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HAIER HEALTHWISE HOLDINGS LIMITED

海爾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 SEPTEMBER 2016

The board of directors (the “**Board**” or “**Directors**”) of Haier 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 September 2016 together with the comparative figures for the corresponding period in 2015. 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 September 2016

		Unaudited Six months ended 30 September	
	Notes	2016 HK\$'000	2015 HK\$'000
Turnover	2	185,695	187,075
Cost of sales		(153,728)	(146,621)
Gross profit		31,967	40,454
Other income and gains, net	2	10,178	11,628
Selling and distribution expenses		(28,993)	(30,491)
General and administrative expenses		(44,021)	(45,562)
Share of result of an associate		(1,444)	3,895
Finance costs	3	(1,708)	(1,183)
Loss before income tax	4	(34,021)	(21,259)
Income tax credit	5	–	665
Loss for the period		(34,021)	(20,594)

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
Notes		HK\$'000	HK\$'000
Other comprehensive income for the period, net of tax:			
Items that may be subsequently reclassified to profit or loss:			
	– Exchange differences arising from translation of foreign operations	(5,377)	1,147
	– Revaluation of available-for-sale investments	4,698	5,454
		<u>(679)</u>	<u>6,601</u>
	Total comprehensive income for the period	<u>(34,700)</u>	<u>(13,993)</u>
Loss for the period attributable to			
	Owners of the Company	(24,159)	(14,297)
	Non-controlling interests	(9,862)	(6,297)
		<u>(34,021)</u>	<u>(20,594)</u>
Total comprehensive income for the period attributable to			
	Owners of the Company	(25,198)	(7,696)
	Non-controlling interests	(9,502)	(6,297)
		<u>(34,700)</u>	<u>(13,993)</u>
Loss per share attributable to owners of the Company			
	– Basic	7 (0.41) cents	(0.25) cents
	– Diluted	7 N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	137,913	133,288
Goodwill	9	58,697	60,594
Intangible assets		7,575	8,710
Interest in an associate		19,357	21,982
Deferred tax assets		2,542	3,197
		226,084	227,771
Current assets			
Inventories		98,573	81,500
Trade and other receivables, deposits and prepayments	10	110,378	84,334
Available-for-sale investments	11	210,599	199,017
Amounts due from related companies	18(b)	51,983	13,123
Amount due from an associate	18(b)	–	9,136
Tax recoverable		654	599
Cash and cash equivalents		131,505	125,584
		603,692	513,293
Current liabilities			
Trade payables	12	54,821	41,960
Other payables and accrued charges		63,477	36,936
Amounts due to related companies	18(b)	100,393	44,229
Borrowings	13	65,006	36,554
Tax payable		38	3,151
		283,735	162,830
Net current assets		319,957	350,463
Total assets less current liabilities		546,041	578,234
Non-current liabilities			
Provision for long service payment		4,117	3,744
Deferred tax liabilities		13,808	13,380
		17,925	17,124
Net assets		528,116	561,110
EQUITY			
Share capital	14	591,776	591,776
Reserves		(35,681)	(10,483)
		556,095	581,293
Equity attributable to owners of the Company		(27,979)	(20,183)
Non-controlling interests			
Total equity		528,116	561,110

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

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

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016. In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and results reported for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs, which have been issued and are not yet effective, but is in the process of assessing their impact on the Group’s results of operations and financial position.

2. Turnover, other income and gains and segmental information

The Group is principally engaged in development, engineering, manufacturing and sale of toys, consumer electronic products and commercial kitchen products. Turnover and other income and gains, net are recognised during the period are as follows:

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$’000	HK\$’000
Turnover		
Sale of goods	185,695	187,075
Other income and gains, net		
Interest income	6,878	9,031
Others	3,300	2,597
	10,178	11,628
	195,873	198,703

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's senior management for their assessment of performance and resource allocation. The Group has identified the following reportable segments from its operations:

- Manufacturing and sale of toys
 - Sale of consumer electronic products
 - Manufacturing and sale of commercial kitchen products
- (a) Information about the Group's turnover by geographical region, according to the destination of orders is as follows:

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Turnover		
PRC and Hong Kong	65,102	36,025
United States of America and Canada	62,955	84,404
Europe (<i>Note</i>)	21,814	39,010
Japan	13,496	14,692
Korea	7,524	6,369
Australia	1,407	536
Others	13,397	6,039
	185,695	187,075

Note: The products are first exported to one of the European countries ("Shipping Port Countries") and then distributed to different European countries by the customers. The information as to where the products are finally shipped is unavailable and the cost of obtaining such information would be excessive. The Directors are of the opinion that disclosing the identities of the Shipping Port Countries is undesirable as such disclosure might be misleading.

