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Qianhai Health Holdings Limited
前海健康控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Qianhai Health Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), together with the comparative figures for the corresponding year ended 31 December 2021 (the “**Prior Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,961,704	283,398
Cost of sales	4	<u>(1,885,222)</u>	<u>(267,360)</u>
Gross profit		76,482	16,038
Other income	5	452	119
Other (losses)/gains, net	6	(308,176)	4,137
Reversal of loss allowance for expected credit losses on trade receivables, net		16,928	–
Selling and distribution expenses	4	(166)	(158)
Administrative expenses	4	(19,189)	(20,516)
Finance costs	7	<u>(34)</u>	<u>(508)</u>
Operating loss and loss before income tax		(233,703)	(888)
Income tax	8	<u>–</u>	<u>–</u>
Loss for the year attributable to owners of the Company		<u>(233,703)</u>	<u>(888)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	9	<u>(13.79)</u>	<u>(0.05)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(233,703)</u>	<u>(888)</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Reclassification adjustment on exchange differences released upon disposal of subsidiaries	–	(3,078)
Exchange differences arising from translation of foreign operations	<u>(125)</u>	<u>(2)</u>
Other comprehensive loss for the year	<u>(125)</u>	<u>(3,080)</u>
Total comprehensive loss for the year attributable to owners of the Company	<u><u>(233,828)</u></u>	<u><u>(3,968)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		28,898	30,086
Loan receivable	<i>11</i>	<u>–</u>	<u>18,000</u>
Total non-current assets		<u>28,898</u>	<u>48,086</u>
Current assets			
Inventories		380,461	455,082
Trade and other receivables	<i>11</i>	123,433	232,988
Cash and cash equivalents		1,642	2,470
Total current assets		<u>505,536</u>	<u>690,540</u>
Total assets		<u>534,434</u>	<u>738,626</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		67,778	67,778
Reserves		368,927	602,755
Total equity		<u>436,705</u>	<u>670,533</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>487</u>	–
Total non-current liabilities		<u>487</u>	–
Current liabilities			
Trade and other payables	<i>12</i>	3,345	54,262
Provision	<i>13</i>	93,197	–
Contract liabilities		–	6,000
Lease liabilities		700	666
Bank borrowings	<i>14</i>	<u>–</u>	<u>7,165</u>
Total current liabilities		<u>97,242</u>	<u>68,093</u>
Total liabilities		<u>97,729</u>	<u>68,093</u>
Total equity and liabilities		<u>534,434</u>	<u>738,626</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The Company’s immediate and ultimate holding company is Explorer Rosy Limited (“**Explorer Rosy**”), a company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate beneficial owners of Explorer Rosy are Mr. Huang 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 consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors of the Company on 31 March 2023.

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.

2.1 Basis of preparation

(a) *Compliance*

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

(b) Historical cost convention

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

(c) New and amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project to HKFRSs 2018-2022	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

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

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

- (i) Health-care products: sale of health-care products (including Chinese herbal medicines, 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 HK\$'000	Electronic components products HK\$'000	Total HK\$'000
Year ended 31 December 2022			
Segment revenue	9,482	1,952,222	1,961,704
Cost of sales	<u>(9,215)</u>	<u>(1,876,007)</u>	<u>(1,885,222)</u>
Segment results	<u>267</u>	<u>76,215</u>	<u>76,482</u>
	Health-care products HK\$'000	Electronic components products HK\$'000	Total HK\$'000
Year ended 31 December 2021			
Segment revenue	98,129	185,269	283,398
Cost of sales	<u>(96,392)</u>	<u>(170,968)</u>	<u>(267,360)</u>
Segment results	<u>1,737</u>	<u>14,301</u>	<u>16,038</u>

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results	76,482	16,038
Unallocated		
Other income	452	119
Other (losses)/gains, net	(308,176)	4,137
Reversal of loss allowance for expected credit losses on trade receivables, net	16,928	–
Selling and distribution expenses	(166)	(158)
Administrative expenses	(19,189)	(20,516)
Finance costs	(34)	(508)
	<hr/>	<hr/>
Loss before income tax	<u>(233,703)</u>	<u>(888)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2021 and 2022.

