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Qianhai Health Holdings Limited

前海健康控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

AUDITED CONSOLIDATED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement (the “**Unaudited Annual Results Announcement**”) of Qianhai Health Holdings Limited (the “**Company**”) dated 31 March 2022 in relation to, among other things, the unaudited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the Year (the “**Unaudited Annual Results**”). Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as defined in the Unaudited Annual Results Announcement.

As stated in the Unaudited Annual Results Announcement, publication of the audited consolidated annual results of the Group for the Year was delayed as the auditing process of the Group had not been completed.

AUDITED ANNUAL RESULTS

The Board is pleased to announce that the auditing process of the consolidated annual results of the Group for the Year (the “**Audited Annual Results**”) has been completed. The Audited Annual Results (including the financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the notes thereto) have been agreed and reviewed by the Audit Committee.

There were no material changes contained in the Audited Annual Results, as compared with the Unaudited Annual Results contained in the Unaudited Annual Results Announcement. The Audited Annual Results together with the comparative figures extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	283,398	760,721
Cost of sales	6	<u>(267,360)</u>	<u>(715,593)</u>
Gross profit		16,038	45,128
Other income	4	119	947
Other gains/(losses), net	5	4,137	(18,153)
Selling and distribution expenses	6	(158)	(1,438)
Administrative expenses	6	(20,516)	(23,875)
Finance costs	7	<u>(508)</u>	<u>(1,774)</u>
Operation (loss)/profit		(888)	835
Share of loss of a joint venture accounted for using the equity method		<u>–</u>	<u>(1,639)</u>
Loss before income tax		(888)	(804)
Income tax	8	<u>–</u>	<u>–</u>
Loss for the year attributable to owners of the Company		(888)	(804)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax [#]		(3,078)	–
Exchange differences arising from translation of foreign operation, net of nil tax		<u>(2)</u>	<u>8,697</u>
Other comprehensive (loss)/income for the year		<u>(3,080)</u>	<u>8,697</u>
Total comprehensive (loss)/income for the year attributable to owners of the Company		<u>(3,968)</u>	<u>7,893</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	9	<u>(0.05)</u>	<u>(0.05)</u>

[#] *This items was omitted in the Unaudited Annual Results.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		30,086	32,513
Interests in a joint venture		–	118,477
Loan receivable	<i>11</i>	18,000	29,675
Total non-current assets		48,086	180,665
Current assets			
Inventories		455,082	326,381
Trade and other receivables	<i>11</i>	232,988	212,060
Cash and cash equivalents		2,470	16,365
Total current assets		690,540	554,806
Total assets		738,626	735,471
EQUITY			
Equity attributable to owners of the Company			
Share capital		67,778	67,710
Reserves		602,755	605,476
Total equity		670,533	673,186

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		—	666
Total non-current liabilities		—	666
Current liabilities			
Trade and other payables	<i>12</i>	54,262	38,220
Contract liabilities		6,000	—
Lease liabilities		666	694
Bank borrowings	<i>13</i>	7,165	22,705
Total current liabilities		68,093	61,619
Total liabilities		68,093	62,285
Total equity and liabilities		738,626	735,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The Company’s immediate and ultimate holding company is Explorer Rosy Limited (“**Explorer Rosy**”), a company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate beneficial owners of Explorer Rosy are Mr. Huang 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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The audited consolidated financial statements of the Group for the year ended 31 December 2021 are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors of the Company on 27 April 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

(a) Compliance with HKFRSs, HKCO and Listing Rules

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

(b) Historical cost convention

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

(c) New and amended standards adopted by the Group

The Group has applied the following standards, amendments to standards and annual improvements for the first time for their annual reporting period commencing 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the sale of different types of products from different business lines.

Specifically, the Group's reportable and operating segments have been identified as follows:

- (i) Health-care products: sale of health-care products (including Chinese herbal medicines, skin-care and other health-care products); and
- (ii) Electronic component products: sale of information technology components products (including central processing unit and semi-conductors).

