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CHINA HEALTHWISE HOLDINGS LIMITED

中國智能健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS

The board of directors (the “Board” or “Directors”) of China Healthwise Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$’000	2021 HK\$’000
Revenue	3	142,058	170,079
Cost of sales		(88,788)	(79,085)
Gross profit		53,270	90,994
Other income, gains and losses, net	4	(10,096)	(15,146)
Selling and distribution expenses		(28,542)	(31,083)
General and administrative expenses		(38,330)	(33,090)
Finance costs	6	(7,297)	(6,410)
Impairment loss under expected credit loss model		(24,784)	(102,606)
Impairment loss on property, plant and equipment		–	(216)
Impairment loss on right-of-use assets		(622)	(3,023)
Loss before income tax	5	(56,401)	(100,580)
Income tax credit/(expense)	7	2,127	(2,466)
Loss for the year		(54,274)	(103,046)

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Other comprehensive loss, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>(141)</u>	<u>(181)</u>
Other comprehensive loss for the year, net of tax		<u>(141)</u>	<u>(181)</u>
Total comprehensive loss for the year		<u>(54,415)</u>	<u>(103,227)</u>
Loss for the year attributable to owners of the Company		<u>(54,274)</u>	<u>(103,046)</u>
Total comprehensive loss attributable to owners of the Company		<u>(54,415)</u>	<u>(103,227)</u>
Loss per share attributable to owners of the Company			
— Basic and diluted	9	<u>(7.04) cents</u>	<u>(13.37) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		676	230
Right-of-use assets		6,077	2,284
Financial assets at fair value through profit or loss		1,143	2,400
Deferred tax assets		2,697	1,142
Loan receivables	<i>10</i>	2,049	106,180
		12,642	112,236
Current assets			
Inventories		55,121	60,713
Trade and other receivables, deposits and prepayments	<i>11</i>	14,721	11,843
Loan receivables	<i>10</i>	132,002	32,392
Tax recoverable		153	–
Financial assets at fair value through profit or loss		56,170	56,904
Cash and cash equivalents		16,850	40,007
		275,017	201,859
Current liabilities			
Trade and other payables and accrued charges	<i>12</i>	35,965	26,610
Lease liabilities		4,752	5,135
Borrowings		31,264	12,036
Tax payable		2,775	3,562
Convertible loan notes		–	72,300
		74,756	119,643
Net current assets		200,261	82,216
Total assets less current liabilities		212,903	194,452

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	2,843	1,388
Convertible loan notes	71,043	–
Deferred tax liabilities	368	–
	<u>74,254</u>	<u>1,388</u>
Net assets	<u>138,649</u>	<u>193,064</u>
EQUITY		
Share capital	7,705	7,705
Reserves	130,944	185,359
Total equity	<u>138,649</u>	<u>193,064</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. ORGANISATION AND OPERATIONS

China Healthwise Holdings Limited 中國智能健康控股有限公司 (the “Company”) is a limited liability company incorporated in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands, and the principal place of business of the Company is at Unit 1209, Shun Tak Centre, West Tower, 168–200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and principally engaged in investment in financial instruments. Its subsidiaries (together with the Company referred to as the “Group”) are principally engaged in sale of Chinese health products, money lending business and investment in financial instruments.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all amounts are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants 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 HKFRS 3	Reference to the Conceptual Framework
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 HKFRSs	Annual Improvements to HKFRSs 2018–2020

In addition, the Group applied the agenda decision(s) of the Committee of the International Accounting Standards Board (the “Committee”).

The application of the amendments to HKFRSs and the Committee’s agenda decision(s) in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT REPORTING

An analysis of the Group's revenue from its principal activities for the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Trading of		
— Chinese health products	<u>128,375</u>	<u>114,196</u>
Revenue from other sources:		
— Money lending business	14,628	22,291
— Investment in financial instruments	<u>(945)</u>	<u>33,592</u>
	<u>13,683</u>	<u>55,883</u>
	<u><u>142,058</u></u>	<u><u>170,079</u></u>
Disaggregation of revenue from contracts with customers		
Timing of revenue recognition from contracts with customers		
— At a point in time	<u>128,375</u>	<u>114,196</u>
Sales channels		
— Retail	73,723	66,037
— Wholesale	1,010	1,580
— Direct sales event	41,170	33,978
— Internet	<u>12,472</u>	<u>12,601</u>
Total	<u><u>128,375</u></u>	<u><u>114,196</u></u>

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker (the “CODM”) that are used to make strategic decisions.

