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 SEPTEMBER 2018

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 September 2018 together with the comparative figures for the corresponding period in 2017. 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 2018

		Unaudited Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	4	**305,630**	324,538
Cost of sales		**(192,234)**	(248,464)
Gross profit		**113,396**	76,074
Other revenue, gains and losses, net	4	**(58,462)**	(6,001)
Selling and distribution expenses		**(34,701)**	(48,795)
General and administrative expenses		**(58,126)**	(67,075)
Share of result of an associate		**–**	10
Finance costs	5	**(2,018)**	(1,523)
Loss before income tax	6	**(39,911)**	(47,310)
Income tax	7	**–**	–
Loss for the period		**(39,911)**	(47,310)

	Note	Unaudited Six months ended 30 September **2018** ***HK$'000***	 2017 *HK$'000*
Other comprehensive income for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising from translation of foreign operations		**10,288**	(1,272)
– Revaluation of available-for-sale investments		**–**	(28,900)
– Reclassifications adjustment upon impairment of available-for-sale investments		**–**	15,780
– Exchange differences reclassified to profit or loss upon the deregistration of a subsidiary		**29**	–
Other comprehensive income for the period, net of tax		**10,317**	(14,392)
Total comprehensive income for the period		**(29,594)**	(61,702)
Loss for the period attributable to:			
Owners of the Company		**(39,099)**	(40,500)
Non-controlling interests		**(812)**	(6,810)
		(39,911)	(47,310)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(33,278)**	(54,892)
Non-controlling interests		**3,684**	(6,810)
		(29,594)	(61,702)
Loss per share attributable to owners of the Company			
– Basic	*9*	**(0.47) cents**	(0.60) cents
– Diluted	*9*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**78,427**	86,094
Goodwill		**3,114**	3,114
Intangible assets		**5,094**	5,094
Loan receivables	*11*	**100,000**	–
Financial assets at fair value through profit or loss	*12*	**39,100**	166,855
Deferred tax assets		**550**	550
		226,285	261,707
Current assets			
Inventories		**133,349**	95,829
Trade and other receivables, deposits and prepayments	*13*	**125,581**	103,260
Contract assets	*4(e)*	**2,280**	–
Right of return assets		**3,217**	–
Loan receivables	*11*	**169,231**	35,000
Financial assets at fair value through profit or loss	*12*	**120,765**	65,867
Tax recoverable		**408**	158
Pledged bank deposit		**454**	494
Cash and cash equivalents		**37,242**	57,857
		592,527	358,465
Current liabilities			
Trade and other payables and accrued charges	*14*	**145,293**	133,213
Contract liabilities	*4(e)*	**6,621**	–
Refund liabilities		**4,474**	–
Amounts due to related companies	*20(b)*	**157,801**	88,290
Borrowings	*15*	**75,660**	100,391
Tax payable		**3,067**	3,276
		392,916	325,170

	Note	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Net current assets		**199,611**	33,295
Total assets less current liabilities		**425,896**	295,002
Non-current liabilities			
Provision for long service payment		**5,131**	5,576
Deferred tax liabilities		**15,276**	15,276
		20,407	20,852
Net assets		**405,489**	274,150
EQUITY			
Share capital	*16*	**852,131**	710,131
Reserves		**(396,889)**	(382,544)
Equity attributable to owners of the Company		**455,242**	327,587
Non-controlling interests		**(49,753)**	(53,437)
Total equity		**405,489**	274,150

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 2018 (the "**2018 annual financial statements**"), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

The preparation of these unaudited condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated. These unaudited condensed consolidated interim financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. These unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2018 annual financial statements.

2. Changes in HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations

- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions

- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures

- Amendments to HKAS 40, Transfers of Investment Property

- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 2A below) and HKFRS 15 Revenue from Contracts with Customers (see note 2B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the unaudited condensed consolidated interim financial statements.

The impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses and non-controlling interests ("**NCI**") as of 1 April 2018, if any, was immaterial.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) FVOCI; or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of 1 April 2018, certain investments in listed equity investments were reclassified from available-for-sale financial assets to FVTPL when initially applying HKFRS 9. As a result, financial assets with a fair value of HK$166,855,000 were reclassified from available-for-sale investments to FVTPL.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 April 2018 under HKFRS 9** *HK$'000*
Available-for-sale investments	Available-for-sale (at fair value) *(note 2A(i)(a))*	FVTPL	166,855	166,855
Financial assets at fair value through profit or loss	FVTPL	FVTPL	65,867	65,867
Trade receivables	Loans and receivables *(note 2A(ii)(a))*	Amortised cost	70,431	70,431
Other receivables	Loans and receivables *(note 2A(ii)(b))*	Amortised cost	6,029	6,029
Loan receivables	Loans and receivables *(note 2A(ii)(b))*	Amortised cost	35,000	35,000
Pledged bank deposit	Loans and receivables	Amortised cost	494	494
Cash and cash equivalents	Loans and receivables	Amortised cost	57,857	57,857

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Pledged bank deposit and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract asset. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The loss allowance as at 1 April 2018 for trade receivables and contract assets was immaterial.

The loss allowance for trade receivables and contract assets upon the transition to HKFRS 9 as of 1 April 2018 and for the six months ended 30 September 2018 was immaterial.

(b) Impairment of other financial assets

The Group's other financial assets at amortised cost of the Group includes other receivables and loan receivables. No ECLs were recognised on 1 April 2018 and for the six months ended 30 September 2018.

As a result, the impact of the new HKFRS 9 impairment model did not result in additional impairment allowance for Group's financial assets.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for 2018 annual financial statements does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 annual financial statements has not been restated.

The impact, net of tax, of transition to HKFRS 15 on the opening balances of accumulated losses and NCI as at 1 April 2018, if any, was immaterial.

The following tables summarised the impact of adopting HKFRS 15 on the Group's unaudited condensed consolidated interim statement of financial position as at 30 September 2018 and its unaudited condensed consolidated interim statement of profit or loss and other comprehensive income for the six months ended 30 September 2018. There was no material impact on the Groups' unaudited condensed consolidated interim statement of cash flows for the six months period ended 30 September 2018:

Impact on the unaudited condensed consolidated interim statement of financial position as of 30 September 2018 (debit/(credit)):

	HK$'000
Assets	
Current assets	
Contract assets *(note 2B(a))*	2,280
Right of return assets *(note 2B(a))*	3,217
Trade and other receivables *(note 2B(a))*	(2,280)
Total current assets and total assets	3,217
Equity and liabilities	
Equity	
Accumulated losses *(note 2B(a))*	641
NCI *(note 2B(a))*	616
Total equity	1,257
Liabilities	
Current liabilities	
Trade and other payables *(note 2B(a))*	6,621
Refund liability *(note 2B(a))*	(4,474)
Contract liabilities *(note 2B(a))*	(6,621)
Total current liabilities and total liabilities	(4,474)
Total equity and liabilities	(3,217)

The impact on the unaudited condensed consolidated statement of profit or loss and other comprehensive income (debit/(credit)) for the six months ended 30 September 2018:

	HK$'000
Revenue *(note 2B(a))*	4,474
Cost of sales *(note 2B(a))*	(3,217)
Loss before income tax	1,257
Loss for the period and total comprehensive income for the period	1,257

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product	Nature of the goods, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(a)	Own-brand toys, consumer electronic products and Chinese health products	Customers obtain control of the toys or products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the toys or products. There is generally only one performance obligation. Invoices are usually payable within 30 days. Uninvoiced amounts are presented as contract assets. Right of return Some of the Group's contracts with customers from the sale of toy or product provides customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refund in cash.	Impact HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to made reclassification from trade and other receivables to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. Right of return Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Impact As of 1 April 2018, an increase in refund liability of HK$4,474,000, an increase in a right to recover returned goods of HK$3,217,000 and an increase in accumulated losses of HK$1,257,000 were recognised.

3. Use of judgements and estimates

In preparing this 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 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2.

