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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)**

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “**Board**” or “**Directors**”) of China Healthwise Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period for the six months ended 30 June 2020. These interim consolidated financial statements have not been audited but have been reviewed by the Company’s Audit Committee.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the Six Months Ended 30 June 2021*

		<b>Unaudited</b>	
		<b>For the</b>	<b>For the</b>
		<b>six months</b>	<b>six months</b>
		<b>ended</b>	<b>ended</b>
		<b>30 June 2021</b>	<b>30 June 2020</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	4	97,897	73,197
Cost of sales		<u>(42,404)</u>	<u>(39,606)</u>
Gross profit		55,493	33,591
Other income, gains and losses, net	4	13,507	(23,848)
Selling and distribution expenses		(14,822)	(17,770)
General and administrative expenses		(14,398)	(15,904)
Finance costs	5	<u>(3,211)</u>	<u>(12,624)</u>
Profit/(loss) before income tax from continuing operations		36,569	(36,555)
Income tax credit	6	<u>–</u>	<u>1,630</u>
Profit/(loss) for the period from continuing operations	7	36,569	(34,925)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	7	<u>–</u>	<u>(3,692)</u>
Profit/(loss) for the period		<u>36,569</u>	<u>(38,617)</u>

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2021 HK\$'000</b>	<b>For the six months ended 30 June 2020 HK\$'000</b>
	<i>Notes</i>		
<b>Other comprehensive loss for the period, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising from translation of foreign operations		<u>(208)</u>	<u>(10)</u>
Other comprehensive loss for the period, net of tax		<u>(208)</u>	<u>(10)</u>
Total comprehensive income/(loss) for the period		<u><b>36,361</b></u>	<u>(38,627)</u>
Profit/(loss) for the period attributable to owners of the Company:			
– From continuing operations		<b>36,569</b>	(34,925)
– From discontinued operation		<u>–</u>	<u>(3,692)</u>
		<u><b>36,569</b></u>	<u>(38,617)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company:			
– From continuing operations		<b>36,361</b>	(34,935)
– From discontinued operation		<u>–</u>	<u>(3,692)</u>
		<u><b>36,361</b></u>	<u>(38,627)</u>
			(restated)
Earnings/(loss) per share attributable to owners of the Company from continuing and discontinued operations			
– Basic	9	<b>4.75 cents</b>	(4.94) cents
– Diluted	9	<u><b>4.53 cents</b></u>	<u>(4.94) cents</u>
Earnings/(loss) per share attributable to owners of the Company from continuing operations			
– Basic	9	<b>4.75 cents</b>	(4.47) cents
– Diluted	9	<u><b>4.53 cents</b></u>	<u>(4.47) cents</u>
Loss per share attributable to owners of the Company from discontinued operation			
– Basic and diluted	9	<u>–</u>	<u>(0.47) cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	517	395
Right-of-use assets	10	6,246	3,100
Loans receivable	11	125,000	135,978
Financial assets at fair value through profit or loss	12	2,572	2,611
Deferred tax assets		3,608	3,608
		<u>137,943</u>	<u>145,692</u>
<b>Current assets</b>			
Inventories		49,418	47,964
Trade and other receivables, deposits and prepayments	13	12,038	13,569
Loans receivable	11	117,994	87,136
Financial assets at fair value through profit or loss	12	105,294	105,088
Cash and cash equivalents		27,514	34,829
		<u>312,258</u>	<u>288,586</u>
<b>Current liabilities</b>			
Trade and other payables and accrued charges	14	11,286	20,325
Lease liabilities		4,710	6,175
Borrowings	15	9,195	20,000
Tax payable		3,562	3,847
		<u>28,753</u>	<u>50,347</u>
<b>Net current assets</b>		<u>283,505</u>	<u>238,239</u>
<b>Total assets less current liabilities</b>		<u>421,448</u>	<u>383,931</u>

		Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Lease liabilities		4,294	2,140
Convertible loan notes		<u>84,502</u>	<u>85,500</u>
		<u>88,796</u>	<u>87,640</u>
<b>Net assets</b>		<u><u>332,652</u></u>	<u><u>296,291</u></u>
<b>EQUITY</b>			
Share capital	16	770,481	770,481
Reserves		<u>(437,829)</u>	<u>(474,190)</u>
<b>Total equity</b>		<u><u>332,652</u></u>	<u><u>296,291</u></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These unaudited condensed consolidated interim financial statements are presented in Hong Kong Dollar (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”), unless otherwise stated.