The Group has three reportable and operating segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Chinese health products: sale of Chinese health products
- Money lending business: granting loans
- Investment in financial instruments: investing in financial instruments

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in both years. Corporate income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the CODM for assessment of segment performance.

(a) **Segment revenue and results**

Year ended 31 December 2022

	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Total HK\$'000
Revenue to external customers	<u>128,375</u>	<u>14,628</u>	<u>(945)</u>	<u>142,058</u>
Segment profit/(loss) before income tax	<u>1,888</u>	<u>(30,023)</u>	<u>(17,748)</u>	<u>(45,883)</u>

Year ended 31 December 2021

	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Total HK\$'000
Revenue to external customers	<u>114,196</u>	<u>22,291</u>	<u>33,592</u>	<u>170,079</u>
Segment (loss)/profit before income tax	<u>(8,871)</u>	<u>(97,828)</u>	<u>16,914</u>	<u>(89,785)</u>

	2022 HK\$'000	2021 HK\$'000
Reportable segment loss	(45,883)	(89,785)
Gain on modification of convertible loan notes	2,459	–
Unallocated finance costs	(4,566)	(4,773)
Unallocated corporate income/(expenses)		
— Government grant	72	–
— Staff costs	(5,256)	(2,574)
— Legal and professional fee	(1,214)	(451)
— Others	(2,013)	(2,997)
Consolidated loss before income tax	<u>(56,401)</u>	<u>(100,580)</u>

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets		
— Chinese health products	92,731	84,448
— Money lending business	137,084	167,244
— Investment in financial instruments	57,343	59,754
	<hr/>	<hr/>
Segment assets	287,158	311,446
Unallocated corporate assets		
— Cash and cash equivalents	350	2,498
— Other (<i>Note</i>)	151	151
	<hr/>	<hr/>
Consolidated total assets	<u>287,659</u>	<u>314,095</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment liabilities		
— Chinese health products	54,712	27,984
— Money lending business	1,290	2,376
— Investment in financial instruments	18,247	15,541
	<hr/>	<hr/>
Segment liabilities	74,249	45,901
Unallocated corporate liabilities		
— Convertible loan notes	71,043	72,300
— Others (<i>Note</i>)	3,718	2,830
	<hr/>	<hr/>
Consolidated total liabilities	<u>149,010</u>	<u>121,031</u>

Note: Other unallocated corporate assets and liabilities include certain other receivables, deposits and prepayments, certain other payables and accrual charges and deferred tax liabilities.

(c) **Other segment information included in segment results or segment assets**

Year ended 31 December 2022

	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest expenses	1,316	–	1,415	4,566	7,297
Depreciation of property, plant and equipment	184	–	–	–	184
Depreciation of right-of-use assets	3,120	–	–	–	3,120
Impairment loss on right-of-use assets	622	–	–	–	622
Impairment loss on loan receivables, net	–	24,784	–	–	24,784
Fair value loss on financial assets at fair value through profit or loss (“FVTPL”), net	–	–	15,325	–	15,325
Employee costs (including directors’ remuneration)	19,639	16,842	–	5,256	41,737
Additions to property, plant and equipment	631	–	–	–	631
Additions to right-of-use assets	7,535	–	–	–	7,535
Other segment information regularly provided to CODM:					
Income tax (credit)/expense	–	(2,495)	–	368	(2,127)

Year ended 31 December 2021

	Chinese health products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Investment in financial instruments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest expenses	535	11	1,091	4,773	6,410
Depreciation of property, plant and equipment	309	–	–	–	309
Depreciation of right-of-use assets	3,238	651	–	–	3,889
Impairment loss on property, plant and equipment	216	–	–	–	216
Impairment loss on right-of-use assets	3,023	–	–	–	3,023
Impairment loss on loan receivables, net	–	102,606	–	–	102,606
Fair value loss on financial assets at FVTPL, net	–	–	15,300	–	15,300
Employee costs (including directors' remuneration)	19,646	15,242	–	2,574	37,462
Additions to property, plant and equipment	360	–	–	–	360
Additions to right-of-use assets	6,096	–	–	–	6,096
Other segment information regularly provided to CODM:					
Income tax expense	–	2,466	–	–	2,466

(d) Geographical information

Information about the Group's revenue from external customers and non-current assets by geographical region, according to location of operations or the location which the products are delivered and the location of assets, is as follows:

	Revenue		Non-current assets (Note (i))	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong (Note (ii))	141,750	169,613	6,753	2,514
The People's Republic of China (the "PRC")	308	466	-	-
	<u>142,058</u>	<u>170,079</u>	<u>6,753</u>	<u>2,514</u>

Note:

- (i) Excluding deferred tax assets and financial instruments.
- (ii) Revenue from interest income and sale of financial instruments are disclosed by location of operations.

