



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)

Interim Report

2020

Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to the Consolidated Financial Statements	17

Corporate Information

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao (*Chairman*)
Mr. Lim Tzea

EXECUTIVE DIRECTORS

Mr. Xu Keli
Mr. Lam Hin Chi

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. Wu Wai Leung Danny
Mr. Xu Keli

NOMINATION COMMITTEE

Mr. Li Wei (*Chairman*)
Mr. Wu Wai Leung Danny
Mr. Xu Keli

AUTHORISED REPRESENTATIVES

Mr. Lam Hin Chi
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, Central
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 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTORS RELATIONS

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STOCK CODE

0911

WEBSITE

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Management Discussion and Analysis

BUSINESS REVIEW

In the first half year of 2020, the global economy was deeply dampened by the outbreak of the coronavirus disease (the “**COVID-19**”). Different levels of lockdown and quarantine measures that have been taken due to the outbreak of the COVID-19 around the world have significantly reduced the human flows, social activities, transportation and trading activities worldwide and directly led to sharp fall in economies and increment of unemployment. This also severely and adversely impacted the health-care products business line of the Group. In addition, the general slowdown in the growth of the global economy and international trade, and the gradual escalation of Sino-American trade friction have affected China’s economic growth. In light of that, during the Period, the Group tried to further diversify the existing product portfolio in different aspects in order to achieve a better and sustainable long-term development of the Group.

The Group continues maintaining the main business of sale of health-care products (the “**Health-care Business**”), while at the same time diversifying its businesses to expand the sale of electronic component products (the “**Electronic Component Business**”). The Group recorded an increase in the total revenue by approximately 7 times of approximately HK\$389.8 million for the Period, as compared to approximately HK\$52.6 million for the six months ended 30 June 2019 (the “**Prior Period**”). Around 52% of the revenue was generated from the Health-care Business and the remaining 48% of the revenue was generated from the Electronic Component Business (Prior Period: 100% of revenue was generated from the Health-care Business).

OUTLOOK

The COVID-19 pandemic has not yet been under control and there are still uncertainties in the worldwide economy, the Group foresees that 2020 will continue to be a very challenging and difficult year.

In view of the continuous increasing awareness in health and the aging of population in Hong Kong, the demand for health-care products has grown steadily in recent years. Meanwhile, the Group has been actively exploring opportunities to expand its product mix from time to time so to broaden the Group’s income sources.

The Group will continue to conduct its review on the business activities and assets of the Group for the purpose of formulating business plan and strategies for the future business development of the Group. The current business strategies of the Group is to achieve the best use of its resources, achieve portfolio diversification and improve its overall performance. The Group has been actively looking to diversify its revenue sources in order to bring valuable returns to the shareholders of the Company (the “**Shareholders**”) through making investments and/or acquiring business or projects that have promising outlooks and prospects, and may also consider the possibility of disposing of business, investment or assets in respect of its non-core business currently held by the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

	Revenue For the six months ended 30 June				Gross profit margin For the six months ended 30 June	
	2020		2019		2020	2019
	HK\$' million	%	HK\$' million	%	%	%
Health-care Business	203,586	52.2	52,647	100.0	4.2	19.7
Electronic Component Business	186,210	47.8	–	–	6.4	N/A
TOTAL	389,796	100.0	52,647	100.0	5.3	19.7

HEALTH-CARE BUSINESS

During the Period, the revenue generated from sale of health-care products, which includes Chinese herbal medicine, skin-care and other health-care products, of approximately HK\$203.6 million, representing approximately 3.9 times of that of the Prior Period. The positive increment was mainly due to diversification of the product portfolios. The Group introduced wider variety of products, which includes Chinese medicines and other skin care products. During the Period, profit of approximately HK\$8.6 million was generated from the Health-care Business.

ELECTRONIC COMPONENT BUSINESS

The Group commenced the Electronic Component Business after the Prior Period in 2019. The diversification of the Electronic Component Business has enabled the Group to broaden its income stream and has brought positive results to the Group. The electronic component products that the Group sells are mainly CPU and semi-conductor. During the Period, Electronic Component Business contributed a revenue of approximately HK\$186.2 million and recorded a segment profit of approximately HK\$11.9 million.

