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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Qianhai Health Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 (the "**Interim Period**"), together with the comparative figures for the corresponding period ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**112,919**	243,989
Costs of sales		**(105,178)**	(279,246)
Gross profit (loss)		**7,741**	(35,257)
Other income, gains and losses	*5*	**17,185**	(34,519)
Administrative expenses		**(16,874)**	(40,494)
Change in fair value of investment properties		**10,000**	(4,600)
Finance costs	*6*	**–**	(15,002)
Profit (loss) before taxation	*7*	**18,052**	(129,872)
Income tax refund		**37**	–

		Six months ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit (loss) for the period		**18,089**	(129,872)
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		**–**	23
Total comprehensive income (expense) for the period		**18,089**	(129,849)
Profit (loss) for the period attributable to:			
— owners of the Company		**18,166**	(129,872)
— non-controlling interests		**(77)**	–
		18,089	(129,872)
Total comprehensive income (expense) attributable to:			
— owners of the Company		**18,166**	(129,849)
— non-controlling interests		**(77)**	–
		18,089	(129,849)
			(Restated)
Earnings (loss) per share			
— basic	*9*	**0.11 cents**	(1.56) cents
— diluted	*9*	**0.11 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 June 2017** ***HK$'000*** **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**75,976**	74,034
Investment properties	*10*	**103,630**	93,630
Deposits paid for acquisition of property, plant and equipment		**3,009**	–
		182,615	167,664
Current assets			
Inventories		**95,968**	166,394
Trade and other receivables	*11*	**44,328**	60,641
Loan receivables	*12*	**128,630**	–
Held-for-trading investments	*13*	**9,360**	–
Bank balances and cash		**200,066**	244,523
		478,352	471,558
Total assets		**660,967**	639,222
EQUITY			
Equity attributable to owners of the Company			
Share capital		**68,016**	68,016
Reserves		**571,217**	551,888
		639,233	619,904
Non-controlling interests		**5,443**	(3)
Total equity		**644,676**	619,901

	NOTES	As at 30 June 2017 HK$'000 (unaudited)	As at 31 December 2016 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		**205**	250
Deferred tax liabilities		**8,131**	8,131
		8,336	8,381
Current liabilities			
Other payables	*14*	**5,415**	7,310
Obligations under finance leases		**91**	91
Taxation payable		**2,449**	3,539
		7,955	10,940
Total liabilities		**16,291**	19,321
Total equity and liabilities		**660,967**	639,222

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL AND BASIS OF PREPARATION

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 33 of 1961, as consolidated and revised) of the Cayman Islands. The Company's immediate and ultimate holding company is Super Generation Group Limited, a company incorporated in the British Virgin Islands. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301–3, 3/F, Wing Tuck Commercial Centre, 177–183 Wing Lok Street, Sheung Wan, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are sourcing, wholesale of ginseng.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

3. PRIOR PERIOD RECLASSIFICATION

The Group has reclassified provision for inventory write-down amounting to HK$56,643,000 to cost of sales, which was previous recognised with in "other gain and losses" for the six months ended 30 June 2016.

4. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chairman of the Company, for the purpose of allocating resources to the segments and to assess its performance which focus on the different types of product. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 and as follows:

(i) Cultivated ginseng

(ii) Wild ginseng

(iii) Ginseng wine

(iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood).

	Six months ended 30 June			
	Segment revenue		**Segment results**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cultivated ginseng	**88,595**	188,661	**6,161**	(38,452)
Wild ginseng	**22,572**	54,498	**844**	2,802
Ginseng wine	**164**	255	**96**	190
Others	**1,588**	575	**640**	203
	112,919	243,989	**7,741**	(35,257)
Unallocated				
Gain (loss) on disposal of property, plant and equipment			**10,165**	(1,544)
Change in fair value of investment properties			**10,000**	(4,600)
Exchange gain (loss)			**282**	(38,193)
Other income, gains and losses			**7,118**	9,185
Loss on change in fair value of held-for-trading investments			**(380)**	–
Unallocated expenses			**(16,874)**	(40,494)
Finance costs			**–**	(15,002)
Impairment loss on property, plant and equipment			**–**	(8,216)
Gain on change in fair value of financial assets/liabilities classified as derivative financial instrument			**–**	4,249
Profit (loss) before taxation			**18,052**	(129,872)

Revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment result during the period represents the gross profit (loss) of each segment without allocation of gain on disposal of property, plant and equipment, changes in fair value of investment properties, exchange gain (loss), other income, gains and losses, unallocated expenses such as central administrative expenses, finance costs, impairment loss on property, plant and equipment, loss on change in fair value of held-for-trading investments and gain on change in fair value of financial assets/liabilities classified as derivative financial instrument. This is the measure reported to the Group's chief operating decision maker, 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 maker for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision maker.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
OTHER INCOME		
Interest income from loan receivables	**5,630**	–
Interest income on bank deposits	**131**	4,916
Rental income	**1,336**	1,532
Sundry income	**21**	2,737
	7,118	9,185
OTHER GAIN AND LOSSES		
Exchange gain (loss), net	**282**	(38,193)
Gain (loss) on disposal of property, plant and equipment	**10,165**	(1,544)
Loss on change in fair value of held-for-trading investments	**(380)**	–
Impairment loss on property, plant and equipment	**–**	(8,216)
Gain on change in fair value of financial assets/liabilities classified as derivative financial instrument	**–**	4,249
	10,067	(43,704)
TOTAL	**17,185**	(34,519)