(e) Information on major customers:

No external customer contributed 10% or more to the Group's revenue for both years.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2022 HK\$'000	2021 HK\$'000
Fair value loss on financial assets at FVTPL, net	(15,325)	(15,300)
Gain on modification of convertible loan notes	2,459	-
Loss on written off of property, plant and equipment	(1)	-
Government grants	2,593	-
Rent concession	160	152
Others	18	2
	<u>(10,096)</u>	<u>(15,146)</u>

During the year ended 31 December 2022, included in the government grants recognised are mainly COVID-19 related subsidies of approximately HK\$1,909,000, which relates to Job Support Scheme provided by the Hong Kong government.

5. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	81,506	71,794
Auditors' remuneration		
— audit services	1,080	1,280
— non-audit services	80	80
	1,160	1,360
Depreciation of property, plant and equipment	184	309
Depreciation of right-of-use assets	3,120	3,889
Employee costs (excluding directors' emoluments)	21,576	21,853
Directors' emoluments	20,161	15,609
Short-term leases expenses	3,635	4,453

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on borrowings	2,242	1,090
Interest on lease liabilities	489	547
Interest on convertible loan notes	4,566	4,773
	7,297	6,410

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax is calculated at 8.25% on the estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of the estimated assessable profits over HK\$2,000,000. No Hong Kong Profits Tax was provided for the Company's subsidiaries in Hong Kong for both years as they either did not derive any assessable profits from Hong Kong or had estimated tax losses brought forward to offset against the estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

No Enterprise Income Tax has been provided as the Company's subsidiary in the PRC did not derive any assessable profits from the PRC for both years.

The amount of income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2022	2021
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
— Over-provision in respect of prior years	(940)	—
Deferred tax	<u>(1,187)</u>	<u>2,466</u>
Income tax (credit)/expense	<u><u>(2,127)</u></u>	<u><u>2,466</u></u>

8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 December 2022 (2021: Nil).

9. LOSS PER SHARE

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

	2022	2021
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company used in the basic and diluted loss per share calculations	<u>(54,274)</u>	<u>(103,046)</u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>770,480,836</u></u>	<u><u>770,480,836</u></u>

The computation of diluted loss per share for both years does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share.

10. LOAN RECEIVABLES

The carrying amount of loan receivables from money lending business of the Group was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivables arising from money lending business	320,800	300,537
Less: allowance for expected credit losses (“ECL”)	<u>(186,749)</u>	<u>(161,965)</u>
	<u>134,051</u>	<u>138,572</u>

As at 31 December 2022 and 2021, loan receivables are unsecured, interest-bearing at fixed rates ranging from 8%–15% per annum.

The maturity profile of the loan receivables, net of allowance for ECL, if any, at the end of the reporting period, analysed by the remaining period to its contracted maturity, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	132,002	32,392
Over 1 year	<u>2,049</u>	<u>106,180</u>
	<u>134,051</u>	<u>138,572</u>

During the year ended 31 December 2022, impairment loss of HK\$24,784,000 was recognised in respect of loan receivables (2021: HK\$102,606,000).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The carrying amounts of trade and other receivables, deposits and prepayments are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	6,420	6,297
Less: allowance for ECL	<u>(616)</u>	<u>(616)</u>
	5,804	5,681
Deposits and other receivables	5,714	4,712
Prepayments	<u>3,203</u>	<u>1,450</u>
	<u>14,721</u>	<u>11,843</u>

- (a) The ageing analysis of the trade receivables, net of allowance for ECL, based on invoice dates as of the end of reporting period, is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	5,800	5,174
91–180 days	4	507
	<u>5,804</u>	<u>5,681</u>

The Group's sales are on open account terms. Credit terms are reviewed on a regular basis. The normal credit terms range from 30 to 90 days (2021: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

- (b) During the year ended 31 December 2022, no impairment loss was recognised in respect of trade receivables (2021: nil).