- (b) Information on the Group's turnover by product type is as follows:

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Toys	125,639	155,553
Consumer electronic products	55,542	22,309
Commercial kitchen products	4,514	9,213
	185,695	187,075

- (c) Information on major customers is as follows:

For the six months ended 30 September 2016, revenue amounting to approx. HK\$25 million from one external customer contributed to more than 13% of the Group's turnover. Other than this customer, there is no other customer whose turnover contributed to more than 10% of the Group's turnover.

For the six months ended 30 September 2015, revenue amounting to approx. HK\$81 million from three external customers contributed to more than 44% of the Group's turnover. Other than these three customers, there is no other customer whose turnover contributed to more than 10% of the Group's turnover.

3. Finance costs

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Interest on bank loans	1,708	1,183

4. Loss before income tax

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Loss before income tax is stated after charging the following:		
Cost of inventories sold	153,728	146,621
Depreciation of property, plant and equipment	7,583	5,073

5. Income tax credit

No Hong Kong profits tax has been provided for the six months ended 30 September 2016 and 2015 as the Group has tax losses brought forward from previous years to offset the assessable profits for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
PRC Enterprise Income Tax		
– provision for the period	–	84
Overseas profits tax – current period	–	(749)
	<u>–</u>	<u>(665)</u>

6. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

7. Loss per share

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK cents	HK cents
Basic loss per share	<u>(0.41)</u>	<u>(0.25)</u>
Diluted loss per share (<i>Note</i>)	<u>N/A</u>	<u>N/A</u>

Note: No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the six months ended 30 September 2015 and 2016.

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

	Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Loss		
Loss for the period attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(24,159)</u>	<u>(14,297)</u>
	Unaudited Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	5,917,757,997	5,772,682,041
Effect of dilution		
– Warrants	–	33,855,877
– Share options (<i>Note</i>)	<u>– (note a)</u>	<u>– (note b)</u>
	<u>–</u>	<u>33,855,877</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>5,917,757,997</u>	<u>5,806,537,918</u>

Note: (a) No diluted loss per share is presented for the six months ended 30 September 2016 as the effect of all potential ordinary shares is anti-dilutive.

(b) For the six months ended 30 September 2015, the share options of the Company granted in the period are treated as contingently issuable shares because their issue is contingent upon the performance assessments of the share option holders. No adjustment for the share options was made in calculating the diluted earnings per share.

8. Property, plant and equipment

	<i>HK\$'000</i>
As at 1 April 2016	133,288
Additions	11,607
Disposal	(18)
Depreciation charge	(7,583)
Exchange differences	619
	<hr/>
As at 30 September 2016	137,913
	<hr/> <hr/>

9. Goodwill

	<i>HK\$'000</i>
As at 31 March and 1 April 2016	60,594
Exchange difference	(1,897)
	<hr/>
As at 30 September 2016	58,697
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10. Trade and other receivables, deposits and prepayments

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

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Trade receivables	71,065	46,614
Other receivables, deposits and prepayments	39,313	37,720
	<hr/>	<hr/>
	110,378	84,334
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of the trade receivables is as follows:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
0 – 90 days	45,140	26,109
91 – 180 days	7,330	854
181 – 365 days	1,328	5,786
Over 365 days	17,267	13,865
	<u>71,065</u>	<u>46,614</u>

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade terms include letter of credit, deposits before shipments and credit period ranging from 30 to 90 days but business partners with strong financial backgrounds may be offered longer credit terms.