The directors of the Company have, at the time of approving the unaudited condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to *HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021*.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

### 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 annual financial statements.

### 4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET AND SEGMENTAL INFORMATION

The Group is principally engaged in sale of Chinese health products, money lending business and investment in financial instruments. The Group was also engaged in sale of Own Brand Manufacturing ("OBM") toys which was disposed on 30 October 2020 and its financial performance is reported under discontinued operation. Revenue and other income, gains and losses, net recognised from continuing operations during the period are as follows:

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Revenue from contracts with customers		
— Trading of Chinese health products	<b>59,873</b>	57,996
Revenue from other sources:		
— Interest income	<b>10,988</b>	15,201
— Gain or loss on disposal of financial instruments, net	<b>27,036</b>	—
	<b>97,897</b>	73,197
Disaggregation of revenue from contracts with customers:		
Timing of revenue recognition from contracts with customers		
At a point in time	<b>59,873</b>	57,996
<b>Continuing operations</b>		
Other income, gains and losses, net		
Bank interest income	—	8
Fair value gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	<b>14,483</b>	(18,090)
Impairment loss on loan receivables under expected credit loss model, net	<b>(1,128)</b>	(7,736)
Government grants	—	800
Rent concessions	<b>152</b>	1,170
	<b>13,507</b>	(23,848)

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's chief operating decision maker (the "CODM") for their assessment of performance and resource allocation. The Group has identified the following reportable segments from its operations:

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

The Group disposed of the OBM toys segment on 30 October 2020. The CODM considered the necessity of reporting the OBM toys segment separately under discontinued operation in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* as the OBM toys segment was a separate major line of business of the Group.

**(a) Segment revenue and results**

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2021 and 30 June 2020. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/(loss) that is used by the CODM for assessment of segment performance.

**For the six months ended 30 June 2021**

**Continuing operations**

	Chinese health products <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Investment in financial instruments <i>HK\$'000</i> (Unaudited)	Reportable segment total <i>HK\$'000</i> (Unaudited)
Revenue to external customers	<u>59,873</u>	<u>10,988</u>	<u>27,036</u>	<u>97,897</u>
Segment (loss)/profit before income tax	<u>(2,184)</u>	<u>2,764</u>	<u>40,845</u>	<u>41,425</u>

**For the six months ended 30 June 2020**

**Continuing operations**

	Chinese health products <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Investment in financial instruments <i>HK\$'000</i> (Unaudited)	Reportable segment total <i>HK\$'000</i> (Unaudited)
Revenue to external customers	<u>57,996</u>	<u>15,201</u>	<u>—</u>	<u>73,197</u>
Segment loss before income tax	<u>(2,146)</u>	<u>(1,710)</u>	<u>(18,641)</u>	<u>(22,497)</u>

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Reportable segment profit/(loss)	<u>41,425</u>	<u>(22,497)</u>
Interest income	–	8
Exchange gain/(losses), net	6	(81)
Unallocated finance costs	(2,442)	(9,141)
Unallocated corporate expenses		
— Staff costs	(1,530)	(3,511)
— Legal and professional fee	(301)	(1,043)
— Others	<u>(589)</u>	<u>(290)</u>
Consolidated profit/(loss) before income tax	<u><u>36,569</u></u>	<u><u>(36,555)</u></u>

**(b) Segment assets and liabilities**

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

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment assets</b>		
— Chinese health products	82,960	82,658
— Money lending business	251,560	234,145
— Investment in financial instruments	<u>110,964</u>	<u>109,630</u>
Segment assets	445,484	426,433
Unallocated corporate assets		
— Cash and cash equivalents	4,561	7,500
— Other ( <i>Note</i> )	<u>156</u>	<u>345</u>
Consolidated total assets	<u><u>450,201</u></u>	<u><u>434,278</u></u>