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	23,770	17,604
Other payables and accrued charges	12,195	9,006
	<u>35,965</u>	<u>26,610</u>

The ageing analysis of trade payables, based on invoice dates as of the end of reporting period, is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	23,631	17,465
91–180 days	–	–
181–365 days	–	–
Over 365 days	139	139
	<u>23,770</u>	<u>17,604</u>

CORPORATE INFORMATION

The principal place of business of the Company in Hong Kong is Unit 1209, Shun Tak Centre, West Tower, 168–200 Connaught Road Central, Hong Kong and the telephone and facsimile numbers of the Company are (852) 2268 8248 and (852) 2548 5575.

RESULTS

The Company hereby announces its annual results for the year ended 31 December 2022 (the “Reporting Year” or “FY22”). For the Reporting Year, the Group’s turnover decreased by approximately (“approx.”) 16% to approx. HK\$142 million, compared with approx. HK\$170 million for the year ended 31 December 2021 (the “FY21” or “Corresponding Year”).

Gross profit margin for the Reporting Year was approx. 37% compared to approx. 54% in the Corresponding Year. Overall, loss attributable to owners of the Company was approx. HK\$54 million compared with HK\$103 million in the Corresponding Year. The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (FY21: Nil).

BUSINESS REVIEW

During the Reporting Year, revenue decreased due to the net effect of (1) the decrease in revenue from the investment in financial instrument segment from gain of approx. HK\$34 million in FY21 to loss of approx. HK\$1 million in the Reporting Year; (2) the increase in revenue from the Chinese health product segment from approx. HK\$114 million in FY21 to approx. HK\$128 million in the Reporting Year; and (3) the decrease in revenue from the money lending segment from approx. HK\$22 million in FY21 to approx. HK\$15 million in the Reporting Year.

The Group recorded a decrease in loss for the year ended 31 December 2022 as compared to the year ended 31 December 2021. The decrease in loss was mainly due to decrease in the impairment loss recognised during the year in respect of loan receivables from approx. HK\$103 million in FY21 to approx. HK\$25 million in FY22, which has been partially offset by the net realised and unrealised losses on investment in financial instruments of approx. HK\$16 million for FY22, as compared to the net realised and unrealised gains on investment in financial instruments of approx. HK\$18 million for FY21.

Chinese Health Products

Chinese health products business engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer. Nam Pei Hong Sum Yung Drugs Company Limited, one of our subsidiaries, engages in the business of trading and retail of “Sum Yung” (參茸) and dried seafood products since 1977 and the brand name of “Nam Pei Hong” (南北行) is highly recognised in Hong Kong and Southern Mainland China.

During the Reporting Year, this segment had contributed revenue of approx. HK\$128 million (FY21: HK\$114 million) and segment profit of approx. HK\$2 million (FY21: loss of HK\$9 million). As at 31 December 2022, there were 10 (31 December 2021: 10) retail shops of Nam Pei Hong.

The increase in revenue contributed by the Chinese Health Products during the Reporting Year was mainly attributable by (1) the Consumption Vouchers Scheme launched and the relaxation of several social distancing measures by the Hong Kong Government which stimulate spendings from the customers; and (2) increase in the revenue contributed from online platform.

Money Lending

During the Reporting Year, the Group’s money lending business generated interest income on loans amounting to approx. HK\$15 million (FY21: HK\$22 million), and reported a segment loss (before taxation) of approx. HK\$30 million (FY21: HK\$98 million). The decrease in interest income was mainly because a loan with principal of HK\$35 million classified under stage 3 (credit-impaired) in the Corresponding Year has commenced to generate interest income based on its effective interest rate on its net carrying amount (after deducting accumulated allowance of ECL) rather than the gross balance of the loan during the Reporting Year. Despite the decrease in interest income, the decrease in segment loss was mainly attributable to an approx. HK\$78 million decrease in allowance for ECL provided during FY22. The decrease in allowance for ECL was mainly due to the fact that no loan receivables were re-classified to stage 3 (credit-impaired), which usually generates a high allowance for ECL, during the year.

