



前海健康

QIANHAI HEALTH

**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)



**2018**  
Interim Report





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# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. George Lu (*Chairman*)  
Mr. Wong Kwok Ming

### NON-EXECUTIVE DIRECTOR

Mr. Yeung Wai Fai Andrew (*Vice Chairman*)  
(resigned on 29 June 2018)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei  
Mr. Wu Wei Leung Danny  
Mr. Yuen Chee Lap Carl

## AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl (*Chairman*)  
Mr. Li Wei  
Mr. Wu Wai Leung Danny

## REMUNERATION COMMITTEE

Mr. Li Wei (*Chairman*)  
Mr. George Lu  
Mr. Wu Wai Leung Danny

## NOMINATION COMMITTEE

Mr. Li Wei (*Chairman*)  
Mr. George Lu  
Mr. Wu Wai Leung Danny

## AUTHORISED REPRESENTATIVES

Mr. George Lu  
Ms. Yip Tak Yung Teresa

## COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

## LEGAL ADVISOR AS TO HONG KONG LAWS

### CHIU & PARTNERS

40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 301-3, 3/F, Wing Tuck Commercial Centre  
177-183 Wing Lok Street, Sheung Wan, Hong Kong

## PRINCIPAL SHARE REGISTRAR

### CONYERS TRUST COMPANY (CAYMAN) LIMITED

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

### TRICOR INVESTOR SERVICES LIMITED

Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## INVESTORS RELATIONS

ir@qhhl.com.hk

## STOCK CODE

0911

## WEBSITE

[www.qianhaihealth.com.hk](http://www.qianhaihealth.com.hk)



# Management Discussion and Analysis

## BUSINESS REVIEW

### *AMERICAN GINSENG BUSINESS*

Qianhai Health Holdings Limited (“**Company**”, together with its subsidiaries, “**Group**”) is principally engaged in sourcing American ginseng from Canada and sell American Ginseng to the second level wholesaler in Hong Kong.

During the six months ended 30 June 2018 (“**Interim Period**”), the trading of American ginseng business remained competitive. The average wholesale price of American ginseng decreased in 2018 when compared to the six months ended 30 June 2017 (the “**Prior Period**”). The Group was able to keep tight control of its operations and focused on enhancing operation efficiency, and generated a gross profit of approximately HK\$6.8 million for the six months ended 30 June 2018, when compared to that of the gross profit of approximately HK\$7.7 million in 2017.

The Group will continue to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions.

### *LIN AN PROJECT*

During the Interim Period, the project of joint development of a land parcel in Lin An District, Hangzhou in China (the “**Lin An Project**”) is in good progress. The project includes development of high-end hot spring residential resorts and a medical and health care centre and offers beautiful and comfortable living environment, supported by healthcare concept to the customers. The project has been under development in the Interim Period and is expected to be completed in 2019. The Group is optimistic about the prospects of the real estate market in the PRC and it is expected that the Lin An Project will be able to generate ongoing economic benefits.

### *INVESTMENT IN AN ASSOCIATE*

The Group holds 49% equity interest of 浙江滙尊網絡科技有限公司 (“**HJIT**”), which is an information technology problem solving service provider. It is committed to developing internet technology and establishing a technology platform to provide industry partners with technical capabilities such as big data, cloud computing, artificial intelligence and data analysis, as well as service capabilities such as operational, quality control and customer service capabilities to small to medium size companies.

With the popularity of the internet in the PRC, the demand in internet in the PRC has continued to grow rapidly in the recent years, which means there is still huge potential for its development.



## Management Discussion and Analysis

### FUTURE PROSPECTS

The Group has always been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. Meanwhile, the Group has been actively exploring various healthcare related projects, including hospitals, health check centers and senior housing in the PRC in order to develop a healthcare services network to capture China's fast-growing healthcare demand. The Group will proactively exploring new business areas and seeking suitable opportunities.

The Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

### FINANCIAL REVIEW

#### *REVENUE AND GROSS PROFIT*

During the six months ended 30 June 2018, the Group continues to focus on trading of the American ginseng, while the overall revenue amounted to approximately HK\$39.0 million, representing a decrease of approximately 65.4% compared with the same of last year. The decrease was mainly attributable to decrease in revenue derived from trading volume of both cultivated American ginseng and wild American ginseng due to unfavourable market conditions. With the (i) decrease average wholesale price of American ginseng and; (ii) increase in competition among the American ginseng trading business, the Group tightened the trading volume of American ginseng in the Interim Period.

The gross profit decreased to approximately HK\$6.8 million in the Interim Period, which accounted for approximately 12.7% decrement as compared with that of the Prior Period. The decrement was mainly attributable to the decrease in the average selling price of American ginseng.

#### *OTHER INCOME*

The Group's other income mainly represented the interest income derived from the money lending activities of approximately HK\$11.1 million during the Interim Period. (Prior Period: HK\$5.6 million).

#### *OTHER GAIN/(LOSSES), NET*

The Group's other net gains decreased by approximately 72.8% to HK\$5.5 million for the Interim Period, which was mainly attributable from:

- (i) a gain on changes in fair value of the investment properties of approximately HK\$7.0 million in the Interim Period, as compared to approximately HK\$10.00 million in Prior Period;
- (ii) loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$4.6 million in the Interim Period, as compared to approximately HK\$0.4 million in Prior Period. The financial assets at fair value through profit or loss were the Hong Kong listed equity securities, which were held-for-trading. The fair value of these securities was based on the bid prices quoted in active market; and
- (iii) a gain on disposal of property, plant and equipment of approximately HK\$10.2 million was recorded in Prior Period, while no such gain was recorded in Interim Period.



## Management Discussion and Analysis

### *INVENTORIES*

The Group's inventories as at 30 June 2018 was approximately HK\$31.8 million (31 December 2017: HK\$63.7 million). The inventories of the Group were stated at lower of cost or net realisable value. The decrease in the inventories was due to the Group purchased less American ginseng in the Interim Period due to keen competition in the American ginseng trading market.

### *TRADE RECEIVABLES*

The Group's trade receivables as at 30 June 2018 was approximately HK\$21.8 million. The management regularly reviews the recoverability, creditworthiness of its customers and the age of the trade receivables. The management considered that the trade receivables are recoverable.

### *LOAN RECEIVABLES*

The loan receivables derived from the money lending activities of an indirect wholly-owned subsidiary of the Company, which is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). As at 30 June 2018, the loan receivables of approximately HK\$145.5 million (31 December 2017: approximately HK\$143.0 million) are unsecured, bearing a fixed interest rate at 15%-18% per annum (31 December 2017: 15%) and are repayable within one year from the respective dates of inception of the loans.

### *FOREIGN EXCHANGE 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 cultivated ginseng are mainly made in Canadian dollars ("CAD"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Interim Period, the Group incurred a gain of foreign exchange differences amounted to approximately HK\$0.7 million (Prior Period: approximately HK\$0.3 million). The board ("**Board**") of directors ("**Directors**") of the Company will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, cash and cash equivalents of the Group amounted to approximately HK\$172.2 million (31 December 2017: approximately HK\$183.5 million), and the Group's net current assets were approximately HK\$353.9 million (31 December 2017: approximately HK\$376.0 million).

The gearing ratio of the Group as at 31 December 2017, calculated as bank borrowing divided by total equity, was approximately 2.2% (30 June 2018: 0%).

## Management Discussion and Analysis

### CHARGE OF ASSETS

Certain borrowings were secured by the Group's investment properties having a carrying value of approximately HK\$98.0 million (31 December 2017: HK\$91.0 million).

### CAPITAL COMMITMENT

The capital commitment of the Group was approximately HK\$36.3 million (31 December 2017: HK\$55.3 million), which was mainly used for the constructions and acquisitions of property, plant and equipment of the Lin An Project.

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

### INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2018.

# Corporate Governance and Other Information



## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 30 June 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Stock Exchange were as follows:

### (I) LONG POSITIONS IN THE SHARES OF THE COMPANY OF HK\$0.004 EACH ("SHARES")

Name of Director	Capacity/Nature of interest	Number of Shares	Percentage of shareholding
Mr. George Lu	Interest of controlled corporations	8,056,880,000 Shares (Note)	47.48%

Note:

These Shares held by Super Generation Group Limited ("Super Generation"), which is wholly owned by Mr. George Lu.