11. Available-for-sale investments

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Debt securities – at fair value		
– Listed in Hong Kong	113,902	82,724
– Listed outside Hong Kong	96,697	116,293
	<u>210,599</u>	<u>199,017</u>

12. Trade payables

The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
0 – 90 days	29,350	29,652
91 – 180 days	7,748	4,839
181 – 365 days	11,083	3,843
Over 365 days	6,640	3,626
	<u>54,821</u>	<u>41,960</u>

13. Borrowings

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Current		
Trust receipt loans	5,379	15,569
Bank loans	59,627	20,985
	<u>65,006</u>	<u>36,554</u>

The borrowings are secured by a legal charge over the Group's land and buildings situated in Indonesia and corporate guarantee provided by the Company.

14. Share capital

	Authorised			
	Convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	Number of shares	<i>US\$'000</i>	Number of shares '000	<i>HK\$'000</i>
As at 31 March and 30 September 2016	40	4,000	10,000,000	1,000,000
	<u>40</u>	<u>4,000</u>	<u>10,000,000</u>	<u>1,000,000</u>
	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	Number of shares	<i>US\$'000</i>	Number of shares '000	<i>HK\$'000</i>
As at 31 March and 30 September 2016	—	—	5,917,758	591,776
	<u>—</u>	<u>—</u>	<u>5,917,758</u>	<u>591,776</u>

15. Contingent liabilities

As at 30 September 2016 and 31 March 2016, the Group had no contingent liabilities.

16. Operating leases commitments

As at 30 September 2016, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Not later than one year	7,587	4,243
Later than one year but not later than five years	8,309	4,319
	15,896	8,562

17. Share Option Scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation. The Scheme, which was adopted by an ordinary resolution of the shareholders on 14 September 2012, constitutes a share option scheme governed by Chapter 17 of the Listing Rules.

Under the Scheme, share options can be exercised at any time during the periods to be determined and notified by the Directors to the grantees at the time of making offers to grant share options to them, provided that such periods shall not exceed the period of ten years from the date of grant. The scheme mandate limit of the Scheme was refreshed pursuant to a shareholders’ resolution passed in the extraordinary general meeting of the Company held on 14 September 2012 (the “EGM”). The maximum number of shares available for issue under the Scheme is 345,775,799, representing 10% of the issued ordinary share capital of the Company as at the date of the EGM, 14 September 2012 and thereafter, the subscription price for the shares under the Scheme shall be a price determined by the Directors at their discretion, provided that it shall not be less than the higher of (i) the closing price of the shares stated in the daily quotation sheets of the Stock Exchange on the date of grant and (ii) the average closing price of the shares stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of share options. A nominal consideration of HK\$1 is payable for each of the share options granted.

On 13 May 2014, a total of 100,000,000 share options were granted by the Company to the senior management and employees of its subsidiaries and associate and consultants at the exercise price of HK\$0.87 per share.

Details of the Company's share options held by the senior management and employees of the subsidiaries and associate and consultants are as follows:

	Exercise price (per share)	Six months ended 30 September 2016	2015
	HK\$	No. of share options '000	No. of share options '000
Outstanding share options at the end of the period	<u>0.87</u>	<u>100,000</u>	<u>100,000</u>
Exercisable share options at the end of the period	<u>0.87</u>	<u>–</u>	<u>11,266</u>

The share options outstanding (expiry date: 12 May 2017) as at 30 September 2016 have the following vesting dates and exercise prices:

	Unaudited Six months ended 30 September 2016	Exercise price HK\$	Outstanding share options '000
Vesting date			
13 May 2016		<u>0.87</u>	<u>60,000</u>

No share-based payment expenses was recognised (2015: HK\$593,000) for the six months ended 30 September 2016 in relation to share options granted by the Company.

18. Related party transactions

During the period, the Group had transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Besides, 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 during the period, and balances with them at the end of reporting period, are as follows:

		Unaudited Six months ended 30 September	
		2016	2015
		HK\$'000	HK\$'000
Type of transaction			
Companies controlled by a director's close family members	Purchases (<i>Note</i>)	32,943	41,882
	Rental expense (<i>Note</i>)	500	–
Companies related to the Group's substantial shareholder	Sales	–	2,078

Note: The related party transactions constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

- (b) Amounts due from/(to) related companies and an associate are unsecured, interest-free and repayable on demand.