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank loans and overdrafts	**–**	11,036
Bonds	**–**	3,966
	–	15,002

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,415**	3,045
Operating lease rental in respect of premises	**2,396**	3,142

8. DIVIDENDS

No dividend has been proposed by the Directors during the six months ended 30 June 2017 and subsequent to the end of the reporting period.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss)		
Profit (loss) attributable to owners of the Company	**18,166**	(129,872)

	Six months ended 30 June	
	2017	2016
	('000)	*('000)*
		(restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted earnings per share	**17,004,050**	8,339,698

The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2016 has been retrospectively adjusted to reflect the share-consolidation on 7 July 2016.

The computation of diluted earning per share for the six months ended 30 June 2017 does not assume the exercise of outstanding share options of the Company as the exercise price of those options is higher than the average market price for shares for the period in which the options were outstanding.

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume the exercise of outstanding share options of the Company since their assumed exercise would result in a decrease in loss per share.

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2017 and 31 December 2016 was approximately HK$103,630,000 and HK$93,630,000 respectively.

The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer which is not connected to the Group. The fair value of the investment properties was arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The resulting increase in fair value of the investment properties of approximately HK$10.0 million has been recognised directly in profit or loss for the six months ended 30 June 2017 (six months ended 30 June 2016: decrease in fair value of approximately HK$4.6 million).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 HK$'000 (unaudited)	As at 31 December 2016 HK$'000 (audited)
Trade receivables (net of provision for discounts and rebates) *(Note)*	**37,066**	46,306
Deposit paid for purchase	**5,366**	11,904
Other deposits	**1,123**	1,405
Prepayments	**773**	1,026
	7,262	14,335
Total trade and other receivables	**44,328**	60,641

Note: The balances included the long outstanding trade receivables of the customers (the "Customers") of approximately HK$567.0 million, the Group undertook legal proceedings to enforce debt collection from the Customers. Final judgements were released by the High Court in Hong Kong in December 2016, ordering the Customers to repay the outstanding balances together with accrued interests to the Group. Despite the court's verdict and the Group's continued efforts to enforce settlement, the Customers did not respond to the court order and no settlements were received from the Customers after April 2016. As the result, the Group had made a total full provision for rebates and discounts of HK$567.0 million during the year ended 31 December 2016 and 2015. As at 30 June 2017 and 31 December 2016, the net receivables due from the Customers were nil after offsetting the total provision for sales rebates and discounts.

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

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

	As at 30 June 2016 HK$'000 (unaudited)	As at 31 December 2016 HK$'000 (audited)
Within 30 days	**20,636**	33,299
31 to 90 days	**14,900**	13,007
91 to 365 days	**1,530**	–
	37,066	46,306

12. LOAN RECEIVABLES

The amount as at 30 June 2017 represented a loan advanced to the independent third parties arising from the money lending business in Hong Kong. The amounts are denominated in Hong Kong dollars, unsecured, bear fixed interest rate at 15% per annum and repayable within one year from the dates of inception of loan agreements.

13. HELD-FOR-TRADING INVESTMENTS

The investments as at 30 June 2017 represent investments in listed equity securities in Hong Kong which present the Group with opportunity for return through dividend income and trading gain. The fair value of these securities at 30 June 2017 is based on bid prices quoted in active market.

14. OTHER PAYABLES

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accrued expenses	**476**	6,361
Rental deposit	**435**	435
Deposit received	**2,738**	–
Payables for acquisition of office equipments	**980**	–
Others	**786**	514
	5,415	7,310

15. SUBSEQUENT EVENTS

On 17 July 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement with the a project partner to form a joint venture by way of capital injection of RMB102 million (equivalent to approximately HK$117.3 million) for the joint development of villas and a medical and health check centre at the site located in Lin An, Hangzhou, the People's Republic of China (the "PRC"). For the details, please refer to the announcement of the Company dated 17 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sourcing cultivated ginseng and wild ginseng (collectively, the "American Ginseng") from Canada and sell American Ginseng to the second level wholesaler in Hong Kong.