### (II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – SUPER GENERATION

Name of Director	Capacity	Number of Shares	Percentage of shareholding
Mr. George Lu	Beneficial owner	50,000 Shares of US\$1 each	100%

Save as disclosed above, as at 30 June 2018, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.



## Corporate Governance and Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

#### LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Percentage of shareholding
Ms. Shen Wei	Interest of spouse	8,056,880,000 Shares <i>(Note 1)</i>	47.48%
Super Generation	Beneficial owner	8,056,880,000 Shares	47.48%
Haitong International Credit Company Limited	Person having a security interest in shares	8,056,880,000 Shares <i>(Note 2)</i>	47.48%
Haitong International Finance Company Limited	Interest of controlled corporations	8,056,880,000 Shares <i>(Note 2)</i>	47.48%
Haitong International (BVI) Limited	Interest of controlled corporations	8,056,880,000 Shares <i>(Note 2)</i>	47.48%
Haitong International Securities Group Limited	Interest of controlled corporations	8,056,880,000 Shares <i>(Note 2)</i>	47.48%
Haitong International Holdings Limited	Interest of controlled corporations	8,056,880,000 Shares <i>(Note 2)</i>	47.48%
Haitong Securities Co., Ltd.	Interest of controlled corporations	8,056,880,000 Shares <i>(Note 2)</i>	47.48%



## Corporate Governance and Other Information

*Note:*

1. Ms. Shen Wei is the wife of Mr. George Lu.
2. Haitong International Credit Company Limited is wholly-owned by Haitong International Finance Company Limited which in turn is wholly-owned by Haitong International (BVI) Limited. Haitong International (BVI) Limited is wholly owned by Haitong International Securities Group Limited, which in turn is owned by Haitong International Holdings Limited as to approximately 62.43%. Haitong International Holdings Limited is wholly owned by Haitong Securities Co. Ltd., the shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange.

Saved as disclosed above, as at 30 June 2018, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

### CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 20 to the financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

### SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted for a period of 10 years commencing 9 June 2014 (which will expire on 8 June 2024) pursuant to an ordinary resolution passed at the special general meeting of the Shareholders held on 9 June 2014 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board.



## Corporate Governance and Other Information

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

As at 30 June 2018, options to subscribe for an aggregate of 160,040,000 shares granted to the Directors, certain employees and other participants pursuant to the Scheme remained outstanding, details of which are as follows:

Type of participants	Date of grant	Exercisable period	Adjusted exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2018	Lapsed during the period	Outstanding as at 30 June 2018
<b>Director</b>						
Mr. Yeung Wai Fai	1 November 2016	1 November 2016 to 31 October 2019	HK\$0.165	53,347	–	53,347
Andrew		1 November 2017 to 31 October 2019	HK\$0.165	53,347	–	53,347
(Resigned on 29 June 2018)		1 November 2018 to 31 October 2019	HK\$0.165	53,346	–	53,346
<b>Employees</b>						
	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752	5,000	(5,000)	–
		6 January 2016 to 5 January 2018	HK\$0.752	525	(525)	–
		6 January 2017 to 5 January 2018	HK\$0.752	525	(525)	–
<b>Consultants</b>						
	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752	250,000	(250,000)	–
				416,090	(256,050)	160,040



## Corporate Governance and Other Information

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

During the six months ended 30 June 2018, the Company repurchased and cancelled the Shares as follows:

Date	Number of Shares repurchased	Method of Shares repurchase	Prices per Share		Total paid HK\$
			Highest HK\$	Lowest HK\$	
30 April 2018	2,210,000	On the Stock Exchange	0.088	0.084	188,790.00
2 May 2018	3,200,000	On the Stock Exchange	0.089	0.088	283,760.00
11 May 2018	5,100,000	On the Stock Exchange	0.085	0.083	428,586.39
14 May 2018	1,050,000	On the Stock Exchange	0.087	0.086	90,842.98
17 May 2018	7,650,000	On the Stock Exchange	0.087	0.082	654,159.12
24 May 2018	2,300,000	On the Stock Exchange	0.080	0.080	184,387.17
28 May 2018	2,520,000	On the Stock Exchange	0.083	0.080	205,772.15
31 May 2018	9,450,000	On the Stock Exchange	0.083	0.079	767,325.99