19. Events after the reporting period

Subsequent to 30 September 2016 and up to the date of this interim results announcement, the Group had the following material events:

- (i) On 12 October 2016, the Company as subscriber entered into a conditional subscription agreement with Global Mastermind Holdings Limited (“Global Mastermind Holdings”) as issuer (a company listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange) in relation to the proposed subscription of 800,000,000 new ordinary shares of Global Mastermind Holdings at a subscription price of HK\$0.14 per share. Upon completion of the conditional subscription agreement, the Company will be interested in approximately 22.52% of the issued share capital of Global Mastermind Holdings as enlarged by the allotment and issue of the 800,000,000 new ordinary shares assuming no issue or repurchase of shares by Global Mastermind Holdings prior to the completion and the 800,000,000 new ordinary shares will be accounted for as interest in an associate by the Company. The proposed subscription constitutes a discloseable transaction of the Company under the Listing Rules. More details of the proposed subscription are disclosed in the Company's announcement dated 12 October 2016.
- (ii) On 17 October 2016, the Company as subscriber entered into a conditional subscription agreement with Global Mastermind Capital Limited (“Global Mastermind Capital”) as issuer (a company listed on the Main Board of the Stock Exchange) in relation to the proposed subscription of 195,500,000 new ordinary shares of Global Mastermind Capital at a subscription price of HK\$0.45 per share. Upon completion of the conditional subscription agreement, the Company will be interested in approximately 27.92% of the issued share capital of Global Mastermind Capital as enlarged by the allotment and issue of the 195,500,000 new ordinary shares assuming no issue or repurchase of shares by Global Mastermind Capital prior to the completion and the 195,500,000 new ordinary shares will be accounted for as interest in an associate by the Company. The proposed subscription constitutes a discloseable transaction of the Company under the Listing Rules. More details of the proposed subscription are disclosed in the Company's announcement dated 17 October 2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2016 (the “Period”), the Group’s turnover slightly decreased by approximately (“approx.”) 1% to approx. HK\$186 million, compared with approx. HK\$187 million for the six months ended 30 September 2015 (the “Corresponding Period”). Gross profit margin for the Period was approx. 17% compared to approx. 22% in the Corresponding Period. Overall, the loss attributable to owners of the Company was approx. HK\$24 million compared with the loss attributable to the owners of the Company of approx. HK\$14 million in the Corresponding Period.

Business Review

The Group recorded a slight decrease in turnover by approx. 1% for the Period compared to the turnover of the Group for the Corresponding Period.

During the Period, the toy business contributed the turnover of approx. HK\$126 million compared with the Corresponding Period of approx. HK\$156 million. The decrease was mainly attributable to the decrease in orders from the Group’s major US and Japanese customers during the Period. The consumer electronic products contributed the turnover of approx. HK\$56 million compared with the Corresponding Period of approx. HK\$22 million. This improvement was mainly attributable to our multi-brand and multi-product strategy and the increase in sales of Haier branded appliances. The commercial kitchen products contributed the turnover of approx. HK\$5 million compared with the Corresponding Period of approx. HK\$9 million.

The Group recorded an increase in loss of approx. HK\$34 million during the Period compared with the Corresponding Period of approx. HK\$21 million. The increase in loss was mainly attributable to the increase in staff production cost and the depreciation charges, which led to the decrease in gross profit and profit margin and the share of loss of an associate of approx. HK\$1 million compared to the share of profit of approx. HK\$4 million in the Corresponding Period.

Commercial Kitchen Products

青島瑞迪燃氣具製造有限公司 (“Qingdao Ruidi”) and its subsidiaries are the major commercial cooking appliances manufacturers in the People’s Republic of China (the “PRC”). Besides cooking appliances manufacturing and sale, Qingdao Ruidi implemented commercial kitchen Equipment Procurement Construction (“EPC”) projects with hotels, restaurants, schools, government agencies, etc. during the Period. Due to the PRC economic slowdown, some of the EPC projects we bid were delayed. In addition, given the macro-economic situation, the management of the Company (“Management”) believes a healthy cash flow is essentially important for the Group’s long term stability and growth. Therefore, we have been more prudent and cautious for partner choosing and project selection. The above objective and subjective reasons led to a revenue decline in this segment.