During FY22, the Group granted two new loans in the aggregate principal amount of approx. HK\$9 million to two customers and extended the final repayment date of three loans to three customers in the aggregate principal amount of approx. HK\$30 million. The Group’s customers made drawings in the aggregate principal amount of approx. HK\$16 million from the existing and new loans and repaid approx. HK\$1 million to the Group.

At 31 December 2022, eleven (2021: nine) loans remained outstanding, in which (i) seven (2021: six) loan receivables with the aggregate gross balance of approx. HK\$118 million were classified under stage 1 (initial recognition), (ii) one (2021: Nil) loan receivable with gross balance at approx. HK\$33 million was classified under stage 2 (significant increase in credit risk) and (iii) three loan receivables with the aggregate gross balance of approx. HK\$170 million (2021: HK\$169 million) were classified under stage 3 (credit impaired). During the year ended 31 December 2022, one loan receivables with the aggregate gross balance of approx. HK\$33 million were re-classified from stage 1 (initial recognition) to stage 2 (significant increase in credit risk) as the interest payment pattern of this borrower was considered unsatisfactory.

At the end of the Reporting Year, the Directors performed an impairment assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured impairment on loan receivables using the "expected credit loss model" established by Hong Kong Financial Reporting Standard 9 Financial Instruments.

Based on the valuation, a total of approx. HK\$187 million (2021: HK\$162 million) allowance for ECL on loan receivables was made, an approx. HK\$25 million (2021: HK\$103 million) increase compared to that for FY21. Of the total allowance for ECL, approx. HK\$5 million (2021: HK\$7 million) was recognised for loan receivables classified under stage 1 (initial recognition), approx. HK\$11 million was recognised for loan receivables classified under stage 2 (significant increase in credit risk) and approx. HK\$170 million (2021: HK\$155 million) was recognised for loan receivables classified under stage 3 (credit impaired).

At 31 December 2022, the Group's loan receivables, together with accrued interest receivables (after accumulated allowance for ECL), amounted to approx. HK\$134 million (31 December 2021: HK\$139 million).

Further, information on the Group's money lending business, including (i) business model, (ii) internal control system, (iii) basis of determining the allowance for ECL on loan receivables, (iv) major terms of each outstanding loan receivables, and (v) actions taken for recovering the loan receivables classified under stage 3 (credit-impaired) will be disclosed in the Company's annual report for the year ended 31 December 2022.

Investment in Financial Instruments

During the Reporting Year, the Group's investment in financial instruments business generated dividend income and realised gain on sale of financial instruments amounting to net loss of approx. HK\$1 million (FY21: net gain of HK\$34 million), and reported a segment loss before taxation of approx. HK\$18 million (FY21: segment profit before taxation of HK\$17 million) mainly including (i) a loss of approx. HK\$15 million (FY21: HK\$15 million) arising on change in fair value of financial assets at fair value through profit or loss; and (ii) a realised loss of approx. HK\$1 million (FY21: realised gain of HK\$34 million) by disposal of certain listed equities.

Movements in the listed and unlisted equities held by the Group during the year ended 31 December 2022 and 2021 are as follows:

	Audited 31 December 2022 HK\$'000	Audited 31 December 2021 HK\$'000
At beginning of year	59,304	107,699
Acquisitions	16,768	15,453
Loss arising on change in fair value	(15,325)	(15,300)
Disposals	(3,434)	(48,548)
	<u>57,313</u>	<u>59,304</u>
At end of year	<u>57,313</u>	<u>59,304</u>

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2022 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 31 December 2022 HK\$'000	Number of shares held at 31 December 2022 '000	Fair value at 31 December 2022 HK\$'000	Fair value as	Fair
					compared to the consolidated total assets of the Group at 31 December 2022	value loss recognised during the year ended 31 December 2022 HK\$'000
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses, including development and investment in film and TV programmes rights, as well as operation of an online video platform.	<u>36,923</u>	<u>22,960</u>	<u>25,256</u>	<u>9%</u>	<u>(7,091)</u>

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2021 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 31 December 2021 <i>HK\$'000</i>	Number of shares held at 31 December 2021 <i>'000</i>	Fair value at 31 December 2021 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 31 December 2021	Fair value loss recognised during the year ended 31 December 2021 <i>HK\$'000</i>
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses, including development and investment in film and TV programmes rights, as well as operation of an online video platform.	<u>35,963</u>	<u>22,260</u>	<u>31,387</u>	<u>10%</u>	<u>(3,256)</u>

The Group had made investments with a short to long term perspective with the objective of making capital gain as well as income from dividend. The Group invested in a diversified portfolio of listed equity securities in various industries. The directors believe that the future performance of the Hong Kong listed equities held by the Group is largely affected by economic factors, investor sentiment, demand and supply balance of an investee company's shares and fundamentals of an investee company, such as investee company's news, business fundamentals and development, financial performance and future prospects. Accordingly, the directors closely monitor the above factors, particularly the fundamentals of each individual investee company in the Group's equity portfolio, and proactively adjust the Group's equity portfolio mix in order to improve its performance.