Segment result during the year represents the gross profit of each segment without allocation of other income, other (losses)/gains, net, movements of loss allowance for expected credit losses on trade receivable, net, selling and distribution expenses, administrative expenses and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Geographical information

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

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	28,898	30,086

4. EXPENSES BY NATURE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	2,100	1,340
Cost of inventories sold	1,885,222	267,360
Employee benefit expense	9,390	12,558
Depreciation of property, plant and equipment	2,434	2,436
Building management fee, rent and rates	217	218
Transportation expenses	34	129
Legal and professional fee	2,897	1,180
Insurance expense	450	631
Office expense	236	422
Consultancy fee	935	815
Others	662	945
Total cost of sales, selling and distribution expenses and administrative expenses	1,904,577	288,034

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants (<i>Note</i>)	352	–
Interest income from bank deposits	1	–
Interest income from loan receivables	99	119
	<u>452</u>	<u>119</u>

Note: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprise to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. OTHER (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision for inventory	(238,000)	(11,419)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease	7	–
Gain on disposal of subsidiaries	21,945	14,296
Exchange gain, net	1,069	1,260
Provision for onerous contracts	(93,197)	–
	<u>(308,176)</u>	<u>4,137</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on:		
– Bank loans	3	458
– Lease liabilities	31	50
	<u>34</u>	<u>508</u>

8. INCOME TAX

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2021: 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 years.

(ii) PRC Enterprise Income Tax

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) rate of 25% (2021: 25%) during the year.

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

(iii) Income tax from other tax jurisdictions

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

9. LOSS PER SHARE

(a) Basic

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(233,703)</u>	<u>(888)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousands)	<u>1,694,450</u>	<u>1,693,010</u>

(b) Diluted

Diluted loss per share is the same amount as the basic loss per share for both years ended 31 December 2022 and 2021 because the exercise of the outstanding share options would be anti-dilutive.

10. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the years ended 31 December 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, net of loss allowance (<i>Note A</i>)	----- <u>2,530</u> -----	-----104,948-----
Loan receivable (<i>Note B</i>)	17,700	30,000
Consideration receivable in relation to disposal of subsidiaries	-	90,000
Prepayment for inventory purchase (<i>Note C</i>)	102,800	25,431
Other prepayments	233	435
Deposits	<u>170</u>	<u>174</u>
	----- <u>120,903</u> -----	-----146,040-----
Total trade and other receivables	123,433	250,988
Less: Non-current loan	<u>-</u>	<u>(18,000)</u>
Current portion	<u>123,433</u>	<u>232,988</u>

Notes:

(A) Trade receivables

The Group generally grants credit periods ranging from 60 days to 120 days (2021: 60 to 120 days) to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and defines an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	–	–
31 to 90 days	–	–
91 to 180 days	2,530	–
181 to 365 days	–	65,341
Over 1 year	–	39,607
	<u>2,530</u>	<u>104,948</u>

(B) Loan receivable

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

(C) Prepayment for inventory purchase

The balance of prepayment mainly represents several non-refundable deposits placed with a supplier (“**Supplier**”), the largest supplier of the Group's electronic component business during the year ended 31 December 2022. For each individual purchase order placed with the Supplier, the Group was required to pay (i) 20% of the purchase price of the products within three business days after each purchase order is placed; and (ii) the remaining balance of the purchase price prior to the delivery of the relevant products. The purchase price and purchase quantities were committed in each individual purchase order and the Group has an unconditional purchase obligation to execute the purchase orders or otherwise the prepayments placed with the Supplier would be upheld and forfeited.

The prepayments are carried at cost and is expected to be recovered within one year. The management compares the unit price of the above non-cancellable purchase orders so committed against the subsequent market price and trend of the ordered electronic components and made a provision for onerous contracts amounting to HK\$93,197,000 (2021: Nil), which were included in “other (losses)/gain, net”, for the cases that the unavoidable cost to fulfill the obligations under purchase orders exceeds the expected economic benefits to be received from the contracts.

As at 31 December 2022, included in trade and other receivables is the significant balances of HK\$26,724,000 (2021: HK\$120,000,000), HK\$96,305,000 (2021: HK\$74,321,000) and HK\$Nil (2021: HK\$39,763,000) denominated in RMB, USD and CAD respectively which is a foreign currency, other than functional currencies of entities within the Group.