Consumer Electronic Products

Childcare Products

The market for childcare related products and services is huge and fast growing in China. Due to the universal two-child policy, the market size is expected to be approx. RMB2.6 trillion by 2017 based on the CRCCI research. In addition, the National Bureau of Statistics of China indicates that the number of newborn babies will increase by 2.5 million per year because of the effect of two-child policy. Since the Group entered the childcare market, the Management has been working closely on R&D enhancement, product line expansion, distribution channel development and integration. Currently, the main products of the Group are Haier and Brillante branded small baby appliances (electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, baby air purifier, etc.) The sales of Haier branded baby air purifier was particularly good during the Period. A higher Average Selling Price (“ASP”) of baby air purifier compared with other baby appliances caused an overall sales increase in this segment.

During the Period, the Management continues to deploy the multi-brand and multi-product strategy to meet customers’ comprehensive needs. So far, we have entered into partnerships with a few world-leading childcare brands, including Nuby, a world famous baby and infant feeding brand, Bébé Confort and Safety 1st, sub-brands of Dorel Group, a global childcare corporation specialising in strollers, car seats, baby travel gears, etc. to serve as their major distributor for childcare products in the PRC. During the Period, the above brands have generated sales and the Management expects that they will be important revenue generators for this segment in the near future.

On the other hand, we further streamlined the distribution networks during the Period. We expect to focus more on large distributors with extensive networks in the future. The streamline of the distribution networks facilitates network management and reduces cost in the long run.

In addition, we have further enhanced Online to Offline (“O2O”) strategy during the Period. Our products are currently available in various e-commerce channels and lots of mother & baby stores in most of the major cities in the PRC.

Toys

The expanded Indonesian factory contributed to the Group’s overall sales but it exposed the weaknesses of the Original Equipment Manufacturing (“OEM”) business segment of the Group whereby the decrease in sales by approximately 20%, increase in labour and staff costs and additional costs of fixed assets investments led to an overall lower gross margin in the toy manufacturing segment. During the Period under review, the Group employed around 2,000 workers at the Indonesian factory.

The decrease in toy sales was mainly attributable to not being awarded products from our major US customer for toy figures relating to any major blockbuster movies for this financial year. Our Japanese customer also lowered their orders for a line of infant and pre-school construction block sets destined for the Japan market. The rush to complete orders for electronic components of a popular brand licensed dolls that kept the Serang factory busy in the previous period under review did not repeat in the current period under review.

During the Period, the Group obtained a new banking facility from one of the largest financial institutions in Asia to repay the previous local banking facility and invest in additional production equipment by pledging the Group's fixed assets in Indonesia and corporate guarantee resulting in an increase in bank borrowings of HK\$35 million as at 31 March 2016 to HK\$60 million as at 30 September 2016.

The slow but continued recovery of the North American market has not helped the sales of our Original Brand Manufacturing ("OBM") business. Kid Galaxy has recorded a decrease in sales by approximately 23% due to the competitive market condition in the United States and was unable to maintain sales momentum in other previously growing markets such as Europe and Asia due to Brexit, negative economic climate and weaker currencies. During the Period under review, due to seasonal factors of OBM sales, account receivables increased from HK\$24 million as at 31 March 2016 to HK\$48 million as at 30 September 2016.

Use of Proceeds

Reference is made to the circular of the Company dated 26 February 2013 (the "2013 Placing Circular") in respect of the placing of 2,000,000,000 new shares under the specific mandate (the "2013 Placing"). Unless defined otherwise, capitalised terms used herein shall have the same meanings as those defined in the 2013 Placing Circular.

The Company set out below the update on the use of proceeds from the 2013 Placing.

