <u> 2,530 </u> |

(B) Loan receivable

The loan receivable from former joint venture company, which was secured by the corporate guarantee executed by the current ultimate shareholder of such joint venture company, with an interest-bearing at a fixed rate of 0.33% per annum and fully repaid in September 2023.

The financial assets included in the above balances related to loan receivables for which there was no recent history of default and past due amounts. As at 31 December 2022, the loss allowance was assessed to be minimal.

(C) Prepayment for inventory purchase

The balance of prepayment mainly represents several non-refundable deposits placed with the suppliers of the Group's electronic component business. For each individual purchase order placed with the suppliers, the Group was required to pay (i) an upfront prepayment of 15% to 20% of the purchase price of the products within three business days after each purchase order is placed; and (ii) the remaining balance of the purchase price prior to the delivery of the relevant products. The purchase price and purchase quantities were committed in each individual purchase order and the Group has an unconditional purchase obligation to execute the purchase orders.

The prepayments are carried at cost and is expected to be utilised within one year. The management compares the unit price of the above non-cancellable purchase orders so committed against the subsequent market price and trend of the ordered electronic components and made a provision for onerous contracts. For details, please refer to note 13 to this announcement.

As at 31 December 2023, included in trade and other receivables is the significant balances of HK\$Nil (2022: HK\$26,724,000) and HK\$102,001,000 (2022: HK\$96,305,000) were denominated in RMB and US\$ respectively, which are foreign currencies, other than functional currencies of entities within the Group.

12. OTHER PAYABLES AND ACCRUALS

| | 2023 | 2022 |
|-----------------------------|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| Accruals | 1,313 | 3,254 |
| Other payables | 4 | 91 |
| | <hr/> | <hr/> |
| Other payables and accruals | 1,317 | 3,345 |
| | <hr/> <hr/> | <hr/> <hr/> |

As at 31 December 2023, included in other payables and accruals is the balances of HK\$Nil (2022: HK\$9,000) denominated in US\$, which is a foreign currency, other than functional currencies of entities within the Group.

13. PROVISION

The provision was made for onerous contracts for purchasing electronic components. As detailed in note 11 to this announcement, the Group entered several purchase contracts with the suppliers for purchasing electronic components which the Group is obliged to purchase an agreed quantity of electronic components at a pre-determined unit price. Given the market price of these ordered electronic components decreased after the placement of the relevant purchase orders, the estimated unavoidable cost of meeting the obligations will exceed the economic benefits expected to be received by the Group upon executing these purchase contracts. Thus, a provision for onerous contracts amounting to HK\$93,197,000 was recognised for the year ended 31 December 2022, which were included in “Other (losses)/gains, net”. The economic benefits expected to be received represents the management’s best estimate by reference to the market price and trend of the ordered electronic components. During the year ended 31 December 2023, reversal of provision amounting to approximately HK\$998,000 was recognised, being the net of (i) reversal of provision in respect of the increased market price of the ordered electronic components and (ii) overdue penalties being charged by the counterparty due to delay in fulfillment of the purchase obligations.

Movements of the provision under onerous contract is as follows:

| | 2023 | 2022 |
|--|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| At 1 January | 93,197 | – |
| (Reversal of provision)/Provision for the year | (998) | 93,197 |
| | <hr/> | <hr/> |
| At 31 December | 92,199 | 93,197 |
| | <hr/> <hr/> | <hr/> <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Electronic Component Business

With respect to the Electronic Component Business, the Group offers a wide spectrum of electronic components, including: NAND flash wafer (a thin slice of semiconductor material, such as silicon, which is a vital component of flash memory integrated circuits (ICs)); and embed multi-chip package (eMCP) memory (an electronic component containing several memory chips), etc.. Silicon wafers are the fundamental building material for most semiconductors, which are vital components of all electronic devices.

The Year was proved to be a turbulent year for both the electronic component industry and the global economy. The market downturn in the first half of year of 2023, which was due to decrease in consumer demand, led to a significant increase in excess inventory. It required certain period of time to reduce production capacity at semiconductor fabrication plants. Throughout the Year, the recovery of supply chains has been complicated by various factors such as inflation, geopolitical conflicts, energy crises, and extreme weather events. However, as the Year progressed and industry strategic production reductions were implemented, organizations were able to mitigate some of the major setbacks. In the second half year of 2023, there was a slight rebound in average selling price of semi-conductors. The economy in the second half of 2023 was still sluggish, and the expected post-pandemic economic recovery and rebound have not materialised.

The Directors expect the end-user demand will continue to improve in the long run, with the increasing uses of autonomous driving, 5G communication, and artificial intelligence. Accordingly, it is expected that prices will be on the pace to rebound in the foreseeable future.