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

	Health-care products <i>HK\$'000</i>	Electronic components products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021			
Segment revenue	98,129	185,269	283,398
Cost of sales	(96,392)	(170,968)	(267,360)
Segment result	<u>1,737</u>	<u>14,301</u>	<u>16,038</u>
Year ended 31 December 2020			
Segment revenue	443,810	316,911	760,721
Cost of sales	(415,660)	(299,933)	(715,593)
Segment result	<u>28,150</u>	<u>16,978</u>	<u>45,128</u>

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment result	16,038	45,128
Unallocated		
Other income	119	947
Other gains/(losses), net	4,137	(18,153)
Selling and distribution expenses	(158)	(1,438)
Administrative expenses	(20,516)	(23,875)
Finance costs	(508)	(1,774)
Share of loss of a joint venture accounted for using the equity method	—	(1,639)
	<u>—</u>	<u>(1,639)</u>
Loss before income tax	<u>(888)</u>	<u>(804)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2020 and 2021.

Segment result during the year represents the gross profit of each segment without allocation of other income, other gains/(losses), net, selling and distribution expenses, administrative expenses, finance costs and share of results of a joint venture accounted for using the equity method. This is the measure reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered.

The Group's non-current assets other than financial instruments by geographical locations, which are determined by the geographical locations in which the asset is located in the case of property, plant and equipment, and the operation is located in the case of interests in a joint venture, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets		
The People's Republic of China (the "PRC")	–	118,477
Hong Kong	<u>30,086</u>	<u>32,513</u>
	<u>30,086</u>	<u>150,990</u>

4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from a third party	119	–
Government grants (<i>Note</i>)	–	806
Interest income from bank deposits	–	28
Interest income from a joint venture	<u>–</u>	<u>113</u>
	<u>119</u>	<u>947</u>

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding was to provide financial support to enterprise to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. OTHER GAINS/(LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	–	(349)
Loss on disposal of an investment property	–	(1,044)
Gain on disposal of subsidiaries	14,296	–
Provision for inventory write-down	(11,419)	(3,500)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease	–	19
Exchange gain, net	1,260	721
Loss allowance for expected credit losses on trade receivables, net	–	(14,000)
	4,137	(18,153)

6. EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,340	880
Cost of inventories sold	267,360	715,593
Employee benefit expense	12,558	13,714
Depreciation of property, plant and equipment	2,436	3,024
Expenses relating to short-term leases	–	375
Building management fee, rent and rates	218	349
Transportation expenses	129	130
Legal and professional fee	1,180	1,438
Insurance expense	631	576
Office expense	422	667
Consultancy fee	815	600
Others	945	3,560
Total cost of sales, selling and distribution expenses and administrative expenses	288,034	740,906

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on:		
– Bank loans	458	1,714
– Lease liabilities	50	60
	<u>508</u>	<u>1,774</u>

8. INCOME TAX

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2020: 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 against the estimated assessable profits for the current and prior year.

PRC Enterprise Income Tax

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) rate of 25% (2020: 25%) during the year.

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

Income tax from other tax jurisdictions

Pursuant to the income tax rules and regulations, the Group is not subject to income tax in the jurisdictions of the Cayman Islands and the BVI.

9. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u><u>(888)</u></u>	<u><u>(804)</u></u>
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousands)	<u><u>1,693,010</u></u>	<u><u>1,692,760</u></u>

(b) Diluted

Diluted loss per share is the same amount as the basic loss per share for both years ended 31 December 2021 and 2020 because the exercise of the outstanding share options would be anti-dilutive.

10. DIVIDEND

The Board did not recommend the payment of a final dividend for the years ended 31 December 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, net of loss allowance (<i>Note (a)</i>)	<u>104,948</u>	<u>193,416</u>
Consideration receivable in relation to disposal of subsidiaries (<i>Note (b)</i>)	90,000	–
Loan receivable (<i>Note (c)</i>)		
– a joint venture	–	35,610
– a third party	30,000	–
Prepayment for inventory purchase	25,431	12,000
Other prepayments	435	462
Deposits	<u>174</u>	<u>247</u>
	<u>146,040</u>	<u>48,319</u>
Total trade and other receivables	250,988	241,735
Less: Non-current loan	<u>(18,000)</u>	<u>(29,675)</u>
Current portion	<u>232,988</u>	<u>212,060</u>

Note:

(a) Trade receivables

The Group generally grants credit periods ranging from 60 to 120 days (2020: 60 to 120 days) to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

The following is an aging analysis of trade receivables based on the invoice date and net of loss allowance at the end of each reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	–	88,259
31 to 90 days	–	52,319
91 to 180 days	–	39,941
181 to 365 days	65,341	12,897
Over 1 year	39,607	–
	<u>104,948</u>	<u>193,416</u>