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this announcement
The 2013 Placing Approximately HK\$389 million	(a) Approximately HK\$5 million will be used for the feasibility study of using the Company's current manufacturing and operations facilities or to expand and upgrade the current facilities in Indonesia (if necessary); approximately HK\$75 million will be used for carrying out the suggestion made in the feasibility study.	Approximately HK\$1 million has been used for the feasibility study. Approximately HK\$79 million has been allocated to acquire 195,500,000 shares in a company listed on Hong Kong Main board with an aim to participate in the business of the company as well as benefiting from the upside of the share price performance through this acquisition.

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this announcement
	<p>(b) (i) Approximately HK\$5 million will be used for performing a detail strategic review of the Company's operation;</p> <p>(ii) approximately HK\$5 million will be used for the research and development of new lines of products and/or the related brand building or acquisitions, sales, marketing and promotion; and</p> <p>(iii) approximately HK\$60 million will be used for the possible acquisition of new product lines.</p>	<p>Approximately HK\$2.5 million has been used for performing a detail strategic review of the Company's operation.</p> <p>Approximately HK\$42.9 million has been used to set up a company, which is principally engaged in consumer electronic products; and approximately HK\$12.7 million has been used to acquire 51% share interest in a company, which is principally engaged in the research and development, marketing & distribution of baby appliances in the PRC.</p> <p>Approximately HK\$10.4 million has been used to set up a joint venture company, which is principally engaged in research and development, production, wholesaling, retailing of water purification equipment and accessories, installation and maintenance of water purification equipment and provision of relevant aftersales services in the PRC. The Directors believe that the business segment of baby appliances and water purifiers can complement the Group's existing business while further expanding the Group's income base and adding value to the shareholders of the Company.</p> <p>Approximately HK\$1.5 million has been allocated to acquire 195,500,000 shares in a company listed on Hong Kong Main board with an aim to participate in the business of the company as well as benefiting from the upside of the share price performance through this acquisition.</p>

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this announcement
	(c) Approximately HK\$150 million will be used for possible acquisitions.	<p>Approximately HK\$8 million has been paid as part of the consideration for the acquisition of Notton Limited to enter the commercial kitchen industry. Approximately HK\$23.7 million has been used to expand the registered capital of Qingdao Ruidi, the operating subsidiary of Notton in the PRC. Approximately HK\$12.5 million has been used to set up a new subsidiary under Qingdao Ruidi for commercial kitchen design, planning and project management. Approximately HK\$10 million has been used to acquire 59.976% share interest of Sichuan Yi Fang Kitchen Equipment Co., Ltd. which is principally engaged in research and development, production, sale and installation of commercial kitchen related equipment and accessories in the PRC.</p> <p>Approximately HK\$95.8 million has been allocated to acquire 800,000,000 shares in a company listed on Hong Kong GEM board with an aim to benefit from the upside of the share price performance through this acquisition.</p>
	(d) Approximately HK\$88 million will be used for the working capital of the Group, of which approximately HK\$50 million will be used to support the increase in stock to cope with the organic growth of the business of the Company and the balance of approximately HK\$38 million will be used for carrying out the plan as described in (a), (b) or possible acquisition in (c) above.	<p>Approximately HK\$32 million has been used for the working capital of the Group.</p> <p>Approximately HK\$16.2 million has been allocated to acquire 800,000,000 shares in a company listed on Hong Kong GEM board with an aim to benefit from the upside of the share price performance through this acquisition.</p> <p>Approximately HK\$7.5 million has been allocated to acquire 195,500,000 shares in a company listed on Hong Kong Main board with an aim to participate in the business of the company as well as benefiting from the upside of the share price performance through this acquisition.</p>

As disclosed in the announcement of the Company dated 31 May 2013, the Company placed approx. HK\$350 million in its private banking account with a Swiss-based banking institute and approx. HK\$344 million was invested in high yield bonds issued by listed issuers in the open bond market. The Company's investment in the bond market is merely a temporary cash management exercise during the interim period and the Management has been liquidating the bond portfolio at market recently. As at 30 September 2016, of the HK\$350 million the Company originally placed in the bank, approx. HK\$211 million was in the form of bonds and the rest amounted approx. HK\$139 million together with the coupon income it generated has been wired out of that Swiss-based banking institute for operation. Save as stated in the announcements dated 12 October and 17 October 2016, the Company will maintain the intended use of proceeds as disclosed in the 2013 Placing Circular.