In the first half of year 2017, the price of the American Ginseng is relatively stable and the Group will continue to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June				
	2017		2016		
	Revenue	***Approximate % of total***	Revenue	*Approximate % of total*	Change in revenue *(approximate %)*
	HK$'million		*HK$'million*		
Cultivated Ginseng	**88.6**	**78.5%**	188.7	77.4%	–53.1%
Wild Ginseng	**22.6**	**20.0%**	54.5	22.3%	–58.5%
Ginseng wine	**0.2**	**0.2%**	0.2	0%	+100%
Others	**1.5**	**1.3%**	0.6	0.3%	+150%
TOTAL	**112.9**	**100%**	244.0	100%	–53.7%

During the six months ended 30 June 2017, the Group continued to focus on trading of the American Ginseng, while the overall revenue amounted to approximately HK$112.9 million, representing a decrease of approximately 53.7% compared with the same of last year.

Gross Profit

The gross profit increased to approximately HK$7.7 million in the first half of 2017, which accounted for approximately 122.0% increment as compared with that of the same period in 2016. The gross profit margin increased to approximately 6.9% from a gross loss margin of 14.5% in the Interim Period. During the six months ended 30 June 2017, the Group recognised provision for inventory write-down of approximately HK$5.6 million in cost of sales (six months ended 30 June 2016: HK$56.6 million).

Expenses

Total administrative expenses decreased by approximately 58.3% to HK$16.9 million for the six months ended 30 June 2017, which was mainly attributable from:

(i) foreign exchange loss of approximately HK$38.2 million mainly arising from depreciation of Renminbi ("RMB") recorded for the six months ended 30 June 2016 (no such expenses were recorded for the six months ended 30 June 2017); and

(ii) impairment loss on property, plant and equipment of approximately HK$8.2 million recorded for the six months ended 30 June 2016 (no such expenses were recorded for the six months ended 30 June 2017).

Inventories

The Group's inventories as at 30 June 2017 was approximately HK$96.0 million (net of write down on inventories) (as at 31 December 2016: HK$166.4 million). The inventories of the Group were stated at lower of cost or net realisable value.

Trade receivables

The Group's trade receivables, net of provision of sales discount and rebates, as at 30 June 2017 decreased to approximately HK$37.1 million from approximately HK$46.3 million as at 31 December 2016.

For the long outstanding trade receivables of the customers (the "Customers") of approximately HK$567.0 million, the Group undertook legal proceedings to enforce debt collection from the Customers. Final judgments were released by the High Court in Hong Kong in December 2016, ordering the Customers to repay the outstanding balances together with accrued interests to the Group. Despite the court's verdict and the Group's continued efforts to enforce settlement, the Customers did not respond to the court order and no settlements were received from the Customers after April 2016. As the result, the Group had made a total full provision for rebates and discounts of HK$567.0 million during the year ended 31 December 2016 and 2015. As at 30 June 2017 and 31 December 2016, the net receivables due from the Customers were nil after offsetting the total provision for sales rebates and discounts.

The Group has tightened its credit policy offered to the new customers. Other than the trade receivables from the Customers, other trade receivables were within credit period. The management will continue to regularly review the recoverability, creditworthiness of its customers and the age of such other trade receivables. The management considered that such other trade receivables are recoverable.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2017, the Group incurred a profit of approximately HK$18.1 million.

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately HK$200.1 million (31 December 2016: approximately HK$244.5 million), and the Group's net current assets were approximately HK$470.4 million (31 December 2016: approximately HK$460.6 million).

The Group had no interest-bearing loans as at 30 June 2017 and 31 December 2016.

CHARGE OF ASSETS

No assets have been charged as at 30 June 2017 and 31 December 2016.

CAPITAL EXPENDITURE

No capital expenditure of the Group was noted as at 30 June 2017 and 31 December 2016.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016.

SUBSEQUENT EVENTS

On 17 July 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement with the a project partner to form a joint venture by way of capital injection of RMB102 million (equivalent to approximately HK$117.3 million) for the joint development of villas and a medical and health check centre at the site located in Lin An, Hangzhou, the PRC. For the details, please refer to the announcement of the Company dated 17 July 2017.

LOOKING AHEAD

Facing the challenging market environment, the Group will continue the trading of American ginseng with a cautious approach. The Directors consider that given the leading position in the ginseng market and experienced management team of the Group, the Group can remain competitive in the future.

Since the change of company name in September 2016, the Company has been actively exploring various healthcare related projects, including general hospitals, specialty hospitals, health check centres and senior housing in the PRC in order to develop a healthcare services network to capture China's fast-growing healthcare space. It is the Group's strategy to explore possibilities of engaging in new business in order to maximise returns to the shareholders of the Company and to broaden the source of income of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2017, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provision A.2.1, as more particularly described below.

CG Code provision A.2.1 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 Mr. George Lu. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. George Lu.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code during the six months ended 30 June 2017.

AUDIT COMMITTEE

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

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

By order of the Board
Qianhai Health Holdings Limited
George Lu
Chairman & Chief Executive Officer

Hong Kong, 11 August 2017

As at the date of this announcement, the executive Directors are Mr. George Lu, Mr. Yeung Wing Kong and Mr. Wong Kwok Ming; the non-executive Director is Mr. Yeung Wai Fai Andrew and the independent non-executive Directors are Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.