(b) Consideration Receivables in relation to disposal of subsidiaries

On 6 January 2021, the Group disposed of its entire interest in Top Nova, a company incorporated in the BVI, and its subsidiaries and interests in a joint venture (collectively the “**Top Nova Group**”) to an independent third party purchaser (the “**Purchaser**”) (the “**Disposal**”). The principal activity of the Top Nova Group is investment holding in joint venture. The total consideration of the disposal was RMB110,000,000 (equivalent to HK\$130,570,000) of which the amount of RMB35,000,000 (equivalent to HK\$42,000,000) was received during the year, and the remaining consideration of RMB75,000,000 (equivalent to HK\$90,000,000) was not yet settled as at 31 December 2021, and was recorded in other receivables. Subsequent to year end and up to the date of this announcement, the consideration receivable of RMB75,000,000 (equivalent to HK\$90,000,000) was fully settled.

(c) Loan receivable

As at 31 December 2020, loan receivable of RMB30,000,000 (equivalent to HK\$35,610,000) represented the loan lent to the joint venture. Previously, this loan was financed by one of the Group’s subsidiaries through intra-group loan arrangement with the same terms of the loan to the joint venture. Following the Disposal, the relevant loan to a joint venture was derecognised from the consolidated statement of financial position and the intra-group loan, previously regarded as shareholder loan, continued to be indebted to Top Nova, as a third party and a wholly-owned subsidiary of the Purchaser after the Disposal.

The loan receivable from a third party, Top Nova, is secured by the corporate guarantee executed by the Purchaser, interest-bearing at a fixed rate of 0.33% per annum and repayable by instalments in September 2022 and September 2023 which the balance of RMB10,000,000 (equivalent to HK\$12,000,000) and RMB15,000,000 (equivalent to HK\$18,000,000) were included in the current and non-current portion of other receivables respectively.

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>50,439</u>	<u>34,865</u>
Other payables		
– Accrued expenses	3,609	3,144
– Others	<u>214</u>	<u>211</u>
	<u>3,823</u>	<u>3,355</u>
Total trade and other payables	<u><u>54,262</u></u>	<u><u>38,220</u></u>

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

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	5,652	18,560
31 to 90 days	–	16,305
151 to 180 days	23,200	–
181 to 365 days	<u>21,587</u>	<u>–</u>
	<u><u>50,439</u></u>	<u><u>34,865</u></u>

13. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured bank borrowings		
– Trade loans	<u>7,165</u>	<u>22,705</u>

All the bank borrowings are secured by the banking facilities as mentioned below and bear variable interest rate at London Interbank Offered Rate (“LIBOR”) plus a margin ranging from 2% to 2.4% (2020: 2% to 2.4%) per annum. As at 31 December 2021, all the Group’s bank borrowings were repayable within 3 months (2020: 3 months).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the Year, the global outbreak of COVID-19 pandemic imposed adverse impact on the consumer demand for both the health-care products and electronic component products globally.

In the Year, with the general slowdown in the growth of the global economy, the revenue of the Group decreased by 62.7% when compared to that of the Prior Year. The sale of health-care products contributed the revenue of approximately HK\$98.1 million, while the sale of the electronic component products contributed revenue of approximately HK\$185.3 million in the Year.

With the higher gross profit margin generated from the Electronic Component Business of approximately 7.7% (comparing with the gross profit margin of the Health-care Business of approximately 1.8%), the Group has shifted its focus on Electronic Component Business in the Year, in order to maximise the Company’s shareholders’ profits. Around 65.4% of the Group’s revenue was generated from the Electronic Component Business in the Year.

In view of (i) unstable property investment market in the People’s of Republic of China (the “**PRC**”); and (ii) avoiding further capital investment into a non-core business, the Group disposed of its interests in a joint controlled entity (through disposal of a subsidiary), which engaged in joint development of a land parcel in Lin An city, Hangzhou Province in China, in the Year, with the gain on disposal of the subsidiary of approximately HK\$14.3 million. For further details, please refer to the announcement of the Company dated 18 August 2021 and the circular of the Company dated 1 November 2021.

The Group will continue to monitor the market situation and will continue to diversify its product range and customer base and explore business opportunities to leverage on our established experience and to sustain its strong competitive advantages in the market.