As at 30 September 2016, the Group had approx. HK\$5 million non-cash valuation gain on available-for-sale investments as shown in our condensed consolidated statement of comprehensive income. Management will continue to closely monitor and carefully manage the investments.

PLANS AND PROSPECTS

Commercial Kitchen Products

The commercial kitchen products market is very fragmented in the PRC with no major players in the market. Market growth is driven by increasing demand for dining out as the living standard rises, higher environmental standard and motivation to save fuel costs. However, due to the PRC economic slowdown, the investment in fixed assets decreased during the Period, which caused negative effects on the commercial kitchen products market. The Management believes that the negative effects will not last too long and the Group will control the financial risks with caution.

The Group's patented advanced infra technology for gas cooking appliances offers the best energy efficiency in the market (70% as compared to the government standard of 45%) and allows more than 50% saving in gas consumption in comparison with traditional blast gas kitchen range. Our products have low carbon monoxide emission (20 times less than the national standard) and have quietness and even heating distribution ability. In addition, the Management expects the new government regulation on the minimum heat efficiency requirement for commercial kitchen appliances to be implemented officially and executed in the foreseeable future.

Consumer Electronic Products

Childcare Products

In late October 2015, the Chinese government decided to implement the "two-child policy" nationally. The Management expects this policy will enable the childcare product and service market to grow significantly in the next decade.

Regarding Haier and Brillante branded childcare products, the Management continues to spend great efforts on new product R&D to enrich the overall product portfolio. During the Period, several new small baby appliances models, including electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, and baby air purifier have been launched. In addition, the Management expects that new products covering different categories, such as feeding and nursery, health and safety, etc. will also be released gradually to enrich our product portfolio.

The Group has shifted from a single brand baby appliance producer into a multi-brand and multi-product childcare product and service provider. The strategic partnerships with Nuby, Bébé Confort, and Safety 1st are milestones for the Group. The Management expects that we would form similar partnerships with more international childcare brands in the near future. This kind of partnership would not only expand our whole product portfolio but also further strengthen our distribution channels in the long run. The Management believes that the multi-brand and multi-product strategy together with O2O distribution network will get the Company well prepared to capture huge opportunities triggered by the “two-child policy”.

Toys

The shipments for toy products are expected to be lower without producing for any major movie items in the second half of the financial year ending 31 March 2017. The Group, however, will have to face the annual increase in minimum wages in Indonesia by approximately 8.2% beginning January 2017. Due to the imminent increase in interest rates in the United States and the depreciating Renminbi and other competing Asian currencies, Indonesia Rupiah are likely to be fluctuating substantially in order to stay competitive which may further add to the Group’s foreign currency risks. The depreciating Renminbi and other ASEAN currencies will make it tougher for the Group’s Indonesian plant to remain competitive as well as a viable production source for our current OEM customers.

Despite the competitive environment of the OEM toy manufacturing business, the Management believes that it is vital for the Group to continue to invest to broaden the Indonesian plant capabilities and upgrade the facilities in order to comply with customers’ quality requirements and revised social responsibility standards as well as local government’s new labour and environmental requirements.

Kid Galaxy will continue to showcase new products in the coming toy fair in the early part of 2017 but further capital investments into product development, engineering, new product moulds plus additional marketing and promotion costs for new products will continue to affect the contribution to this segment’s profitability.

GROUP RESOURCES AND LIQUIDITY

As at 30 September 2016, the Group’s cash and bank balances were approx. HK\$132 million (31 March 2016: HK\$126 million). The Group’s total bank borrowings were approx. HK\$65 million (31 March 2016: HK\$37 million). Gearing ratio, calculated as the total bank borrowings divided by shareholders’ equity, was approx. 12% (31 March 2016: 7%). As at 30 September 2016, the Group recorded total current assets of approx. HK\$604 million (31 March 2016: HK\$513 million) and total current liabilities of approx. HK\$284 million (31 March 2016: HK\$163 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 213% (31 March 2016: 315%). The Group recorded a decrease in shareholders’ fund from approx. HK\$561 million as at 31 March 2016 to a net asset position of approx. HK\$528 million as at 30 September 2016. The decrease was mainly due to the increase in staff production cost and depreciation charges, leading to the decrease in gross profit and gross profit margin and the share of loss of an associate of approx. HK\$1 million during the Period.