	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
<b>Segment liabilities</b>		
— Chinese health products	19,835	22,972
— Money lending business	787	2,295
— Investment in financial instruments	11,970	21,606
	<hr/>	<hr/>
Segment liabilities	32,592	46,873
Unallocated corporate liabilities		
— Convertible loan notes	84,502	85,500
— Others ( <i>Note</i> )	455	5,614
	<hr/>	<hr/>
Consolidated total liabilities	117,549	137,987
	<hr/> <hr/>	<hr/> <hr/>

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

**(c) Information about the Group's revenue from continuing operations by geographical region is as follows:**

	Unaudited For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
Hong Kong ( <i>Note</i> )	97,897	73,197
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Revenue from trading of Chinese health products, interest income and sale of financial instruments are disclosed by location of operations and location where the products are delivered.

**(d) Information on major customers is as follows:**

For the six months ended 30 June 2021, no external customer contributed 10% or more to the Group's revenue from continuing operations.

For the six months ended 30 June 2020, revenue of approximately HK\$18,586,000 were derived from one external customer from discontinued OBM Toys segment, which contributed over 10% or more of the Group's revenue from continuing and discontinued operations.

## 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Interest on borrowings	514	546
Interest on lease liabilities	257	537
Imputed interest on convertible loan notes	2,440	10,541
Loss on partial redemption of convertible loan notes ( <i>Note</i> )	–	1,000
	<u>3,211</u>	<u>12,624</u>

*Note:* The Group has redeemed partial principal and accrued interest of convertible loan notes of approximately HK\$21,703,000 by 30 June 2020.

## 6. INCOME TAX CREDIT

The amount of income tax credit in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Current taxation – Hong Kong profits tax		
– provision for the period	–	993
Deferred tax	–	(2,623)
	<u>–</u>	<u>(1,630)</u>

Hong Kong profits tax is calculated at applicable tax rate on the estimated assessable profits for six months ended 30 June 2021 and 30 June 2020.

## 7. PROFIT/(LOSS) FOR THE PERIOD

### (a) Continuing operations

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) before income tax from continuing operations is stated after charging the following:		
Cost of inventories sold	<b>42,404</b>	39,606
Depreciation of right-of-use assets	<b>1,841</b>	6,783
Depreciation of property, plant and equipment	<b>198</b>	193

### (b) Discontinued operation

The Group disposed of the OBM toys segment on 30 October 2020. The loss for the period from the discontinued OBM toys business is set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to represent the OBM toys business as a discontinued operation.

	For the six months ended 30 June 2020 HK\$'000
Revenue	44,641
Cost of sales	(32,129)
Gross profit	12,512
Other income, gains and losses, net	211
Selling and distribution expenses	(7,870)
General and administrative expenses	(7,954)
Finance costs	(591)
Loss before income tax from discontinued operation	(3,692)
Income tax expense	–
Loss for the period from discontinued operation	(3,692)

## 8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations

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

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings/(loss)</b>		
Earnings/(loss) for the purpose of basic earnings/(loss) per share		
(profit/(loss) for the period attributable to owners of the Company)	<b>36,569</b>	(38,617)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of income tax)	<b>2,038</b>	–
	<u><b>38,607</b></u>	<u>(38,617)</u>

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
		(restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of		
basic earnings/(loss) per share	<b>770,480,836</b>	781,064,710
Effect of dilutive potential ordinary shares:		
Convertible loan notes	<b>81,000,000</b>	–
	<u><b>851,480,836</b></u>	<u>781,064,710</u>

On 25 September 2020, the share consolidation became effective whereby every 10 ordinary shares of HK\$0.1 each was consolidated into one share of HK\$1.0 each. Comparative figure have been adjusted on the assumption that the share consolidation had been effective in the prior period.

For the six months ended 30 June 2020, the computation of diluted loss per share 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 from continuing operations.