4. Revenue, other revenue, gains and losses, net and segmental information

The Group is principally engaged in development, engineering, manufacturing and sale of toys, consumer electronic products, Chinese health products, money lending business and investment in financial instruments. Revenue and other revenue, gains and losses, net recognised during the period are as follows:

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customer		
Sale of goods	**250,623**	324,538
Interest income	**10,645**	–
Dividend income and sales of financial instruments	**44,362**	–
	305,630	324,538
Other revenue, gains and losses, net		
Interest income	**124**	492
Fair value (loss)/gain on financial asset at fair value through profit or loss	**(49,462)**	8,105
Impairment loss on available-for-sale investments	**–**	(15,780)
Others	**(9,124)**	1,182
	(58,462)	(6,001)
	247,168	318,537

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 marker (the "**CODM**") for their assessment of performance and resource allocation. The Group has identified the following reportable segments from its operations:

- OBM toys: sale of own-brand toys
- OEM toys: manufacturing and sale of original equipment manufacturing toys
- Consumer electronic products: sale of consumer electronic products
- Chinese health products: sale of Chinese health products
- Money lending business: granting loans
- Investment in financial instruments: investing in financial instruments

(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 September 2018 and 2017. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the CODM for assessment of segment performance.

For the six months ended 30 September 2018

	OBM toys ***HK$'000*** **(Unaudited)**	**OEM toys** ***HK$'000*** **(Unaudited)**	**Consumer electronic products** ***HK$'000*** **(Unaudited)**	**Chinese health products** ***HK$'000*** **(Unaudited)**	**Money lending business** ***HK$'000*** **(Unaudited)**	**Investment in financial instruments** ***HK$'000*** **(Unaudited)**	**Others** ***HK$'000*** **(Unaudited)**	**Reportable segment total** ***HK$'000*** **(Unaudited)**
Revenue to external customers	**108,142**	**46,419**	**36,976**	**58,452**	**10,645**	**44,362**	**634**	**305,630**
Segment profit/(loss) before income tax	**1,423**	**(20,387)**	**(937)**	**(1,437)**	**6,753**	**(5,690)**	**(1,990)**	**(22,265)**

For the six months ended 30 September 2017

	OBM toys *HK$'000* (Unaudited) (Represented)	OEM toys *HK$'000* (Unaudited) (Represented)	Consumer electronic products *HK$'000* (Unaudited)	Chinese health products *HK$'000* (Unaudited)	Money lending business *HK$'000* (Unaudited) (Represented)	Investment in financial instruments *HK$'000* (Unaudited) (Represented)	Others *HK$'000* (Unaudited)	Reportable segment total *HK$'000* (Unaudited)
Revenue to external customers	88,381	71,009	129,847	32,348	–	–	2,953	324,538
Segment profit/(loss) before income tax	8,300	(20,062)	(17,448)	616	–	(7,675)	(2,345)	(38,614)

	Unaudited **Six months ended** **30 September** **2018** ***HK$'000***	 2017 *HK$'000*
Reportable segment loss	**(22,265)**	(38,614)
Interest income	**124**	492
Exchange losses, net	**(138)**	(50)
Share of result of an associate	**–**	10
Unallocated corporate expenses		
– Staff costs	**(7,080)**	(1,893)
– Legal and professional fee	**(1,033)**	(2,361)
– Others	**(9,519)**	(4,894)
Consolidated loss before income tax	**(39,911)**	(47,310)

(b) Segment assets and liabilities

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

At 30 September 2018

	OBM toys *HK$'000* (Unaudited)	**OEM toys** *HK$'000* (Unaudited)	**Consumer electronic products** *HK$'000* (Unaudited)	**Chinese health products** *HK$'000* (Unaudited)	**Money lending business** *HK$'000* (Unaudited)	**Investment in financial instruments** *HK$'000* (Unaudited)	**Others** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Segment assets	**123,906**	**125,512**	**25,028**	**96,739**	**273,076**	**166,809**	**1,026**	**812,096**
Unallocated corporate assets								**6,716**
Consolidated total assets								**818,812**
Segment liabilities	**122,296**	**196,914**	**54,773**	**17,410**	**73**	**–**	**21,007**	**412,473**
Unallocated corporate liabilities								**850**
Consolidated total liabilities								**413,323**

At 31 March 2018

	OBM toys *HK$'000* (Audited)	OEM toys *HK$'000* (Audited)	Consumer electronic products *HK$'000* (Audited)	Chinese health products *HK$'000* (Audited)	Money lending business *HK$'000* (Audited)	Investment in financial instruments *HK$'000* (Audited)	Others *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets	55,772	106,995	63,359	102,110	51,187	232,722	533	612,678
Unallocated corporate assets								7,494
Consolidated total assets								620,172
Segment liabilities	55,383	162,187	95,276	11,434	73	–	20,447	344,800
Unallocated corporate liabilities								1,222
Consolidated total liabilities								346,022