Inventories recorded an increase of approx. 21% compared to previous year end date of 31 March 2016 and the value of stock in warehouse increased from approx. HK\$82 million as at 31 March 2016 to approx. HK\$99 million as at 30 September 2016. These are finished goods and materials held mainly in the Indonesian factory, the PRC offices and by an independently managed warehouse in the U.S..

Trade receivables recorded an approx. 52% increase as at 30 September 2016 to approx. HK\$71 million, compared with approx. HK\$47 million as at 31 March 2016 due to seasonal factors and the delayed orders resulting in later than normal deliveries.

Overall, the Group's operations are still in a strong position. The financial position has slightly improved compared to the previous reported financial periods. 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.

EMPLOYEES

As at 30 September 2016, the Group had approx. 2,447 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices, the Indonesian factory and the U.S. sales office. 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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the Period. The rights to subscribe new shares with warrants attached under specific mandate from 2012 Placing have expired on 12 June 2016.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules throughout the Period save for the deviations from code provisions A.2.1 and E.1.2.

CODE PROVISION A.2.1

Mr. Diao Yunfeng was appointed as the Chairman and Chief Executive Officer of the Company with effect from 27 October 2014 and was subsequently re-designated as a Co-Chairman of the Board upon the appointment of Mr. Lei Hong Wai as a Co-Chairman of the Board on 11 October 2016 and resigned as a Co-Chairman of the Board and the Chief Executive of the Company on 27 October 2016.

During the Period and until 11 October 2016, the roles of Chairman and Chief Executive Officer were performed by Mr. Diao. Although under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the combination of the roles of Chairman and Chief Executive Officer by Mr. Diao during the Period and until 11 October 2016, was considered to be in the best interests of the Company and its shareholders as a whole. The Board believed that vesting the roles of both Chairman and Chief Executive Officer in the same person provided the Company with strong and consistent leadership enabling the Company to operate efficiently. The Board considered that such an arrangement did not impair the balance of power and authority between the Board and the Management.

CODE PROVISION E.1.2

Under code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. The then Chairman of the Board was absent from the Company's annual general meeting held on 30 September 2016 due to other business commitments.

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 September 2016, this interim results announcement and the Group's risk management and internal control systems.

In October 2016, the members of the audit committee have been changed as the previous members wish to devote more time to their other business commitments. Please refer to the announcements of the Company dated 11 October and 27 October 2016 for details.

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors have the overall responsibility for internal control of the Group, including risk management and establishing appropriate policies having regard to the objectives of the Company. During the Period, the Directors, through the Audit Committee, conducted a review on the effectiveness of the Company's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review and by a programme of internal audits. The Audit Committee reviews the effectiveness of the internal control of the Group and receives reports from the internal and external auditors which include recommendation for improvement.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost-effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

The Company has put in place an organisational structure with formal defined lines of responsibility and delegation of authority. There are also established procedures for planning, capital expenditure, treasury transactions, information and reporting systems, and for monitoring the Company's businesses and performance.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Companies Information" and the website of the Company at www.haier-healthwise.com.hk under "Investor Relations".

By Order of the Board
Haier Healthwise Holdings Limited
Lei Hong Wai
Chairman

Hong Kong, 30 November 2016

As at the date of this announcement, the executive directors of the Company are Mr. Lei Hong Wai (Chairman), Mr. Hu Yebi (Vice Chairman), Mr. Cheung Kwok Wai Elton, Mr. Leung Lun, M.H. and Ms. Fang Fang; the non-executive director of the Company is Mr. Diao Yunfeng; and the independent non-executive directors of the Company are Mr. Wong Tak Chuen, Mr. Lai Hok Lim and Mr. Lien Wai Hung.