GROSS PROFIT

Gross profit increased by approximately 2.0 times from approximately HK\$10.4 million in the Prior Period to approximately HK\$20.5 million in the Period. The gross profit margin was approximately 5.3% in the Period, as compared to that of approximately 19.7% in the Prior Period. The difference in the gross profit margin was mainly due to difference in product mix in the two periods.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the Period was approximately HK\$5.2 million, as compared to approximately HK\$8.9 million in the Prior Period. The decrease was mainly due to a decrease in interest income from money lending business of approximately HK\$9.3 million (the Group's strategy to reduce its money lending activities and allocate more fund for the core businesses); and net off by an increase in revenue and gross operating margin.

Management Discussion and Analysis

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 30 June 2020, the non-current assets decreased by approximately 35.7% to approximately HK\$178.2 million, as compared with approximately HK\$277.2 million as at 31 December 2019. The decrease in non-current assets was mainly due to the disposal of an investment property during the Period. As at 30 June 2020, the Group recorded total current assets of approximately HK\$539.3 million (31 December 2019: approximately HK\$508.9 million) and total current liabilities of approximately HK\$49.5 million (2019: approximately HK\$122.8 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 10.9 times as at 30 June 2020 (31 December 2019: approximately 4.1 times). The increase in inventories by approximately 61.8% to approximately HK\$317.4 million as at 30 June 2020, as compared to that of approximately HK\$196.2 million as at 31 December 2019, was in line with the growing business during the Period.

TRADE RECEIVABLES

The trade receivables, net of loss allowance decreased by approximately 29.8% to approximately HK\$178.2 million as at 30 June 2020, as compared with approximately HK\$254.0 million as at 31 December 2019. As at 30 June 2020, a loss allowance for expected credit losses on trade receivables was approximately HK\$3.1 million (31 December 2019: approximately HK\$3.1 million), which were estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The management of the Group regularly evaluates the Group's customers, and assesses their known financial position and the credit risks.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, cash and cash equivalents of the Group amounted to approximately HK\$17.3 million (31 December 2019: approximately HK\$20.0 million). As at 30 June 2020, the Group's borrowings amounted to approximately HK\$26.6 million (31 December 2019: HK\$74.6 million). The net debt to total asset ratio, calculated as borrowings less cash and cash equivalents divided by total assets, was approximately 0.01 (31 December 2019: 0.07).

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 health-care products and electronic component products are mainly made in United States dollars ("USD") and Canadian dollars ("CAD"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Period, the Group incurred a gain of foreign exchange differences of approximately HK\$0.6 million (Prior Period: approximately HK\$1.3 million). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 30 June 2020, the Group continued to provide corporate guarantees on banking facilities granted to the Company's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 30 June 2020 amounted to approximately HK\$26.6 million (31 December 2019: HK\$74.6 million). Certain land and buildings and investment property of the Group, with a total carrying value of approximately HK\$29.1 million as at 30 June 2020 (31 December 2019: HK\$124.5 million), were pledged to banks as securities for bank loans of approximately HK\$26.6 million (31 December 2019: HK\$74.6 million) granted to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

Corporate Governance and Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 30 June 2020, 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 (the "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 (the "Listing Rules") and the Stock Exchange were as follows:

(I) LONG/SHORT POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Position (Note 1)	Percentage of shareholding
Mr. Huang Guanchao	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
	Beneficial owner (Note 3)	1,690,000	L	0.1%
Mr. Lim Tzea	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
	Beneficial owner (Note 3)	1,690,000	L	0.1%
Mr. Xu Keli	Beneficial owner	9,500,000	L	0.56%
	Beneficial owner (Note 3)	16,925,000	L	1%
Mr. Lam Hin Chi	Beneficial owner (Note 3)	16,925,000	L	1%

Notes:

1. The letter "L" denotes long position in the Shares. The letter "S" denotes short position in the Shares.
2. These 892,485,771 Shares were beneficially owned by Explorer Rosy Limited ("Explorer Rosy") as at 30 June 2020. As at 30 June 2020, Explorer Rosy was owned by Great Prosperous Limited ("Great Prosperous"), Thousands Beauties Limited ("Thousands Beauties") and Noble Stand Limited ("Noble Stand") as to 80%, 10% and 10%, respectively. As at 30 June 2020, Great Prosperous was wholly owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand were wholly and beneficially owned by Mr. Lim Tzea. Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO. By virtue of the SFO, each of Mr. Huang Guanchao and Mr. Lim Tzea is deemed to be interested in all the Shares held by Explorer Rosy.

As at 30 June 2020, these 892,485,771 Shares were pledged in favour of Yunnan International Supply Chain Limited.

3. These Shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option scheme of the Company.

Corporate Governance and Other Information

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATION OF THE COMPANY – EXPLORER ROSY

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. Huang Guanchao	Beneficial owner	8,000 shares of US\$1 each	80%
Mr. Lim Tzea	Beneficial owner	2,000 shares of US\$1 each	20%

Save as disclosed above, as at 30 June 2020, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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:

Corporate Governance and Other Information

LONG/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of interest	Number of shares	Position (Note 1)	Percentage of shareholding
Explorer Rosy	Beneficial owner	892,485,771	L S	52.72%
Great Prosperous	Interest in a controlled corporation, parties acting in concert (Note 2)	892,485,771	L S	52.72%
Thousands Beauties	Interest in a controlled corporation, parties acting in concert (Note 3)	892,485,771	L S	52.72%
Noble Stand	Interest in a controlled corporation, parties acting in concert (Note 3)	892,485,771	L S	52.72%
Ms. Du Balong (杜寶龍)	Interest of spouse (Note 4)	892,485,771	L S	52.72%
	Interest of spouse (Note 4)	1,690,000	L	0.1%
Ms. Chong Siew Hoong (張曉紅)	Interest of spouse (Note 5)	892,485,771	L S	52.72%
	Interest of spouse (Note 5)	1,690,000	L	0.1%
Yunnan Provincial Energy Investment Group Co., Ltd.	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Yunnan Energy Investment (HK) Co., Limited	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Yunnan International Supply Chain Limited	Having a security interest in shares (Note 6)	892,485,771	L	52.72%
Yunnan International Holding Group Limited	Having a security interest in shares (Note 6)	892,485,771	L	52.72%

Notes:

- The letter "L" denotes long position in the Shares. The letter "S" denotes short position in the Shares.
- Explorer Rosy was owned by Great Prosperous, Thousands Beauties and Noble Stand as to 80%, 10% and 10%, respectively. By virtue of the SFO, Great Prosperous is deemed to be interested in all the Shares held by Explorer Rosy.
- Great Prosperous was wholly and beneficially owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand were wholly and beneficially owned by Mr. Lim Tzea. As Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO, by virtue of the SFO, each of Thousand Beauties and Noble Stand is deemed to be interested in all the Shares held by Explorer Rosy.
- Ms. Du Balong (杜寶龍) is the spouse of Mr. Huang Guanchao, and is deemed to be interested in the Shares which are interested by Mr. Huang Guanchao under the SFO.

Corporate Governance and Other Information

5. Ms. Chong Siew Hoong (張曉紅) is the spouse of Mr. Lim Tzea, and is deemed to be interested in the Shares which are interested by Mr. Lim Tzea under the SFO.
6. As at 30 June 2020, 892,485,771 Shares were pledged in favour of Yunnan International Supply Chain Limited. According to the information available to the Company, Yunnan International Supply Chain Limited was wholly owned by Yunnan International Holding Group Limited, which in turn was owned as to approximately 40% by Yunnan Energy Investment (HK) Co., Limited. Yunnan Energy Investment (HK) Co., Limited is wholly owned by Yunnan Provincial Energy Investment Group Co., Ltd.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they 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 of the Company referred to therein; or were required, pursuant to Part XV of the SFO or the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 30 June 2020, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the Share or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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.