As such, the Group’s revenue of the Electronic Component Business decreased by approximately 51.1% to approximately HK\$954.1 million for the Year as compared to that of the Prior Year, and the gross loss of approximately HK\$35.8 million was recorded (Prior Period: gross profit of approximately HK\$76.2 million) for such segment during the Year.

Health-care Business

The Group is engaged in sourcing and wholesale of health-care products, which include American ginseng and other healthy drinks products. As the Group focused more on its Electronic Component Business during the Year, only a minimal of revenue was generated from sales of health-care products with approximately HK\$7.2 million for the Year. The Group will continue to keep track of the latest market demand and supply trend in order to optimise its product mix and business strategies.

FINANCIAL REVIEW

Revenue

During the Year, the Group derived most of its revenue from the Electronic Component Business, which contributed a revenue of approximately HK\$954.1 million (Prior Year: approximately HK\$1,952.2 million) and recorded a segment loss of approximately HK\$35.8 million (Prior Period: profit of approximately HK\$76.2 million). The drop in revenue was mainly due to the decline in both average selling prices and sale volume. The decrease in the average selling price, which fell below the stock price, which resulted in a gross loss of approximately HK\$35.6 million being recorded as compared to a gross profit of approximately HK\$76.5 million recorded for the Prior Year,

As the Group focused more on its Electronic Component Business during the Year, a minimal revenue of approximately HK\$7.2 million was recorded, with minimal segment profit of approximately HK\$175,000 from sales of health-care products during the Year (Prior Year: HK\$267,000).

Other (losses)/gain, net

Other losses for the Year mainly consisted of exchange losses of HK\$1.5 million (Prior year: exchange gain of HK\$1.1 million). During the Year, the semiconductor industry continued to work through excess inventory in various market segments, while the price was not stable. However, there was a slight rebound in average market price of semi-conductors in the last quarter of the Year. As the result, no additional provisions for inventory and onerous contracts were recognised, in contrast to the provision of HK\$238.0 million and HK\$93.2 million recorded in the Prior Year for inventory and onerous contracts, respectively.

Results

Overall, the Group recorded a loss attributable to owners of the Company of approximately HK\$52.7 million during the Year, as compared with that of approximately HK\$233.7 million in the Prior Year.

FUTURE PROSPECTS

Amidst the global COVID-19 pandemic, there has been a significant increase in public awareness of health, which has created a favorable environment for the healthcare services sector. However, the Group acknowledges the ongoing challenges and uncertainty in the global economic outlook as the long-term economic landscape remains complex and unpredictable. In light of these circumstances, the Directors maintain a cautious optimism towards the growth of the Group's Health-care Business and the sustainability of its financial performance in the future.

In terms of the Electronic Components Business, the semiconductor market in China continues to experience growth. Looking ahead, the rapid development of third-generation semiconductor materials, 5G technology, AI, automotive electronics, and other emerging fields will create new growth opportunities and avenues for innovation in the electronic components industry. The Group anticipates there would be rapid development in the new energy field, including electric vehicles/smart cars and photovoltaic energy storage, which will drive a significant surge in demand for related electronic products. To capitalize on these opportunities, the Group has plans to invest in factory(ies) in the People's Republic of China (the "PRC") in order to provide additional value-added services such as support, modification, assembly, packaging, and testing services tailored to customers' specific needs after purchasing the products. Additionally, the Group aims to secure additional authorized distributorships with other upstream manufacturers to expand its product portfolio and enhance profitability.

Given these circumstances, the Group remains committed to consistently refining its business strategy in line with market trends. This includes a focus on diversifying its product range and customer base, as well as exploring potential business opportunities and collaborations with industry players to leverage the Group's established experience. The Group has demonstrated its proactive approach in addressing market challenges and actively pursuing a diverse range of investment opportunities, particularly in the healthcare and technology sectors. This proactive stance will continue to contribute to the overall growth and success of the Group.

WORKING CAPITAL AND INVENTORY MANAGEMENT

The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 4.8 times as at 31 December 2023 (2022: approximately 5.2 times).

As at 31 December 2023, the Group's total assets amounted to approximately HK\$478.1 million (2022: approximately HK\$534.4 million). The Group's gearing ratio, calculated on the basis of total liabilities of approximately HK\$94.0 million (2022: approximately HK\$97.7 million) divided by total assets, was at a low level of about 19.7% (2022: 18.3%).

As at 31 December 2023, the equity attributable to owners of the Company amounted to approximately HK\$384.1 million (2022: approximately HK\$436.7 million) and was equivalent to an amount of approximately HK0.2 cents (2022: HK0.3 cents) per share of the Company. The decrease in equity attributable to owners of the Company was mainly due to loss incurred during the Year.

Inventory

As at 31 December 2023, the Group held inventories of approximately HK\$329.8 million, net of provision for inventory of approximately HK\$7.1 million (2022: HK\$380.5 million, net of provision for inventory of HK\$252.9 million). Inventories are carried at the lower of cost and net realisable value.