### From continuing operations

The calculation of basic and diluted earnings/(loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings/(loss)</b>		
Earnings/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	<b>36,569</b>	(34,925)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of income tax)	<u><b>2,038</b></u>	<u>–</u>
Earnings/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	<u><b>38,607</b></u>	<u>(34,925)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

### From discontinued operation

Basic and diluted loss per share from discontinued operation for the six months ended 30 June 2020 is HK0.47 cents based on the loss for the period from discontinued operation of HK\$3,692,000 and the denominators detailed above for both basic and diluted loss per share.

## 10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of HK\$320,000 (six months ended 30 June 2020: HK\$991,000). The Group has entered into several leases for shops and offices in Hong Kong during the six months ended 30 June 2021 and accordingly additional right of use assets amounted to HK\$4,987,000 (six months ended 30 June 2020: HK\$1,142,000) have been recognised during the current period.

## 11. LOANS RECEIVABLE

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Loans receivable arising from money lending business	303,481	282,473
Less: allowances for expected credit loss	(60,487)	(59,359)
	<u>242,994</u>	<u>223,114</u>

All loans are denominated in HK\$. The loans receivable are unsecured and carry effective interest ranging from 8%-13% per annum (31 December 2020: 8%-15% per annum). A maturity profile of the loans receivable (net of allowances for expected credit loss) at the end of the reporting periods, based on the maturity date is as follows:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
<b>Current assets</b>		
Within one year	117,994	87,136
<b>Non-current assets</b>		
More than one year but not exceeding two years	125,000	135,978
	<u>242,994</u>	<u>223,114</u>

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

Financial assets at fair value through profit or loss comprise:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Listed equity securities in Hong Kong		
– Current	105,294	105,088
Unlisted equity securities		
– Non-current	2,572	2,611
	<u>107,866</u>	<u>107,699</u>

Fair value of listed equity securities is determined based on quoted bid prices in the Stock Exchange. Fair value of unlisted equity securities is determined based on valuation using asset-based approach.

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
Trade receivables	<b>4,214</b>	6,749
Other receivables, deposits and prepayments	<b>7,824</b>	6,820
	<b>12,038</b>	13,569

The ageing analysis of the trade receivables is as follows:

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
0–90 days	<b>3,818</b>	6,071
91–180 days	<b>396</b>	678
	<b>4,214</b>	6,749

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

### 14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
Trade payables	<b>5,530</b>	10,700
Other payables and accrued charges	<b>5,756</b>	9,625
	<b>11,286</b>	20,325

The ageing analysis of the trade payables is as follows:

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
0–90 days	5,391	2,555
91–180 days	–	8,006
181–365 days	–	–
Over 365 days	139	139
	<u>5,530</u>	<u>10,700</u>

## 15. BORROWINGS

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
Current		
Other loans — secured	<u>9,195</u>	<u>20,000</u>

The Group's other loans carried interest at 10% per annum and are secured by pledge of a subsidiary's investment in financial assets at fair value through profit or loss.

## 16. SHARE CAPITAL

	<b>Authorised</b>			
	<b>Convertible cumulative redeemable preference shares of US\$100,000 each</b>		<b>Ordinary shares of HK\$1.00 each</b>	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
As at 31 December 2020 (audited), 1 January and 30 June 2021 (unaudited)	<u>40</u>	<u>4,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
	<b>Issued and fully paid</b>			
	<b>Convertible cumulative redeemable preference shares of US\$100,000 each</b>		<b>Ordinary shares of HK\$1.00 each</b>	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
As at 31 December 2020 (audited), 1 January and 30 June 2021 (unaudited)	<u>–</u>	<u>–</u>	<u>770,481</u>	<u>770,481</u>



## 17. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no contingent liabilities.

## 18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2021 and 30 June 2020, the Group had the following transactions with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

The significant transactions with related parties are as follows:

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June 2021</b>	30 June 2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fellow subsidiary of substantial shareholder of the Company		
Interest on lease liabilities	<b>11</b>	83
Expenses relating to short-term leases	<b>306</b>	–

## 19. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2021 and up to the date of this announcement, the Group had the following material event:

On 7 July 2021, the Company proposes to implement the capital reorganisation which will involve the following (the “**Capital Reorganisation**”):