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	—	50,439
Other payables		
– Accrued expenses	3,254	3,609
– Others	91	214
	<u>3,345</u>	<u>3,823</u>
Total trade and other payables	<u><u>3,345</u></u>	<u><u>54,262</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	—	5,652
31 to 90 days	—	—
91 to 180 days	—	23,200
181 to 365 days	—	21,587
	<u>—</u>	<u>50,439</u>

13. PROVISION

The provision was made for onerous contracts for purchasing electronic components. As detailed in note 11 to this announcement, the Group entered several purchase contracts with the Supplier for purchasing electronic components which the Group is obliged to purchase an agreed quantity of electronic components at a pre-determined unit price. Given the market price of these ordered electronic components decreased after the placement of the relevant purchase orders, the management of the Group considers onerous contracts existed at the end of the reporting period and estimated the unavoidable cost of meeting the obligations will exceed the economic benefits expected to be received by the Group upon executing these purchase contracts which are expected to be completed within one year. The economic benefits expected to be received represents the management's best estimate by reference to the market price and trend of the ordered electronic components.

Movements of the provision under onerous contract is as follows:

	<i>HK\$'000</i>
At 31 December 2021 and 1 January 2022	–
Provision for the year	<u>93,197</u>
At 31 December 2022	<u><u>93,197</u></u>

14. BANK BORROWINGS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank borrowings		
– Trade loans	<u>–</u>	<u>7,165</u>

As at 31 December 2021, all the bank borrowings are secured by the banking facilities and bear variable interest rate at LIBOR plus a margin ranging from 2% to 2.4% per annum and all the Group's bank borrowings were repayable within 3 months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Electronic Component Business

The Group offers a wide spectrum of electronic components, including: (i) NAND flash wafer (a thin slice of semiconductor material, such as silicon, which is a vital component of flash memory integrated circuits (ICs)); (ii) embed multi-chip package (eMCP) memory (an electronic component containing several memory chips); and (iii) central processing units (CPU).

With a group of experienced management team and professionals in the electronic components industry, the Group was able to source the electronic components in bulk from the upstream distributors, and to assist customers in selecting the most suitable electronic components by not only selling the products but also to provide value-added services to enhance customers experience and convenience, such as warehouse and quality control services for the customers to satisfy customers’ specific needs.

During the Year, the Group, as a purchaser, entered into a master sale and purchase agreement (the “**Master Agreement**”) in relation to the purchase of electronic components with a supplier (the “**Supplier**”) which is one of the largest trading companies in the People’s Republic of China (the “**PRC**”) and the Group was able to have a steady source of electronic components from the Supplier.

The Group recorded an increase in the revenue by approximately 592.2% for the Year compared to that of the year ended 31 December 2021 (the “**Prior Year**”). Approximately 99.5% of the revenue of the Year was generated from sale of electronic components.

As at 31 December 2022, the Group had inventories at cost of approximately HK\$1,876.0 million, while over 98% of which were semi-conductors including wafers and memory chips. The prices of semi-conductors, especially memory chips, peaked during the early stage of the outbreak of COVID-19 pandemic due to strong demand for technology products, and they began falling in late 2021. With the reasons of macroeconomic woes and rising interest rates collided with geopolitical uncertainties due to the Russia-Ukraine war, China’s prolonged implementation of static management to combat the outbreak of COVID-19, and the demand for smartphones and personal computers significantly decreased in 2022, the semiconductor industry had undergone a significant slowdown in the second half of 2022 and the prices of semi-conductors continued to decline and slumped in the last quarter of 2022, which dropped over 20 to 30%.

The Group keeps track of the latest market demand and supply trend and will continue to optimise its product mix in order to cope with the downward pressure of weakening market demand.

Health-care Business

The Group is primarily engaged in sourcing and wholesale of health-care products, which includes healthy drinks products and medical consumables.

During the Year, due to the COVID-19 pandemic, travel restrictions and unstable flight supply, all these matters have hindered the Group from visiting overseas to conduct physical inspection and to source the health-care products, which adversely affected the business operations of our Health-care Business. In addition, the pandemic has altered people's consumption behaviours, to prioritise essential spending and cut back on non-essential spending, resulting in decrease in demand in the health-care products. Accordingly, there was a slowdown in the Health-care Business during the Year. Only 0.5% of the revenue of the Year was generated from sales of health-care products and food, which includes healthy drinks products and medical consumables, amounting approximately HK\$9.5 million for the Year.