The Group has risk management and internal control systems in place to minimise the risk exposure on purchase price of the products that it purchases and to safeguard its assets. For example, the Group would monitor the market price of the relevant products every week, and may not make any further procurement in the event that the market price is lower than the purchase price quoted from the Group's suppliers. In addition, according to the Group's inventory procurement policy, there is a combination of (i) back-to-back procurement based on purchase orders confirmed by its customers; and (ii) bulk procurement based on the Group's estimations as to, among others, the general market trends. The Group would review and assess its product portfolio and product mix from time to time in order for the inventories in stock to be in line with the demand of the Group's customers based on their feedback and market information collected, and thus to minimise the risk of having any aging inventories and/or onerous contracts.

Prepayment for inventory purchase

Prepayment for inventory purchase amounted to approximately HK\$102.0 million as at 31 December 2023 (2022: approximately HK\$102.8 million). As part of its regular business operations, the Group typically places purchase orders with suppliers to acquire electronic components. For each purchase order, the Group is required to make a deposit of 15-20% of the purchase price within three business days after placing the order. The remaining balance, along with the deposit, is paid prior to the delivery of the products. The prepayment does not involve any interest or collateral. Upon receipt of the products, the prepayment made by the Group is recognised as inventory cost.

To the best of the Directors' knowledge, based on reasonable inquiries, the entity that we prepaid for inventory purchase and its ultimate beneficial owners are not affiliated with the Company and are independent of the Directors, chief executive, substantial shareholders, and associates of the Company and its subsidiaries.

The Group's management conducts regular evaluations of its suppliers (such as reputation, delivery track records and quality control measures, etc.), assessing their ability to fulfill delivery agreements.

Trade receivables

As at 31 December 2023, there were no trade receivables (2022: approximately HK\$2.5 million). During the Year, the Group wrote off bad debts amounting to approximately HK\$2.5 million (2022: nil) due to outstanding balances that were deemed irrecoverable. The Group's management conducts regular evaluations of its customers, assessing their financial standing and credit risks.

LIQUIDITY AND FINANCIAL RESOURCES

The principal sources of funds for the Group are through internally generated cash flows. As at 31 December 2023, cash and cash equivalents of the Group amounted to approximately HK\$19.5 million (2022: approximately HK\$1.6 million).

As at 31 December 2023 and 2022, the Group did not have any borrowings.

CHARGE OF ASSETS

As at 31 December 2023, certain land and buildings of the Group, with a total carrying value of approximately HK\$25.3 million, were pledged to a supplier (an independent third party) as securities for purchase of products for the Electronic Component Business. (No assets were charged as at 31 December 2022).

FOREIGN EXCHANGE EXPOSURE

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. The Group has not experienced any significant foreign exchange exposure to United States dollars as the exchange rate of Hong Kong dollars to United States dollars is pegged.

LITIGATION

There is a legal action from a supplier ("**the Plaintiff**") against a disposed subsidiary of the Company and the Company, for a total sum of CAD2.8 million (approximately HK\$16.8 million) being an alleged outstanding payment owed to the Plaintiff. The management considers the counterclaim by the Plaintiff against the Company is lacking substantiation and evidence in support. The management is in the process of seeking legal advice. The Company will closely monitor the status of the proceedings and evaluate its impact on the Company, and will provide shareholders and potential investors with the latest information on the development of the proceedings as and when appropriate. The Directors do not consider the outcome of any of these claims to have any material adverse impact on the Group's financial position as a whole. No provision has been made in these consolidated financial statements for the Year.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023.

EVENTS AFTER REPORTING PERIOD

Save for disclosed in this announcement, there was no material event which could have material impact to the Group's operating and financial performance after the Year and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, we had a total of 16 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.

FINAL DIVIDEND

The Board does not recommend a payment of final dividend for the Year (2022: Nil).

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

During the Year, 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, the Company has applied the principles and complied with the applicable code provisions of the corporate governance code ("**CG Code**") as set out in Appendix C1 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 C3 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 of the Board (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 2023 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. Leung Chun Tung.

The audited consolidated financial statements of the Group for the year ended 31 December 2023 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.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles, accounting policies and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee, together with the management and the external auditor of the Company has reviewed the audited consolidated financial statement of the Group for the Year.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited (the "Auditors"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by McMillan Woods (Hong Kong) CPA 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 McMillan Woods (Hong Kong) CPA Limited on the audited annual results in this results announcement.

2023 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2023 annual general meeting of the Company (the "AGM") will be held on Thursday, 20 June 2024, and the notice of the AGM will be published and despatched to Shareholders in due course.

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 Monday, 17 June 2024 to Thursday, 20 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 June 2024.

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 2023 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 Zhiqun
Chairman

Hong Kong, 14 March 2024

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