FINANCIAL REVIEW

	Revenue for the year 31 December				Gross profit margin for the year 31 December	
	2021		2020		2021	2020
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	%	%
Health-care Business	98,129	34.6	443,810	58.3	1.8	6.3
Electronic Component Business	185,269	65.4	316,911	41.7	7.7	5.4
TOTAL	<u>283,398</u>	<u>100</u>	<u>760,721</u>	<u>100</u>	<u>5.7</u>	<u>5.9</u>

Health-care Business

During the Year, the revenue generated from sale of health-care products, which includes American ginseng and skin-care products, of approximately HK\$98.1 million, representing a decrease of approximately 77.9%, as compared to that of the Prior Year. Segment profit of approximately HK\$1.7 million, representing a decrease of approximately 93.8%, as compared to that of the Prior Year. The deteriorating performance of the Health-care Business was mainly due to a sluggish market.

Electronic Component Business

The electronic component products mainly include central processing units and semi-conductors. During the Year, the segment revenue and profit generated from the Electronic Component Business amounted to approximately HK\$185.3 million and HK\$14.3 million respectively, representing a decrease of approximately 41.5% and 15.8% respectively.

Gross profit

Gross profit decreased by approximately 64.5% from approximately HK\$45.1 million in the Prior Year to approximately HK\$16.0 million in the Year, while the gross profit margin decreased slightly from approximately 5.9% in the Prior Year to approximately 5.7% in the Year.

Other gains/(losses), net

The Group recorded other net gains of approximately HK\$4.1 million in the Year. The gain was mainly due to net of (i) gain on disposal of subsidiary of approximately HK\$14.3 million (2020:Nil); and (ii) provision for inventory write-down of approximately HK\$11.4 million being recognised during the Year (2020: HK\$3.5 million).

Loss for the year

Overall, the Group recorded a loss attributable to owners of the Company of approximately HK\$0.9 million for the year ended 31 December 2021, as compared to the loss attributable to owners of the Company of approximately HK\$0.8 million of the year ended 31 December 2020.

FUTURE PROSPECTS

The COVID-19 pandemic has not yet been under control and there are still uncertainties in the worldwide economy, the Group foresees that 2022 will continue to be a very challenging year. The Group has been actively exploring opportunities to expand its product mix from time to time so to broaden the Group's income sources, which is expected to have a positive future impact on the Group's financial performance. 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 strategies of the Group are 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 through making investments and/or acquiring business or projects that have promising outlooks and prospects.

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 31 December 2021, the non-current assets decreased by approximately 73.4% to approximately HK\$48.1 million, as compared with approximately HK\$180.7 million as at 31 December 2020. The decrease in non-current assets was mainly due to the disposal of a joint venture through disposal of a subsidiary during the Year.

As at 31 December 2021, the Group recorded total current assets of approximately HK\$690.5 million (2020: approximately HK\$554.8 million) and total current liabilities of approximately HK\$68.1 million (2020: approximately HK\$61.6 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 10.1 times as at 31 December 2021 (2020: approximately 9.0 times).

The increase in inventories by approximately 39.4% to approximately HK\$455.1 million as at 31 December 2021, as compared to that of approximately HK\$326.4 million as at 31 December 2020.

The trade receivables, net of loss allowances decreased by approximately 45.7% to approximately HK\$104.9 million as at 31 December 2021, as compared with approximately HK\$193.4 million as at 31 December 2020. Outstanding balances in over 180 days to 1 year category increased to approximately HK\$65.3 million and over 1 year category increase to approximately HK\$39.6 million was mainly due to a slowdown in payments from certain major customers. Subsequent to the reporting period and up to the date of the announcement, approximately HK\$103.7 million of the outstanding balances as at 31 December 2021 were subsequently received. The management of the Group regularly evaluates the Group's customers, assesses their known financial position and the credit risks.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, cash and cash equivalents of the Group amounted to approximately HK\$2.5 million (2020: approximately HK\$16.4 million).

As at 31 December 2021, the Group's borrowings amounted to approximately HK\$7.2 million (2020: approximately HK\$22.7 million). The net debt to total asset ratio, calculated as borrowings less cash and cash equivalents divided by total assets, was approximately 0.01 for the Year (2020: 0.01).

FOREIGN CURRENCY 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 Year, the Group incurred a gain of foreign exchange differences amounted to approximately HK\$1.3 million (2020: approximately HK\$0.7 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 31 December 2021, the Group continued to provide corporate guarantees on banking facilities granted to the Group’s subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 December 2021 amounted to approximately HK\$7.2 million (2020: HK\$22.7 million).