The Company cancelled the above mentioned 33,480,000 repurchased Shares on 19 June 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

## Corporate Governance and Other Information

During the six months ended 30 June 2018, the Company repurchased the Shares but not yet cancelled as at 30 June 2018 as follows:

Date	Number of Shares repurchased	Method of Shares repurchase	Prices per Share		Total paid HK\$
			Highest HK\$	Lowest HK\$	
27 June 2018	27,440,000	On the Stock Exchange	0.078	0.072	2,070,894.02

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

### 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 2018, 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.

## Corporate Governance and Other Information



### 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 2018.

### 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**

**Mr. George Lu**

*Chairman & Chief Executive Officer*

Hong Kong, 7 August 2018



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	38,990	112,919
Costs of sales		(32,233)	(105,178)
Gross profit		6,757	7,741
Other income	5	11,837	7,118
Other gains/(losses), net	6	5,457	20,067
Administrative expenses		(16,802)	(16,874)
Finance costs	7	(233)	–
Operation profit		7,016	18,052
Share of net profit of an associate accounted for using the equity method		5,183	–
Profit before taxation	8	12,199	18,052
Income tax (expense)/credit		(85)	37
Profit for the period		12,114	18,089
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		(5,169)	–
Total comprehensive income for the period		6,945	18,089
Profit for the period attributable to:			
– owners of the Company		12,114	18,166
– non-controlling interests		–	(77)
		12,114	18,089
Total comprehensive income attributable to:			
– owners of the Company		6,084	18,166
– non-controlling interests		861	(77)
		6,945	18,089
Earnings per share			
– basic	10	0.07 cents	0.11 cents
– diluted	10	0.07 cents	0.11 cents

# Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	<i>Notes</i>	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	75,734	61,415
Land use rights		94,842	97,274
Investment properties	12	98,000	91,000
Investment accounted for using the equity method		47,187	43,300
Prepayment	13	11,700	12,000
		<b>327,463</b>	<b>304,989</b>
<b>Current assets</b>			
Inventories		31,766	63,682
Trade and other receivables	13	31,376	27,069
Loan and interest receivables	14	153,176	149,200
Financial assets at fair value through profit or loss	15	8,488	8,030
Cash and cash equivalents		172,225	183,453
		<b>397,031</b>	<b>431,434</b>
Assets classified as held for sale		–	59,311
Total current assets		<b>397,031</b>	<b>490,745</b>
<b>Total assets</b>		<b>724,494</b>	<b>795,734</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	67,882	68,016
Reserves		584,705	597,487
		<b>652,587</b>	<b>665,503</b>
Non-controlling interests		20,543	7,200
<b>Total equity</b>		<b>673,130</b>	<b>672,703</b>



## Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	<i>Notes</i>	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases		114	159
Deferred tax liabilities		8,124	8,124
		<b>8,238</b>	<b>8,283</b>
<b>Current liabilities</b>			
Trade and other payables	16	42,805	97,631
Obligations under finance leases		91	91
Bank borrowings		–	15,032
Current income tax liabilities		230	1,817
		<b>43,126</b>	<b>114,571</b>
Liabilities directly associated with assets classified as held for sale		–	177
Total current liabilities		<b>43,126</b>	<b>114,748</b>
<b>Total liabilities</b>		<b>51,364</b>	<b>123,031</b>
<b>Total equity and liabilities</b>		<b>724,494</b>	<b>795,734</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserves	Exchange reserve	Share option reserve	Retained earnings/accumulated loss	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)						
Balance as at 1 January 2018 (audited)	68,016	1,523,446	8,249	7,812	72,476	(1,014,496)	665,503	7,200	672,703
Profit and total comprehensive income/(expense) for the period	-	-	-	(6,312)	-	12,113	5,801	1,143	6,944
Payment of dividend	-	-	-	-	-	(17,004)	(17,004)	-	(17,004)
Repurchase of ordinary shares (Note 17)	(134)	(2,670)	-	-	-	-	(2,804)	-	(2,804)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	12,200	12,200
Recognition of equity-settled share-based payments	-	-	-	-	1,091	-	1,091	-	1,091
Lapse of share option	-	-	-	-	(68,113)	68,113	-	-	-
Balance as at 30 June 2018 (unaudited)	67,882	1,520,776	8,249	1,500	5,454	(951,274)	652,587	20,543	673,130
Balance as at 1 January 2017 (audited)	68,016	1,523,446	8,249	400	71,999	(1,052,206)	619,904	(3)	619,901
Profit and total comprehensive income/(expense) for the period	-	-	-	-	-	18,166	18,166	(77)	18,089
Capital injection from non-controlling interests	-	-	-	-	-	-	-	5,523	5,523
Recognition of equity-settled share-based payments	-	-	-	-	1,163	-	1,163	-	1,163
Lapse of share option	-	-	-	-	(1,148)	1,148	-	-	-
Balance as at 30 June 2017 (unaudited)	68,016	1,523,446	8,249	400	72,014	(1,032,892)	639,233	5,443	644,676

Note: Capital reserves represents (i) an amount of HK\$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares; (ii) deemed capital contribution from a shareholder amounting to HK\$3,551,000 and (iii) the difference between the amount by which the non-controlling interests are adjusted and the fair value paid to acquire additional equity interest in subsidiaries originally held by non-controlling shareholders.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Net cash used in operating activities	(35,798)	(44,384)
<b>Cash flows from investing activities</b>		
Interest received from banks	78	131
Interest received from loan receivables	9,617	–
Increase in loan receivables	(2,500)	–
Purchases of property, plant and equipment	(19,110)	(9,740)
Deposit paid on acquisition of property, plant and equipment	–	(3,009)
Purchases of financial assets at fair value through profit or loss	–	(9,360)
Proceeds from disposal of property, plant and equipment	–	16,427
Proceeds from disposal of subsidiaries	61,624	–
Net cash generated from/(used in) investing activities	49,709	(5,551)
<b>Cash flows from financing activities</b>		
Interest paid	(233)	–
Dividend paid	(17,004)	–
Cash paid for repurchase of ordinary shares	(4,875)	–
Repayments of bank borrowings	(15,032)	–
Repayments of obligations under finance leases	(45)	(45)
Capital injection from non-controlling interests	12,200	5,523
Net cash (used in)/generated from financing activities	(24,989)	5,478
<b>Net decrease in cash and cash equivalents</b>	<b>(11,078)</b>	<b>(44,457)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>183,453</b>	<b>244,523</b>
<b>Effect of change of foreign exchange rate</b>	<b>(150)</b>	<b>–</b>
<b>Cash and cash equivalents at end of the year</b>	<b>172,225</b>	<b>200,066</b>



# Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

## 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 and 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 (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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current interim period, the Group has applied all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") including HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments" issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements and effective for its accounting period beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

The application of these new and revised HKFRSs did not have material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective, and is in the process of assessing their impact on the Group's results and financial position.

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

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

	Six months ended 30 June			
	Segment revenue		Segment results	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cultivated ginseng	26,590	88,595	2,441	6,161
Wild ginseng	851	22,572	(359)	844
Ginseng wine	10,159	164	3,285	96
Others	1,390	1,588	1,390	640
	<b>38,990</b>	112,919	<b>6,757</b>	7,741
Unallocated				
Other income			11,837	7,118
Other gains/(losses), net			5,457	20,067
Administrative expenses			(16,802)	(16,874)
Finance costs			(233)	–
Share of net profit of an associate accounted for using the equity method			5,183	–
Profit (loss) before taxation			<b>12,199</b>	18,052

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

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018



### 4. SEGMENT INFORMATION (CONTINUED)

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

#### 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 location, which are determined by the geographical locations in which the asset is located, is as follows:

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Non-current assets		
The People's Republic of China (the "PRC")	215,398	199,762
Hong Kong	112,065	105,227
	<b>327,463</b>	<b>304,989</b>