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.

Corporate Governance and Other Information

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 2020, options to subscribe for an aggregate of 54,155,000 shares granted to the eligible grantees pursuant to the Scheme remained outstanding, details of which are as follows:

Type of participant	Date of grant	Exercisable period	Exercise price	Number of options (thousands)		
				Outstanding as at 1 January 2020	Granted during the period	Outstanding as at 30 June 2020
Non-executive						
Directors						
Mr. Huang Guanchao	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	–	845	845
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	–	845	845
Mr. Lim Tzea	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	–	845	845
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	–	845	845
Executive Directors						
Mr. Xu Keli	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	–	8,462	8,462
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	–	8,463	8,463
Mr. Lam Hin Chi	12 June 2020	1 July 2020 to 30 June 2025	HK\$0.121	–	8,462	8,462
	12 June 2020	1 July 2021 to 30 June 2025	HK\$0.121	–	8,463	8,463
Others						
A Supplier	20 May 2019	20 May 2019 to 19 May 2022	HK\$0.25	16,925	–	16,925
				16,925	37,230	54,155

Subsequent to 30 June 2020, the Company granted 16,925,000 share options to a controlling shareholder of the Group's customer, for details please refer to the announcements of the Company dated 3 July 2020, 9 July 2020 and 3 August 2020.

Corporate Governance and Other Information

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

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 2020.

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 2020, 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.

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 2020.

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 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. Huang Guanchao
Chairman

Hong Kong, 14 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	389,796	52,647
Costs of sales		(369,279)	(42,284)
Gross profit		20,517	10,363
Other income	4	28	9,960
Other (losses)/gains, net	5	(431)	901
Selling and distribution costs		(518)	(562)
Administrative expenses		(10,301)	(11,475)
Finance costs	6	(1,442)	(283)
Operating profit		7,853	8,904
Share of loss of a joint venture accounted for using the equity method		(953)	(438)
Profit before income tax	7	6,900	8,466
Income tax expense	8	–	(365)
Profit for the period and profit for the period attributable to owners of the Company		6,900	8,101
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operation		(1,705)	749
Total comprehensive income for the period and total comprehensive income attributable to owners of the Company		5,195	8,850
Earnings per share			
– basic	10	0.41 cents	0.48 cents
– diluted	10	0.41 cents	0.48 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	33,833	35,368
Investment property	12	–	94,800
Interests in a joint venture		111,397	113,423
Loan to a joint venture		33,000	33,600
Total non-current assets		178,230	277,191
Current assets			
Inventories		317,428	196,241
Trade and other receivables	13	204,624	264,113
Loan and interest receivables		–	28,546
Cash and cash equivalents		17,250	19,999
Total current assets		539,302	508,899
Total assets		717,532	786,090
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	67,710	67,710
Reserves		599,898	594,703
Total equity		667,608	662,413

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		395	859
Total non-current liabilities		395	859
Current liabilities			
Trade and other payables	14	21,941	15,970
Contract liabilities		–	31,246
Lease liabilities		940	964
Bank borrowings	15	26,648	74,638
		49,529	122,818
Total liabilities		49,924	123,677
Total equity and liabilities		717,532	786,090

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Capital reserves HK\$'000 <i>(Note)</i>	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	
Balance as at 1 January 2020 (audited)	67,710	8,249	(5,622)	1,064	591,012	662,413
Profit and total comprehensive income for the period	-	-	(1,705)	-	6,900	5,195
Balance as at 30 June 2020 (unaudited)	67,710	8,249	(7,327)	1,064	597,912	667,608
Balance as at 1 January 2019 (audited)	67,710	8,249	(4,699)	-	564,297	635,557
Profit and total comprehensive income for the period	-	-	749	-	8,101	8,550
Recognition of equity-settled share-based payments	-	-	-	1,060	-	1,060
Balance as at 30 June 2019 (unaudited)	67,710	8,249	(3,950)	1,060	572,398	645,467