As at 31 December 2021, certain land and buildings (2020: certain land and buildings and investment property) of the Group, with a total carrying value of approximately HK\$27.5 million (2020: HK\$28.6 million) were pledged to banks as securities for bank loans of approximately HK\$7.2 million (2020: HK\$22.7 million) granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, we had a total of 22 (2020: 22) employees. The Company determines employee salaries based on each employee’s qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group’s financial performance, the achievement of special targets and the individual performance of the Directors, etc..

Apart from mandatory provident fund and medical insurance, the Company has adopted a share option scheme under which share options may also be awarded to the Directors and eligible employees as an incentive with reference to the assessment of individual performance. The Board believes that the Group maintains an admirable relationship with the employees.

DISPOSAL OF A SUBSIDIARY

On 6 January 2021, a direct wholly-owned subsidiary of the Company, namely QHH Limited (“**QHH**”), entered into a sale and purchase agreement (the “**Agreement**”) with a company (the “**Purchaser**”), that was established in the PRC with limited liability and an independent third party, to dispose (the “**Disposal**”) of one of its subsidiaries, namely Top Nova Limited (“**Top Nova**”), which indirectly owned 51% equity interests in a joint venture. Upon completion of the Disposal, which took place on 6 January 2021, Top Nova was no longer a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 18 August 2021 and circular of the Company dated 1 November 2021.

FINAL DIVIDEND

The Board did not recommend a payment of final dividend for the Year.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company’s shareholders and to enhance corporate value and accountability. For the Year, the Company has applied the principles and complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the 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.

AUDIT COMMITTEE

The Company has established the Audit Committee with a specific written terms of reference in accordance with the requirements under Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee is responsible for, among others, reviewing and supervising the Group's financial reporting process, assisting the Board to ensure effective risk management and internal control systems and providing advice and comments to the Board.

As at 31 December 2021, following the resignation of Mr. Wu Wai Leung Danny on 31 December 2021, the Audit Committee comprised two independent non-executive Directors, namely, Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee) and Mr. Li Wei. On 1 March 2022, following the appointment of Mr. Leung Chun Tung, and up to the date of the announcement, the Audit Committee comprised all three independent non-executive Directors.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles, accounting policies and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the Audited Annual Results.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited (the "**Auditors**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the Audited Annual Results in this results announcement.

EXTRACT OF AUDITORS' REPORT

In the annual report for the Year the Auditors expressed a qualified opinion on the Company's financial statements for the Year in relations to the Disposal (the "**Audit Qualifications**"). The following is an extract of the independent auditors' report on the Group's annual financial statements for the Year:

Qualified opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As detailed in the Company's announcement ("**Major Transaction Announcement**") dated 18 August 2021, a direct wholly-owned subsidiary of the Company, QHH Limited ("**QHH**") entered into an agreement with a company (the "**Purchaser**") established in The People's Republic China with limited liability on 6 January 2021 to dispose of the Group's 100% equity interest in Top Nova Limited ("**Top Nova**") for a cash consideration of RMB110,000,000 (the "**Disposal**"), of which RMB30,000,000 would be paid on or before 31 August 2021 and the remaining amount would be paid on or before 31 December 2021. This disposal constituted a major transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Major Transaction Announcement also stated that the Purchaser and the Ultimate beneficial owners of the Purchaser are considered by the Company to independent third parties and as at the date of such announcement, i.e., 18 August 2021, the shareholding in Top Nova had not yet transferred to the Purchaser.

Top Nova through its indirect wholly-owned subsidiary, 浙江匯尊投資管理有限公司 (Zhejiang Huijun Investment Management Limited ("**Zhejiang Huijun**")), holds a 51% equity interest in 杭州湍口眾安匯尊溫泉度假村有限公司 (Hangzhou Tuankou Zhongan Huijun Hotspring Resort Limited ("**Zhongan Huijun**") which is principally engaged in property development and investment.

The Company was not notified of the entering into the abovementioned agreement until 17 August 2021 when it was informed by Mr. Huang Guanchao ("**Mr. Huang**"), the Chairman of the Board of Directors and non-executive Director of the Company.

As detailed in the Company's announcement dated 25 August 2021, the Company was informed by Mr. Huang on 24 August 2021 that QHH first signed the instrument of transfer regarding the transfer of shareholding in Top Nova and passed it on to the Purchaser, which subsequently signed and dated the same. The duly executed instrument of transfer dated 6 January 2021 was only located by Mr. Huang and passed to the Company subsequent to the date of Major Transaction Announcement of 18 August 2021. As a result, the Company clarified that the transfer of the equity interest in Top Nova had become effective on 6 January 2021.