FUTURE PROSPECTS

The Group has been actively developing both the Electronic Component Business and Health-care Business by continuing to diversify its product range and customer base and further explore business opportunities and possible collaborations with players in the industry to leverage on the Group's established experience.

Despite the fact that focus being shifted to the Electronic Component Business during the Year, the Group has been actively developing the Health-care Business by continuing to diversify its product range and customer base and further exploring business opportunities and possible collaborations with players in the same industry. Based on the Directors' experience, network and judgement in the Health-care Business, the Directors have been actively exploring different opportunities to expand the Health-care Business by the following means:

(i) Potential collaboration with an established online and offline retail platform

The Group is currently negotiating on the possibility of collaboration (the "**Collaboration**") with retail platforms in both Hong Kong and PRC (the "**Retail Platform**") to supply health-care products, including health-care products from China, Taiwan and Malaysia. The negotiation is still at a preliminary stage and the Group has not yet entered into any formal agreement with the Retail Platform in relation to the Collaboration. In the event that the Collaboration materialises, the Group is expected to leverage on the well-recognised sales channel of the Retail Platform and to further promote the Group's brand and its business to other potential customer(s).

(ii) Possible investment opportunity

The Group is currently in the progress of liaising and negotiating with potential business partner to explore a potential investment in a food processing and raw material extraction factory in Taiwan and the PRC, which engages in the processing and manufacturing of health-care products. The Group also plans to set up branch office(s) in the PRC and Taiwan, in order to expand its business coverage. In the event that the investment materialises in the future, the Group would be able to create synergy between such factory and the Group where the Group can obtain information regarding manufacturing of the relevant health-care products to have a more in depth understanding of the market trend from the perspective of supplier along the value-chain of the health-care products industry; and on the other hand, the Group would also provide information regarding downstream demand and sales to such factory so that the health-care products manufactured would be of quality and more consumer-oriented.

(iii) Sourcing of new high quality products

In order to diversify the Group's product portfolios and to source different kinds of new high-quality products, the Group has been conducting site visits to manufacturers of health-care supplements and medical consumables in the PRC, Taiwan and Thailand to explore the feasibility of sourcing new products and establishing authorised distributor relationship with manufacturers.

Going forward, the Group also plans to expand the Electronic Component Business by (i) investing in some factories in the PRC in order to provide additional value-added services, including additional support, modification, assembly, packaging and testing services in order to suit the customers' respective needs after purchasing the products; (ii) recruiting additional engineers, sales and marketing personnel with relevant technical background and administration personnel, where such recruitment of additional staff will be implemented in stages in line with the progress of the development of the Electronic Component Business; and (iii) obtaining additional authorised distributorship with other upstream manufacturers so as to further expand its product portfolio and improve its profitability.

Despite of the relaxation of COVID-19 restrictions in Mainland China in late December 2022, the persistent outbreaks of the pandemic caused lockdowns and stringent quarantine measures across different cities in PRC during the Year adversely affected the pace and progress of the projects, especially in Health-care Business sector, of the Group. However, the Group remains cautiously optimistic about the long-term development in the business in Hong Kong. The Group has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value through making investments and/or acquiring business or projects that have promising outlooks and prospects.

FINANCIAL REVIEW

Revenue and gross profit

For the Year, the Group's revenue increased by approximately 592.2% to approximately HK\$1,961.7 million, compared with approximately HK\$283.4 million for the Prior Year. Approximately 99.5% of the revenue of the Year was generated from Electronic Component Business and approximately 0.5% of the revenue of the Year was generated from Health-care Business.

With the better performance and growth potential in the Electronic Component Business (with the gross profit of approximately HK\$76.2 million for the Year), the Group has shifted its resources and focus from the Health-care Business to the Electronic Component Business in the Year, in order to maximise the Company's shareholders' profits.

Gross profit increased by approximately 376.9% to approximately HK\$76.5 million in Year from approximately HK\$16.0 million in Prior Year, while the gross profit margin gently decreased from approximately 5.7% in Prior Year to 3.9% in Year.

Other (losses)/gains, net

Other losses for the Year mainly consists of net of (i) provision for inventory of approximately HK\$238.0 million (2021: approximately HK\$11.4 million); (ii) provision for onerous contracts of approximately HK\$93.2 million (2021: nil); and (iii) gain on disposal of subsidiaries of approximately HK\$21.9 million (2021: approximately HK\$14.3 million).