### 5. OTHER INCOME

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest income from loan receivables	11,093	5,630
Interest income on bank deposits	78	131
Rental income	666	1,336
Sundry income	-	21
	<b>11,837</b>	<b>7,118</b>

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

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

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Exchange gain (loss), net	713	282
Change in fair value of investment properties	7,000	10,000
Gain on disposal of subsidiaries	2,490	–
Gain on disposal of property, plant and equipment	–	10,165
Change in fair value of financial assets at fair value through profit or loss	(4,605)	(380)
Other	(141)	–
<b>TOTAL</b>	<b>5,457</b>	<b>20,067</b>

### 7. FINANCE COSTS

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on: Bank loans	233	–

### 8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	974	1,536
Operating lease payment in respect of rented premises	1,207	2,396

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018



### 9. DIVIDENDS

No dividend has been proposed by the Board during the six months ended 30 June 2018 and subsequent to the end of the reporting period.

### 10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company	12,114	18,166

	Six months ended 30 June	
	2018 ( '000)	2017 ( '000)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	17,002,015	17,004,050

The computation of diluted earnings per share for the six months ended 30 June 2018 and 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 periods in which the options were outstanding.

### 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$17,143,000 (six months ended 30 June 2017: approximately HK\$9,740,000) which included approximately HK\$16,387,000 payment for the construction work of the Lin An Project (six months ended 30 June 2017: Nil).

During the six months ended 30 June 2017, the Group disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$6,263,000, which was settled in cash amounting to HK\$16,427,000, and resulting in a gain on disposal of approximately HK\$10,165,000. During the six months ended 30 June 2018, the Group disposed of certain property, plant and equipment through disposal of subsidiaries with the aggregate carrying amount of approximately HK\$43,515,000.



## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

### 12. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2018 and 31 December 2017 was approximately HK\$98,000,000 and HK\$91,000,000 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\$7,000,000 has been recognised directly in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$10,000,000).

### 13. PREPAYMENT AND TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Trade receivables	21,769	16,432
Amount due from an associate	765	2,316
Prepayment paid for acquisition of land use rights	11,700	12,000
Prepayment paid for inventory purchase	6,000	6,220
Other prepayments	1,229	1,414
Deposits	–	545
Value-added tax recoverable	–	76
Others	1,613	66
	<b>21,307</b>	22,637
Total trade and other receivables	<b>43,076</b>	39,069
Less: Non-current prepayment	<b>(11,700)</b>	(12,000)
Current portion	<b>31,376</b>	27,069

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 taken if overdue debts are noted.

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018



### 13. PREPAYMENT AND TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aging 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 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Within 30 days	21,769	33,299
31 to 90 days	-	13,007
91 to 365 days	-	-
	<b>21,769</b>	<b>46,306</b>

### 14. LOAN AND INTEREST RECEIVABLES

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Loan receivables	145,500	143,000
Interest receivables	7,676	6,200
	<b>153,176</b>	<b>149,200</b>

The Group's loan and interest receivables, arising from the money lending activities, are denominated in Hong Kong dollars.

The loan receivables of HK\$145,500,000 (31 December 2017: HK\$143,000,000) are secured, bearing fixed interest rate at 15%-18% per annum and are repayable within one year from the dates of inception of the loans. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables mentioned above.

As at 30 June 2018, none of the loan and interest receivables were past due or impaired.

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss are all held for trading and include the following:

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Current assets		
Hong Kong listed equity securities	8,488	8,030

The fair value of these securities at 30 June 2018 and 31 December 2017 is based on bid prices quoted in active market. Fair value loss resulting from the change in fair value of financial assets at fair value through profit or loss of HK\$4,605,000 is recognised in other gains/(losses), net in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$380,000).