- (i) the capital reduction whereby the nominal or par value of each of the issued shares of the Company (the “**Shares**”) will be reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Shares (the “**Capital Reduction**”);
- (ii) the share sub-division immediately following the Capital Reduction, whereby each of the authorised but unissued Shares of nominal or par value of HK\$1.00 each will be sub-divided into one hundred (100) adjusted shares of nominal or par value of HK\$0.01 each (the “**Adjusted Shares**”);
- (iii) the share premium reduction which will involve the reduction of the amount standing to the credit of the share premium account of the Company (the “**Share Premium Reduction**”);
- (iv) the application of the credit arising from the Capital Reduction and the Share Premium Reduction towards setting off of part of the accumulated losses of the Company in a manner as permitted by the Companies Act, Cap. 22 (Act 3 of 1961), of the Cayman Islands as consolidated and revised and other applicable laws; and
- (v) each of the Adjusted Shares arising from the Capital Reorganisation shall rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

The special resolution in relation to the Capital Reorganisation was duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 11 August 2021.

The Company is currently applying an order in relation to the Capital Reduction from the Grand Court of the Cayman Islands.

The Company will closely monitor the situation, and assess its impacts on the Group's financial position and operating results.

## **20. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period's presentation and the disclosure requirements in respect of the discontinued operation set out in note 7(b).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

## RESULTS, BUSINESS REVIEW AND PROSPECTS

### Results

For the six months ended 30 June 2021 (the “**Period**”), the Group’s revenue from continuing operations increased by approximately (“**approx.**”) 34% to approx. HK\$98 million, compared with approx. HK\$73 million for the six months ended 30 June 2020 (the “**Corresponding Period**”). Gross profit margin for the Period was approx. 57% compared to approx. 46% in the Corresponding Period. Overall, the profit attributable to owners of the Company was approx. HK\$37 million compared with the loss attributable to the owners of the Company of approx. HK\$39 million in the Corresponding Period.

### Business Review

The Group recorded an increase in revenue from continuing operations by approx. 34% for the Period compared to the revenue of the Group for the Corresponding Period because of the realised gain of approx. HK\$27 million (2020: Nil) recognised under the investment in financial instruments during the Period.

During the Period, the Chinese health products business has contributed revenue of approx. HK\$60 million during the Period, representing an increase of approx. 3% from the Corresponding Period of approx. HK\$58 million. The money lending business has contributed revenue of approx. HK\$11 million (2020: approx. HK\$15 million) during the Period. The investment in financial instruments business had realised gain of HK\$27 million during the Period (2020: no realised gain or loss). During the Corresponding Period, the OBM toys business contributed revenue of approx. HK\$45 million. The OBM toys business has been disposed on 30 October 2020.

The gross profit margin from continuing operations increased to approx. 57% from approx. 46% of the Corresponding Period mainly because of the increase in contribution from the investment in financial instruments segment which generated a higher gross profit margin, comparing with other segments.

The Group recorded a profit for the Period of approx. HK\$37 million during the Period compared with the loss for the period of the Corresponding Period of approx. HK\$39 million. The turnaround from loss to profit was mainly due to the net realised and unrealised gains on investment in financial instruments of approx. HK\$42 million for the Period, as compared to the net realised and unrealised losses on investment in financial instruments of approx. HK\$18 million for the Corresponding Period.

## *Chinese Health Products*

Ace Season Holdings Limited (“**Ace Season**”) and its subsidiaries are principally engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer. One of the subsidiaries of Ace Season, Nam Pei Hong Sum Yung Drugs Company Limited 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 Period, this segment had contributed revenue of approx. HK\$60 million (2020: approx. HK\$58 million) and a loss of approx. HK\$2 million (2020: approx. HK\$2 million). As at 30 June 2021, there were 10 retail shops of Nam Pei Hong (2020: 10 retail shops).

The COVID-19 pandemic continues to have a negative impact on the Chinese health product segment during the Period. The Group has launched several measures to cope with the difficult operating environment, including (i) offer of sales discount to customers, (ii) relentless negotiation with landlords for rental relief and more favourable rental renewal, (iii) development of business relationship with online sales platform and (iv) rearrangement and promotion of products which could be easily and conveniently cooked. As such, the gross profit margin of the segment decline to approx. 29% during the Period from approx. 32% in the Corresponding Period. The selling expense of the segment also decreased to approx. HK\$15 million in the Period from approx. HK\$18 million in the Corresponding Period.