Provision for inventory

The inventory of the Group were mainly semi-conductors including wafers and memory chips and the inventories are measured at lower of cost and net realizable value. With the market price slumped in the last quarter of Year with over 30%, the expected future selling price of the inventory as at 31 December 2022 decreased, and the estimated net realisable value drops accordingly. As such, one off provision for inventory with approximately HK\$238.0 million was recorded in the "other (losses)/gains, net" for the Year.

Provision for onerous contracts

During the Year, the Group has signed various contracts with suppliers for purchasing the electronic components products. With the market price of the semi-conductors slumped in last quarter of 2022, it resulted in the costs of fulfilling the contracts exceeds the anticipated economic benefits to be received. Thus, an one off provision for onerous contracts of approximately HK\$93.2 million was recognized during the Year.

Results

Overall, the Group recorded a loss attributable to owners of the Company of approximately HK\$233.7 million, as compared with that of approximately HK\$0.9 million in the Prior Year.

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 31 December 2022, the Group recorded total current assets of approximately HK\$505.5 million (2021: approximately HK\$690.5 million) and total current liabilities of approximately HK\$97.2 million (2021: approximately HK\$68.1 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 5.2 times as at 31 December 2022 (2021: approximately 10.1 times).

At 31 December 2022, the Group's total assets amounted to approximately HK\$534.4 million (2021: approximately HK\$738.6 million). The Group's gearing ratio, calculated on the basis of total liabilities of approximately HK\$97.7 million (2021: approximately HK\$68.1 million) divided by total assets, was at a low level of about 5.5% (2021: 10.8%).

At 31 December 2022, the equity attributable to owners of the Company amounted to approximately HK\$436.7 million (2021: approximately HK\$670.5 million) and was equivalent to an amount of approximately HK0.3 cents (2021: HK0.4 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$233.8 million was mainly due to loss incurred during the Year.

The decrease in inventories by approximately 16.4% to approximately HK\$380.5 million as at 31 December 2022, as compared to that of approximately HK\$455.1 million as at 31 December 2021.

The trade receivables, net of loss allowances decreased by approximately 97.6% to approximately HK\$2.5 million as at 31 December 2022, as compared with approximately HK\$104.9 million as at 31 December 2021. During the Year, a reversal of loss allowance for expected credit losses on trade receivables of approximately HK\$16.9 million (2021: nil) was recognized. The management usually estimates the provision using a 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, assesses their known financial position and the credit risks.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES AND OTHERS

Liquidity And Financial Resources

The principal sources of funds for the Group are through internally generated cash flows. As at 31 December 2022, cash and cash equivalents of the Group amounted to approximately HK\$1.6 million (2021: approximately HK\$2.5 million).

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

Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

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 inventories are mainly made in United States dollars (“**USD**”) and Reminbi (“**RMB**”). 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\$1.1 million (2021: 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, we had a total of 15 employees. The Company determines employee salaries based on each employee's qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

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

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

FINAL DIVIDEND

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

ADVANCE TO AN ENTITY

During the Year, the Group entered into the master agreement with the Supplier to purchase electronic components for the Electronic Component Business. For each individual purchase order placed with the Supplier, the Group was required to pay 20% of the purchase price of the products as the deposit and the remaining balance of the purchase price prior to the delivery of the relevant products (the "**Prepayment for inventory purchase**"). The prepayment is without any interest or collateral.

The Prepayment for inventory purchase constitutes an advance to an entity under Rule 13.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For details, please refer to the announcement of the Company dated 6 December 2022.

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

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

As at 31 December 2022 and up to the date of this results announcement, the Audit Committee comprised all three independent non-executive Directors, namely, Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Li Wei and Mr. Leung Chun Tung.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee together with the management and the external auditors of the Company. The Audit Committee is satisfied that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

REVIEW OF ANNUAL RESULTS

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

SCOPE OF WORK OF AUDITOR

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

2022 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2022 annual general meeting of the Company (the “AGM”) will be held on Tuesday, 20 June 2023, 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, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s Hong Kong branch registrar, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 14 June 2023.

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 2022 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, 31 March 2023

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 Director is Mr. Chen Li Kuang and the independent non-executive Directors are Mr. Li Wei, Mr. Yuen Chee Lap Carl and Mr. Leung Chun Tung.