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 in subsidiaries originally held by non-controlling shareholders.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash used in operating activities	(75,285)	(46,433)
Cash flows from investing activities		
Interest received from banks	28	656
Interest received from loan receivables	–	16,880
Repayment from third parties	28,546	19,500
Purchases of property, plant and equipment	(6)	(15)
Deposit paid on acquisition of property, plant and equipment	–	(4,865)
Proceeds from disposal of investment property	93,756	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	6,845
Net cash generated from investing activities	122,324	39,001
Cash flows from financing activities		
Interest paid	(1,254)	(112)
Repayments of bank borrowings	(159,084)	–
Proceeds from bank borrowings	111,094	27,539
Principle element of lease payment	(488)	(45)
Interest element of lease payment	(37)	–
Net cash (used in)/generated from financing activities	(49,769)	27,382
Net (decrease)/increase in cash and cash equivalents	(2,730)	19,950
Cash and cash equivalents at beginning of the period	19,999	138,304
Effect of change of foreign exchange rate	(19)	716
Cash and cash equivalents at end of the period	17,250	158,970

Notes to the Consolidated Financial Statements

1. GENERAL AND BASIS OF PREPARATION

Qianhai Health Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in sale of health-care products and electronic component products.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the 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 ultimate beneficial owners of Explorer Rosy are Mr. Huang Guanchao and Mr. Lim Tzea. The address of the Company’s registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301-3, 3/F, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 (the “**2020 Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**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 (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The 2020 Interim Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Group has adopted and applied, for the first time, the following new standards that have been issued and effective for the accounting periods beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

The adoption of the above amendments to standards did not have significant impact on the Group's accounting policies.

For those new standards, amendment to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

The preparation of the 2020 Interim Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, who 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. The Group's reportable and operating segments have been identified as follows:

- (i) Health-care products: sale of health-care products (including Chinese herbal medicine, skin-care and other health-care products); and
- (ii) Electronic component products: sale of information technology component products (including Central Processing Units ("CPU") and semi-conductors).

Notes to the Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

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

	Sale of health-care products HK\$'000	Sale of electronic components HK\$'000	Total HK\$'000
Six months ended 30 June 2020			
Segment revenue	203,586	186,210	389,796
Cost of sales	(195,006)	(174,273)	(369,279)
Segment result	8,580	11,937	20,517
Six months ended 30 June 2019			
Segment revenue	52,647	–	52,647
Cost of sales	(42,284)	–	(42,284)
Segment result	10,363	–	10,363

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Segment results	20,517	10,363
Unallocated		
Other income	28	9,960
Other (losses)/gains, net	(431)	901
Selling and distribution expenses	(518)	(562)
Administrative expenses	(10,301)	(11,475)
Finance costs	(1,442)	(283)
Share of loss of a joint venture accounted for using the equity method	(953)	(438)
Profit before income tax	6,900	8,466

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

Notes to the Consolidated Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

Segment result during the period represents the gross profit of each segment without allocation of other income, other (losses)/gains, net, selling and distribution expenses, administrative expenses, finance costs and share of loss of a joint venture 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.

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.

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 assets are located, are as follows:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Non-current assets		
The People's Republic of China (the "PRC")	111,903	114,104
Hong Kong	33,327	129,487
	145,230	243,591

Notes to the Consolidated Financial Statements

4. OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest income from loan receivables	-	9,302
Interest income from bank deposits	28	656
Sundry income	-	2
	28	9,960

5. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss on disposal of investment property	(1,044)	-
Exchange gain, net	613	1,346
Realised loss on disposal of financial assets at fair value through profit or loss	-	(445)
TOTAL	(431)	901

6. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest expense on:		
– bank loans	1,405	112
– lease liabilities	37	171
	1,442	283

Notes to the Consolidated Financial Statements

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	1,528	1,275
Expenses relating to short-term leases and other leases	487	1,513

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current period	–	365

(I) HONG KONG PROFITS TAX

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profit. No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries incorporated in Hong Kong as they have no assessable profits or sufficient tax losses brought forward to set off estimate assessable profits for the current period.