## *Money Lending*

During the Period, the Group’s money lending business generated interest income on loans amounting to approx. HK\$11 million (2020: approx. HK\$15 million), and reported a segment profit (before taxation) of approx. HK\$3 million (2020: loss of approx. HK\$2 million). The turnaround from segment loss to segment profit of the Period was mainly due to the decrease in allowance for expected credit losses recognised to approx. HK\$1 million in the Period from approx. HK\$8 million in the Corresponding Period. The average monthly outstanding balance of loans receivables was approx. HK\$279 million in the six months ended 30 June 2021 (2020: approx. HK\$286 million). During the Period, the Group granted new loans in the aggregate principal amount of approx. HK\$50 million to five customers. The Group’s customers made drawings in the aggregate principal amount of approx. HK\$50 million from the existing and new loans, and repaid approx. HK\$28 million to the Group.

In October 2020, a customer failed to repay a loan with outstanding principal amounts of HK\$64 million together with the accrued interest thereon according to the loan agreement. The Group has commenced legal proceedings against the customer to recover the outstanding principal and interests thereon. Up to the date of this announcement, the date of the first hearing is yet to be determined.

At the end of the reporting period, the directors assessed the collectability of the loans receivable. An allowance for expected credit losses on loans receivable of approx. HK\$60 million (31 December 2020: approx. HK\$59 million) was recognised based on a valuation prepared by an independent professional valuer. Such allowance for expected credit losses was made in accordance with the impairment model of HKFRS 9 Financial Instruments and had no effect on the Group’s cashflow.

## Investment in Financial Instruments

During the Period, the Group's investment in financial instruments business reported a segment profit of approx. HK\$41 million (2020: loss of approx. HK\$19 million) arising from the change in fair value of financial assets at fair value through profit or loss. The segment profit was a result of a rebound on the stock market during the Period.

Movements in the equities held by the Group during the six months ended 30 June 2021 and the year ended 31 December 2020 are as follows:

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
At beginning of period/year	<b>107,699</b>	138,581
Acquisitions	<b>9,232</b>	10,861
Gain/(loss) arising on change in fair value	<b>14,483</b>	(5,409)
Disposals	<b>(23,548)</b>	(36,334)
At end of period/year	<b>107,866</b>	107,699

Details of certain significant listed equities held by the Group at 30 June 2021 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 30 June 2021 HK\$'000	Number of shares held at 30 June 2021 '000	Fair value at 30 June 2021 HK\$'000	Fair value as compared to the consolidated total assets of the Group at 30 June 2021	Fair value gain/(loss) recognised in the six months ended 30 June 2021 HK\$'000
IDG Energy Investment Limited (stock code: 650)	Mobility services business, upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, as well as related energy investment fund management	27,500	25,000	29,750	6.6%	4,750
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses which include development and investment in film and TV programmes rights, as well as operation of an online video platform	34,080	20,990	37,782	8.4%	5,022
Yunfeng Financial Group Limited (stock code: 376)	Long term assurance business, the provision of securities brokerage, consultancy and advisory services and investment research, wealth management, employee stock ownership plan administration and principal investment.	36,486	7,526	22,051	4.9%	(2,183)

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.

## **OBM Toys**

Given the continuous loss-making position of the OBM toys segment with net liabilities in recent financial periods, and the uncertainties faced by the OBM toys business, the Company has disposed of this segment on 30 October 2020. It is considered that such disposal will enable the Group to improve its financial position and eliminate any uncertainty arising from the OBM toys business with an aim to stabilising the future financial performance of the Group.

## **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.

As a result of the COVID-19 pandemic, the number of tourists visiting Hong Kong has significantly reduced which severely impact the retail market of Hong Kong. At the same time, the various COVID-19 related restrictions on social distancing and cross-border activities impacted the entire retail market. To take advantage of the shift to online shopping due to COVID-19, the Group will continue to develop online sales channels for our Chinese health products.