The Company considered that Top Nova had ceased to be a subsidiary and Zhongan Huijun had ceased to be a joint venture of the Group from 6 January 2021. Accordingly, the investment in Top Nova has been consolidated into and the investment in Zhongan Huijun has been equity accounted for in the Group's consolidated financial statements until 6 January 2021. The Group recorded a net gain on disposal of Top Nova of HK\$14,296,000 during the year ended 31 December 2021, details of which are set out in note 26 to the consolidated financial statements.

It is noted that, on 18 January 2021, Zhejiang Huijun entered into an agreement with a creditor of Mr. Huang to guarantee the repayment of Mr. Huang's debt to the creditor. On 10 June 2021, Zhejiang Huijun's 51% equity interest in Zhongan Huijun was seized by a court in Hangzhou, The People's Republic of China for property preservation.

Given the delay in notifying the Company of the entering into the agreement to dispose of the 100% equity interest in Top Nova, that the Company was not aware of existence of duly executed instrument of transfer regarding the transfer of shareholding in Top Nova when the Major Transaction Announcement was issued by the Company on 18 August 2021 and that Zhejiang Huijun entered into a guarantee agreement in favour of Mr. Huang on 18 January 2021 (being 12 days after the date of agreement to dispose of 100% equity interest in Top Nova, which holds 100% interest in Zhejiang Huijun), it was unclear to us whether the information and documents in relation to the Disposal presented to us for the purpose of our audit are complete and accurate in all material respects. We were unable to obtain all the necessary corroborative evidence to ascertain the business rationale and commercial substance of the arrangement among QHH, the Purchaser and Mr. Huang. Because of this scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as whether the financial effects of the Disposal have been properly accounted for and disclosed in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT VIEW AND POSITION ON THE AUDIT QUALIFICATIONS

The Directors noted that the Audit Qualifications is because of the Auditors are of the view that they were unable to obtain all the necessary corroborative evidence to ascertain the business rationale and commercial substance, and the financial effects of the Disposal on the consolidated financial statements. In this regard, in preparation of the financial statements for the Year in relation to the Disposal, the Company took into consideration the following factors:

1. Chronology of events

With reference to the chronology of events as disclosed in the circular of the Company dated 1 November 2021:

- (i) QHH, being the vendor, entered into the Agreement with the Purchaser on 6 January 2021;
- (ii) Mr. Huang, on behalf of QHH, signed an undated instrument of transfer relating to the transfer of the entire issued share capital of Top Nova and passed the signed undated instrument of transfer to the Purchaser on 6 January 2021;
- (iii) due to Mr. Huang's inadvertent failure to timely notify the Company of the entering into of the Agreement at the relevant time, the Company was not notified of the entering of the Agreement in January 2021;
- (iv) the Company has only become aware of the Disposal upon receipt of partial payment of the consideration for the Disposal in August 2021;

The Company was only aware of the entering into of the Agreement in August 2021, and it was found to be a non-compliance with the Listing Rules ("**Non-Compliance**"). Upon the Company's acknowledge of the Non-Compliance, the relevant announcements and circular (collectively, the "**Published Documents**") were subsequently published on 19 August 2021, 25 August 2021 and 29 October 2021, respectively, for rectification of the Non-Compliance.

2. Legal advice

In light of the Agreement being governed by Hong Kong laws, the Company consulted a Hong Kong lawyer and obtained a Hong Kong legal opinion (the “**HK Legal Opinion**”) which opines that completion of the Disposal was not subject to any condition precedent and was unconditional, the beneficial ownership of the entire issued share capital of Top Nova was transferred and completion of the Disposal took place on 6 January 2021.

Based on the HK Legal Opinion, the Company considered that Top Nova and its subsidiaries (collectively as the “**Disposal Group**”) ceased to be subsidiaries of the Company upon completion of the Disposal (i.e. 6 January 2021), and the Group no longer held any equity interests in Zhongan Huijun, being the joint venture that the Disposal Group held 51% equity interests in. Thus, the financial statements of the Disposal Group have also ceased to be consolidated into the Group’s financial statements and the Group’s financial statements have no longer reflected the share of results of Zhongan Huijun since then.