FINANCIAL REVIEW

During the Reporting Year, the Group recorded a decrease in revenue for approx. 16% from approx. HK\$170 million for the year ended 31 December 2021 to approx. HK\$142 million for the year ended 31 December 2022. The decrease was due to the net effect of (1) the decrease in revenue from the investment in financial instrument segment from gain of approx. HK\$34 million in FY21 to loss of approx. HK\$1 million in the Reporting Year; (2) the increase in revenue from sales of the Chinese health product segment from approx. HK\$114 million in FY21 to approx. HK\$128 million in the Reporting Year; and (3) the decrease in revenue from the money lending segment from approx. HK\$22 million in FY21 to approx. HK\$15 million in the Reporting Year.

Cost of goods sold (“COGS”) increased by approx. 13% compared to FY21. The increase was mainly attributable to the corresponding increase in revenue from sales of the Chinese health product segment as mentioned above during the Reporting Year. The COGS were approx. HK\$89 million in FY22 compared with approx. HK\$79 million in FY21.

The gross profit decreased to approx. HK\$53 million for the Reporting Year versus approx. HK\$91 million in FY21. Gross profit margin decreased to approx. 37% (FY21: 54%) mainly due to the realised loss of approx. HK\$1 million (FY2021: gain of HK\$34 million) from the investment in financial instrument segment for the Reporting Year.

Other income, gains and losses, net for the year ended 31 December 2022 amounted to a loss of approx. HK\$10 million (FY21: HK\$15 million). Other income, gains and losses, net mainly included (1) fair value loss on financial assets at fair value through profit or loss of approx. HK\$15 million (FY21: HK\$15 million); and (2) government grants of approx. HK\$3 million in FY22 (FY21: Nil).

Selling and distribution expenses for the year ended 31 December 2022 decreased to approx. HK\$29 million, representing a slight decrease of approx. 6% against approx. HK\$31 million in the Corresponding Year. The slight decrease in selling and distribution expenses was mainly due to the decrease in promotion and advertising expenses in the Reporting Year.

General and Administrative expenses for the year ended 31 December 2022 amounted to approx. HK\$38 million, resulting in an increase of approx. 15% as compared with the previous period (FY21: HK\$33 million). The general and administrative expenses increased by 15% because of the increase in employee costs (including directors’ emoluments) in FY22.

Finance costs incurred mainly for convertible loan notes and other borrowings during the Reporting Year was approx. HK\$7 million as compared with approx. HK\$6 million in FY21.

Impairment loss under the expected credit loss model provided for the year decreased to approx. HK\$25 million for the Reporting Year versus approx. HK\$103 million in FY21. The impairment loss mainly in relation to the loan receivables was recognised based on a valuation prepared by an independent professional valuer. The impairment loss decreased mainly because no new loan receivables were re-classified to stage 3 (credit-impaired), which usually generates a high allowance for ECL, during the year.

All in all, the Group recorded a loss attributable to shareholders of approx. HK\$54 million in the Reporting Year compared with approx. HK\$103 million in FY21.

PLANS AND PROSPECTS

Chinese Health Products

In view of the increasing awareness in health and the aging of population in Hong Kong, demand for health care products, especially Chinese medicine, “Sum Yung” (參茸) and dried seafood in Hong Kong has grown steadily in recent years. The Group will also strengthen the promotion on health care products, such as cordyceps sinensis (冬蟲夏草), ginseng (人參), tianqi (田七), and dendrobium nobile (石斛) etc. In order to cope with the rapid pace of life of modern people, the Group also provides products like ginseng powder, energy drink, probiotics capsules and ganoderma capsules.