(II) PRC ENTERPRISE INCOME TAX

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax ("EIT") rate of 25% (2019: 25%) during the period.

No provision for EIT has been made as the subsidiaries established in the PRC have estimated tax losses for both current and prior periods.

(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 British Virgin Islands.

Notes to the Consolidated Financial Statements

9. DIVIDENDS

No dividend has been proposed by the Directors during the six months ended 30 June 2020 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings		
Profit attributable to owners of the Company	6,900	8,101

	Six months ended 30 June	
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (in thousands)	1,692,760	1,692,760

Diluted earnings per share is the same amount as the basic earnings per share for the six months ended 30 June 2020 and 2019 because the exercise of the outstanding share options would be anti-dilutive.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$6,000 (six months ended 30 June 2019: approximately HK\$15,000).

12. INVESTMENT PROPERTY

During the period, the Group disposed of an investment property with the fair value of approximately HK\$94,800,000 at a consideration of HK\$94,800,000. A loss of disposal of such investment property, amounting to approximately HK\$1,044,000, was recognised in the profit or loss during the period.

Notes to the Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade receivables, net of loss allowance	178,213	254,002
Loan to a joint venture	33,000	33,600
Prepayment for inventory purchase	26,000	9,202
Other prepayments	61	383
Deposits	254	437
Others	96	89
	59,411	43,711
Total trade and other receivables	237,624	297,713
Less: Non-current loan	(33,000)	(33,600)
Current portion	204,624	264,113

The Group generally grants credit periods ranging from 30 to 90 days (2019: 30 to 60 days) to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and defines an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

Notes to the Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within 30 days	51,847	212,301
31 to 90 days	86,104	33,495
91 to 180 days	40,262	5,990
181 days to 365 days	–	2,216
	178,213	254,002

14. TRADE AND OTHER PAYABLES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade payables	21,260	13,971
Other payables		
– Accrued expenses	481	1,797
– Others	200	202
	681	1,999
Total trade and other payables	21,941	15,970

The Group normally receives credit terms of 90 to 150 days from its suppliers.

Notes to the Consolidated Financial Statements

15. BANK BORROWINGS

All the bank borrowings are secured trade loans and bear variable interest rate at Hong Kong Interbank Offered Rate (“**HIBOR**”) or London Interbank Offered Rate (“**LIBOR**”) plus a margin, with the effective interest rate ranging from 2.97% to 5.07% (2019: 3.94% to 5.10%) per annum during the period.

As at 30 June 2020, all the Group’s bank borrowings were repayable within 3 months to 1 year.

All the bank borrowings were secured by the leasehold land and buildings held by the Group, with the carrying amount of approximately HK\$29.1 million and the cross corporate guarantee executed by the Company and certain subsidiaries of the Group.

16. SHARE CAPITAL

	Number of shares (thousands)	Nominal value HK\$'000
Ordinary shares		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	5,000,000	200,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	1,692,760	67,710

Notes to the Consolidated Financial Statements

17. SHARE BASE PAYMENT

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January 2019	–	–
Granted	0.250	16,925
At 31 December 2019	0.250	16,925
Granted	0.121	37,230
At 30 June 2020	0.161	54,155

Share options outstanding as at 30 June 2020 have the following expiry date and exercise price:

Expiry date	Exercise price in HK\$ per share option	Number of share options (thousands)
19 May 2019	0.25	16,925
30 June 2025	0.121	37,230

Notes to the Consolidated Financial Statements

17. SHARE BASE PAYMENT (CONTINUED)

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

	12 June 2020	20 May 2019
Share price on grant date	HK\$0.121	HK\$0.25
Exercise price	HK\$0.121	HK\$0.25
Expected volatility	135.911%	67.6810%
Expected life	5.0521 years	3 years
Risk-free rate	0.4103%	1.6780%
Expected dividend yield	0.0000%	1.2195%
Early exercise multiple		
– Directors	2.8X	N/A
– Employees, consultants and service provider	N/A	N/A
– A supplier	N/A	2.2X

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.