3. Reason for the Disposal

In response to the business rationale and commercial substance of the Disposal, the Company would like to re-emphasise the reasons for the Disposal, which had been previously disclosed in the Published Documents. The Disposal Group was mainly engaged in the development of hot spring hotel resort and hotel facilities. The outbreak of COVID-19 pandemic starting imposed adverse impact on the economy and real estate development market in the PRC. At the same time, further capital investment from the development project was required from the Group. To (i) avoid having to make any further investment into a non-core business; (ii) concentrate the resources on its core businesses in the most efficient way; and (iii) further enhance the return of assets brought by the core businesses, the Company had been seeking for suitable opportunities to reduce its investments in the businesses of the Disposal Group, at an appropriate consideration. The Disposal represents a divestment of a non-core business of the Group and will allow the Group to focus on its core businesses. In the poor real estate market, the Group took long process to find the Purchaser. The consideration of the Disposal at RMB110,000,000 was fair and reasonable and in the interest of the Company and its Shareholders as a whole. The Group recorded a net gain on the Disposal of HK\$14,296,000 during the Year.

Due to the poor economy, according to the Agreement, it was agreed between the parties to the Agreement that the payment terms for the consideration of RMB110,000,000, of which RMB30,000,000 would be paid on or before 31 August 2021 and the remaining amount of RMB80,000,000 would be paid on or before 31 December 2021. As at 31 December 2021, consideration receivables in relation to the Disposal of RMB75,000,000 (equivalent approximately HK\$90,000,000) was still outstanding. Subsequent to year end and up to the date of this announcement, all the consideration was fully received.

4. Events after the Disposal

The Company considered that the Disposal was completed on 6 January 2021 (the “**Completion Date**”), any events happened after the Disposal (including the events, but not limited to the private commercial arrangement of Mr. Huang and the Purchaser (an independent third party) after the Completion Date, mentioned in the auditor’s qualified opinion) within the Disposal Group were totally unrelated to the Group.

During the course of audit, the Company has provided all materials and documents requested from the Auditors regarding the Disposal, and promptly notified the Auditors with the Disposal and related events once the Company became aware of.

AUDIT COMMITTEE’S VIEW ON THE AUDIT QUALIFICATIONS

The Audit Committee (i) discussed with the Auditors and (ii) enquired the Company of their basis of assessment on the Audit Qualifications, in which the Audit Committee agreed with business rationale and commercial substance of the Disposal and the financial effects of the Disposal on the consolidated financial statements of the Group for the Year, while understanding the reasoning for the opinion issued by the Auditors. After considering the circumstances surrounding the Audit Qualifications and the evidence and documents regarding the Disposal provided by the Company to the Audit Committee, the Audit Committee concurred with the business rationale and commercial substance of the Disposal and the financial effects of the Disposal on the consolidated financial statements of the Group for the Year. A discussion was also held between the Auditors and the Audit Committee where the Auditors explained the reasons for the Audit Qualifications, which the Audit Committee acknowledged and understood.

PLANS TO ADDRESS THE AUDIT QUALIFICATIONS

The Directors understand that the Audit Qualifications only relate to the Disposal which took place during the Year. Therefore, the Audit Qualifications will not have any carried forward impact to the Company’s financial statements for the year ending 31 December 2022, and will be fully removed in the Company’s financial statements for the year ending 31 December 2022 if no other issues arise. The Company has conveyed and discussed the aforesaid view with the Auditors, and the Auditors are of the view that the Auditors may consider to agree with the Company that the Audit Qualifications will not have any carried forward impact to the Company’s financial statements for the year ending 31 December 2022, and will be fully removed in the Company’s financial statements for the year ending 31 December 2022 if no other issues arise.

2021 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2021 annual general meeting of the Company (the “AGM”) will be held on Tuesday, 21 June 2022, and the notice of the AGM will be published and despatched to Shareholders in due course.

For the purpose of determining the Shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s Hong Kong branch registrar, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 June 2022.

PUBLICATION OF THE FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 April 2022

As at the date of this announcement, the non-executive Directors are Mr. Huang Guanchao, Mr. Lim Tzea, Mr. Chen Kaiben and Mr. Chen Qi; the executive Directors are Mr. Xu Keli, Mr. Lam Hin Chi and Mr. Chen Li Kuang and the independent non-executive Directors are Mr. Li Wei, Mr. Yuen Chee Lap Carl and Mr. Leung Chun Tung.