At this moment, the global pandemic is still ongoing but the arrival of COVID-19 vaccines has brought hope for economic recovery. Nevertheless, the Group will continue to invest in the health care business and to develop its retail business of "Sum Yung" (參茸) dried seafood products and other healthy food products in Hong Kong with an aim to broaden its revenue base especially to the youth generation and middle class consumers. The Group expects the development of online sales in Hong Kong and Mainland China the cost reduction measures such as renewal of rental agreement with more favourable terms could maintain a sound financial position of the segment ready for the steady recovery and post-COVID-19 development.

## **Money lending business**

Despite certain uncertainties in the global economy such as the tightening of US-China trade relationship and the outbreak of COVID-19, the demand for money lending business remain stable during the Period and the Group's loans receivable together with accrued interest receivables increased slightly to approx. HK\$243 million (31 December 2020: approx. HK\$223 million). The Group expect the business environment for money lending to be difficult given the outbreak of COVID-19 and the relatively higher than normal unemployment rate because many economic activities could not be carried out normally. The Group will 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 30 June 2021, the Group's cash and bank balances were approx. HK\$28 million (31 December 2020: approx. HK\$35 million). The Group's total borrowings and convertible loan notes were approx. HK\$94 million (31 December 2020: approx. HK\$106 million). Gearing ratio, calculated as the total borrowings and convertible loan notes divided by shareholders' equity, was approx. 28% (31 December 2020: approx. 36%). As at 30 June 2021, the Group recorded total current assets of approx. HK\$312 million (31 December 2020: approx. HK\$289 million) and total current liabilities of approx. HK\$29 million (31 December 2019: approx. HK\$50 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 10.8 (31 December 2020: approx. 5.8). The Group recorded an increase in shareholders' fund from approx. HK\$296 million as at 31 December 2020 to a net asset position of approx. HK\$333 million as at 30 June 2021. The increase was mainly due to the operating profit during the Period.

Inventories recorded an increase of approx. 2% compared to previous year end date of 31 December 2020 and the value of stock in warehouse increased from approx. HK\$48 million as at 31 December 2020 to approx. HK\$49 million as at 30 June 2021.

Trade receivables recorded an approx. 43% decrease as at 30 June 2021 to approx. HK\$4 million, compared with approx. HK\$7 million as at 31 December 2020 mainly because the increase online sales of Chinese health products during the Period.



Overall, the Group's operations are still in a stable position. The financial position has remain stable during the Period. Barring unforeseen challenges and global economic downturn, in the opinion of the Directors, the Group has sufficient financial resources to meet its normal operational and expansion needs.

## **FOREIGN CURRENCY RISKS**

The Group's exposure to currency risk attributable to trade and other receivables, bank balances, trade and other payables and bank borrowings, are denominated in currencies other than the functional currency of the entity to which they related. The Group currently does not have a foreign currency hedging policy. However, the Management will monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CAPITAL STRUCTURE**

The Group did not have any change to the capital structure of the Company during the Period.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

The Group did not have any significant investments or acquisitions or sales of subsidiaries during the Period.

## **EMPLOYEES**

As at 30 June 2021, the Group had approx. 100 employees and contract workers based in Hong Kong headquarters and PRC offices. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

Save for the deviation from code A.4.1 which are explained below, in the opinion of the Board, the Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021.

### **CODE PROVISION A.4.1**

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Although all independent non-executive directors have not been appointed for a specific term, they will all retire at the annual general meeting at least once every three years and will be eligible for re-election in accordance with the CG



Code. In the opinion of the Directors, the retirement of each non-executive director at the annual general meeting at least once every three years shall have the same effect of appointing them with a specific term of three years. Therefore, the Directors consider that the deviation from the code provision A.4.1 of the CG Code is appropriate in such circumstance.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of its Directors. All Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the accounting period covered by this interim financial statements.

## **AUDIT COMMITTEE**

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process including review of the unaudited condensed interim financial statements for the six months ended 30 June 2021, the interim report and the Group's risk management and internal control systems.

On behalf of the Board of  
**China Healthwise Holdings Limited**  
**Lei Hong Wai**  
*Chairman and Executive Director*

Hong Kong, 26 August 2021

*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.*