### 16. TRADE AND OTHER PAYABLES

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Trade payables	–	36,117
Deposit received from a customer	–	9,862
Other payables		
– Payables for construction work	39,888	41,008
– Payables for property, plant and equipment	–	2,316
– Accrued expenses	2,907	7,888
– Rental deposit	–	320
– Others	10	120
	<b>42,805</b>	61,514
	<b>42,805</b>	97,631

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018



### 17. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b> (thousands)	<b>Nominal value</b> HK\$'000
Ordinary shares			
Authorised:			
At 1 January 2017, 31 December 2017 and 30 June 2018		50,000,000	200,000
Issued and fully paid:			
At 1 January 2017 and 31 December 2017		17,004,050	68,016
Share repurchased	<i>(a)</i>	(33,480)	(134)
At 30 June 2018		16,970,570	67,882

*Notes:*

- (a) During the six months ended 30 June 2018, the Company repurchased its own shares on the Stock Exchange and were cancelled as follows:

<b>Month of repurchase</b>	<b>Number of ordinary shares</b>	<b>Highest price per share</b>	<b>Lowest price per share</b>	<b>Aggregate consideration paid</b> HK\$'000
April 2018	2,210,000	0.088	0.084	189
May 2018	31,270,000	0.089	0.079	2,615

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

### 17. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(a) (Continued)

During the six months ended 30 June 2018, the Company repurchased its own shares on the Stock Exchange and were not yet cancelled as at 30 June 2018 as follows:

Month of repurchase	Number of ordinary shares	Highest price per share	Lowest price per share	Aggregate consideration paid HK\$'000
June 2018	27,440,000	0.078	0.072	2,071

Save as above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018 and 30 June 2017. All shares issued by the Company rank pari passu with the then existing ordinary shares in all respects.

The shares issued rank pari passu with other shares in issue in all respects.

### 18. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 June 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to third parties for settlement in respect of goods or services provided to the Group.

As at 30 June 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 160,040,000 (31 December 2017: 416,090,000), representing 0.94% (31 December 2017: 2.5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the six months ended 30 June 2018 and 2017, no new options were granted.

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018



### 18. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees and consultants during the period:

Type of participates	Date of grant	Exercisable period	Adjusted exercise price	Number of share options (thousands)		
				Outstanding at 1 January 2018	Forfeited during the year	Outstanding as at 30 June 2018
Director <i>(Note)</i>	1 November 2016	1 November 2016 to 31 October 2019	HK\$0.165	53,347	–	53,347
		1 November 2017 to 31 October 2019	HK\$0.165	53,347	–	53,347
		1 November 2018 to 31 October 2019	HK\$0.165	53,346	–	53,346
Employees	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752*	5,000	(5,000)	–
		6 January 2016 to 5 January 2018	HK\$0.752*	525	(525)	–
		6 January 2017 to 5 January 2018	HK\$0.752*	525	(525)	–
Consultants	6 January 2015	6 January 2015 to 5 January 2018	HK\$0.752	250,000	(250,000)	–
				416,090	(256,050)	160,040

*Note:* The grantee has resigned as the director on 29 June 2018.

The fair values for the share options granted were calculated using the Binomial model. The inputs into the model were as follows:

	6 January 2015	1 November 2016
Share price on grant date	HK\$0.752*	HK\$0.162
Exercise price	HK\$0.752*	HK\$0.165
Expected volatility	58.69%	37.24%
Expected life	3 years	3 years
Risk-free rate	0.92%	0.63%
Expected dividend yield	1.7%	0.00%
Early exercise multiple		
– Directors:	N/A	N/A
– Employees, consultants and service provider:	2.2X	3.09X

\* The exercise price were adjusted for the effect of share sub-division on 26 May 2015 and share consolidation on 7 July 2016.

## Notes to the Consolidated Financial Statements

For the six months ended 30 June 2018

### 18. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

During the six months ended 30 June 2018, the Group recognized the total share-based payment expenses of approximately HK\$1,091,000 (six months ended 30 June 2017: HK\$1,163,000) in relation to share options granted by the Company, which were recorded in "administrative expenses".

### 19. CAPITAL COMMITMENTS

The capital commitment contracted for but not provided in the condensed consolidated financial statements in respect of construction of Lin An Project was approximately HK\$36,300,000 (31 December 2017: HK\$55,320,000).

### 20. RELATED PARTY TRANSACTIONS

The Group had paid rental expenses to the related parties, while all the transactions were carried out based on terms agreed between the transaction parties:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Rental expense paid	126	126