Following the relaxation of the various COVID-19 related restrictions on social distancing and cross-border activities, it is expected to have a positive impact and economic recovery on the retail market of Hong Kong. To take advantage of the shift to online shopping since the outbreak of COVID-19, the Group will continue to develop online sales channels for our Chinese health products.

During the Reporting Year, our sales channel through online platform “HKTVmall” reported a growth in turnover of over 20%. Due to the COVID-19 pandemic, more people are concerned about their healthcare and prevention from being infected. We concentrated on the promotion of all types of healthcare products that can safeguard our health and enhance immunity.

The Group also actively attracts corporate customers. During FY22, our marketing campaign successfully attracted certain charitable organisations and institutional customers to order products such as anti-epidemic tea bags, nutrition stew series and gift hampers.

In addition, we have added sales channels in China by setting up our solely operated “Nam Pei Hong (南北行) Overseas Flagship Shop” in Tmall Global (天貓國際) with an expectation to create synergistic effect by our online and offline sales platforms, so as to increase our turnover and enhance the awareness of our brand in China.

Money Lending

The Group's loan receivables together with accrued interest receivables decreased to approx. HK\$134 million (31 December 2021: HK\$139 million). Given the reopening of the border and the easing of COVID-19 restrictions, Hong Kong is expected to have a rebound in its economy in 2023. However, the Group expects the business environment for money lending to be challenging because of the tightening of the monetary policy in the United States of America and the expected increase of Hong Kong Dollar interest rate in 2023. The Group will closely monitor the repayment pattern of our customers and formulate an action plan of recovery should the risk of default increases. Our recovery strategy can involve a wide range of actions, which includes the revising of repayment terms, adding of collaterals/guarantees, reaching of settlement, the commencement of legal actions against the customers, and/or enforcement on collaterals/guarantees, etc. The Group will also be more cautious by strengthening its credit policy and risk control policy.

Investment in financial instruments

The Group will closely monitor various factors such as global economy, investment sentiment and fundamentals of investors and their future prospects and protectively adjust our portfolio in order to improve our performance. The Group will change our equity portfolio mix from time to time and realise the equities held by the Group into cash as and when appropriate.

Business Portfolio Management

The current business strategies of the Group with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification have been continuously evaluated. The Company 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.

GROUP RESOURCES AND LIQUIDITY

As at 31 December 2022, the Group's cash and bank balances were approx. HK\$17 million (31 December 2021: HK\$40 million). The Group's total borrowings and convertible loan notes were approx. HK\$31 million (31 December 2021: HK\$12 million) and approx. HK\$71 million (31 December 2021: HK\$72 million), respectively. The convertible loan notes will be matured on 10 October 2024. Gearing ratio, calculated as the total borrowings and convertible loan notes divided by shareholders' equity was approx. 73% as at 31 December 2022 (31 December 2021: 44%). As at 31 December 2022, the Group recorded total current assets of approx. HK\$275 million (31 December 2021: HK\$202 million) and total current liabilities of approx. HK\$75 million (31 December 2021: HK\$120 million). The current ratio of the Group, calculated by dividing

the total current assets by the current liabilities, was approx. 367% (31 December 2021: 168%). The Group recorded a decrease in shareholders' fund from approx. HK\$193 million as at 31 December 2021 to a net asset position of approx. HK\$139 million as at 31 December 2022. The decrease was mainly due to the operating loss of the Group during the Reporting Year.

EMPLOYEES

As at 31 December 2022, the Group had approx. 100 employees and contract workers based in Hong Kong headquarters. The number of employees of the Group varies from time to time depending on operation needs and they are remunerated based on industry practices.

CORPORATE GOVERNANCE CODE

The Company recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2022. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 December 2022 (year ended 31 December 2021: Nil).

AUDIT COMMITTEE

The Audit Committee had reviewed (together with the management) the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.healthwisehk.com.

By Order of the Board
China Healthwise Holdings Limited
Lei Hong Wai
Chairman and Executive Director

Hong Kong, 28 March 2023

As at the date of this announcement, the Executive Directors are Mr. Lei Hong Wai (Chairman), Mr. Cheung Kwok Wai Elton (Vice Chairman), Mr. Leung Alex, Ms. Lo Ming Wan, Mr. Tse Chi Keung, and Mr. Yuan Huixia; and the independent non-executive Directors are Mr. Lai Hok Lim, Mr. Lien Wai Hung and Mr. Wong Tak Chuen.