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
The PRC and Hong Kong	**99,881**	167,469
United States of America and Canada	**112,592**	104,822
Europe *(Note)*	**23,673**	14,632
Japan	**8,262**	12,824
Korea	**482**	1,585
Australia	**1,089**	1,811
Others	**4,644**	21,395
Total	**250,623**	324,538
Interest income	**10,645**	–
Dividend income and sale of financial instruments	**44,362**	–
	305,630	324,538

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.

(d) Information on major customers is as follows:

For the six months ended 30 September 2018, no customer has contributed more than 10% of the Group's revenue (2017: Nil).

(e) Revenue

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	Unaudited 30 September 2018	Audited 1 April 2018
	HK$'000	*HK$'000*
Trade receivables	**95,254**	70,431
Contract assets	**2,280**	–
Contract liabilities	**6,621**	–

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the sales of Chinese health products and commercial kitchen products. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

The contract liabilities mainly relate to the advance consideration received from customers.

5. **Finance costs**

	Unaudited Six months ended 30 September 2018 *HK$'000*	 2017 *HK$'000*
Total interest expenses for financial liabilities that are not at fair value through profit or loss:		
Interest on borrowings	**2,018**	1,523

6. **Loss before income tax**

	Unaudited Six months ended 30 September 2018 *HK$'000*	 2017 *HK$'000*
Loss before income tax is stated after charging the following:		
Cost of inventories sold	**192,234**	238,286
Depreciation of property, plant and equipment	**6,402**	8,901

7. **Income tax**

No Hong Kong profits tax has been provided for the six months ended 30 September 2018 and 2017 as the Group has tax losses brought forward from previous years to offset the assessable profits for both periods. The Group has no tax from other countries.

8. **Dividends**

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

9. **Loss per share**

	Unaudited Six months ended 30 September 2018 *HK cents*	 2017 *HK cents*
Basic loss per share	**(0.47)**	(0.60)
Diluted loss per share *(Note)*	**N/A**	N/A

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 2018 *HK$'000*	2017 *HK$'000*
Loss		
Loss for the period attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(39,099)**	(40,500)

	Unaudited Six months ended 30 September 2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**8,381,636,229**	6,717,119,643

Note: No diluted loss per share is presented for the six months ended 30 September 2018 and 2017 as the effect of all potential ordinary shares is anti-dilutive.

10. Property, plant and equipment

During the six months ended 30 September 2018, the Group acquired property, plant and equipment for a cash consideration of HK$2,431,000 (2017: HK$4,850,000, including HK$1,709,000 through business acquisitions) mainly for acquisitions of moulds (2017: moulds).

11. Loan receivables

	Unaudited At 30 September 2018 ***HK$'000***	Audited At 31 March 2018 *HK$'000*
Loans to customers	**261,000**	35,000
Accrued interest receivables	**8,231**	–
	269,231	35,000
Less: impairment loss recognised	**–**	–
	269,231	35,000

All loans are denominated in Hong Kong dollars. The loan receivables carry effective interest ranging from 8%-15% per annum (31 March 2018: 8% per annum). A maturity profile of the loan receivables (net of impairment loss recognised, if any) at the end of the reporting periods, based on the maturity date is as follows:

	Unaudited At 30 September 2018 *HK$'000*	Audited At 31 March 2018 *HK$'000*
Current assets		
Within one year	**169,231**	35,000
Non-current assets		
More than one year but not exceeding two years	**100,000**	–
	269,231	35,000

At 30 September 2018, certain loans in the aggregate principal amounts of HK$120,000,000 (31 March 2018: Nil) are secured by a personal guarantee or a corporate guarantee. At 30 September 2018, certain loans in the aggregate principal accounts of HK$40,000,000 (31 March 2018: Nil) are secured by a first legal charge in respect of a residential property.

In determining the recoverability of the loan receivables, the directors of the Company have considered any change in the credit quality of the loan receivables during the reporting period.

12. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Listed equity securities in the PRC and Hong Kong		
– Non-current	**39,100**	166,855
– Current	**120,765**	65,867
	159,865	232,722

Listed equity securities are stated at fair value. Fair value of listed equity securities is determined based on quoted bid prices in the Stock Exchange.

13. Trade and other receivables, deposits and prepayments

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

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Trade receivables	**95,254**	70,431
Other receivables, deposits and prepayments	**30,327**	32,829
	125,581	103,260

The ageing analysis of the trade receivables is as follows:

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
0 – 90 days	**91,065**	61,951
91 – 180 days	**2,170**	5,882
181 – 365 days	**134**	1,019
Over 365 days	**1,885**	1,579
	95,254	70,431

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.

14. Trade and other payables and accrued charges

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Trade payables	**104,255**	69,527
Other payables and accrued charges	**41,038**	63,686
	145,293	133,213

The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
0 – 90 days	**60,727**	50,530
91 – 180 days	**13,550**	3,739
181 – 365 days	**10,327**	392
Over 365 days	**19,651**	14,866
	104,255	69,527

15. Borrowings

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Current		
Trust receipt loans	**9,428**	11,366
Bank loans	**60,968**	58,268
Bank overdraft	**5,264**	5,749
Other loans	**–**	25,008
	75,660	100,391

Certain of the Group's borrowings are secured by a legal charge over the Group's land and buildings as well as plants and equipment situated in Indonesia, trade receivables and corporate guarantee provided by the Company.

16. Share capital

	Authorised			
	Convertible cumulative redeemable preference shares of US$100,000 each		**Ordinary shares of HK$0.10 each**	
	Number of shares	*US$'000*	*Number of shares '000*	*HK$'000*
As at 31 March and 1 April 2018	40	4,000	10,000,000	1,000,000
Increase in authorised share capital	–	–	5,000,000	500,000
As at 30 September 2018	40	4,000	15,000,000	1,500,000

	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US$100,000 each		**Ordinary shares of HK$0.10 each**	
	Number of shares	*US$'000*	*Number of shares '000*	*HK$'000*
As at 31 March and 1 April 2018	–	–	7,101,308	710,131
Issuance of new shares *(Note)*	–	–	1,420,000	142,000
As at 30 September 2018	–	–	8,521,308	852,131

Note:

On 19 April 2018, a total of 1,420,000,000 new ordinary shares were allotted and issued at the placing price of HK$0.11 per share to not less than six placees. The net proceeds from the placing was approximately HK$150 million. These new shares rank pari passu with the existing shares in all respects.

17. Contingent liabilities

As at 30 September 2018 and 31 March 2018, the Group had no contingent liabilities.

18. Operating leases commitments

As at 30 September 2018, 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 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Not later than one year	**15,426**	6,983
Later than one year but not later than five years	**10,910**	2,393
	26,336	9,376

19. 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 4 September 2018 (the "**EGM**"). The maximum number of shares available for issue under the Scheme is 852,130,836, representing 10% of the issued ordinary share capital of the Company as at the date of the EGM, 4 September 2018 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 24 April 2018, a total of 340,000,000 share options were granted by the Company to the directors of the Company at the exercise price of HK$0.121 per share.

Details of the Company's share options held by the directors of the Company are as follows:

	Exercise price (per share)	**Six months ended 30 September**	
		2018	2017
		No. of share options	No. of share options
	HK$	***'000***	*'000*
Outstanding share options at the end of the period	0.121	**340,000**	–
Exercisable share options at the end of the period	0.121	**340,000**	–

Share-based payment expenses of HK$10,200,000 was recognised (2017: Nil) for the six months ended 30 September 2018 in relation to share options granted by the Company. During the six months ended 30 September 2018, no option was lapsed (2017: 11,265,600 shares) and no option (2017: Nil) was exercised.

20. 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:

(a)

		Unaudited Six months ended 30 September	
		2018	2017
	Type of transaction	***HK$'000***	*HK$'000*
Companies related to the Group's substantial shareholder	Purchases *(Note)*	**54,762**	47,750
	Rental expense	**900**	500
	Research and developments costs	**2,880**	2,880

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

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

21. Event after the reporting period

Subsequent to 30 September 2018 and up to the date of this announcement, the Group had the following material event:

On 8 October 2018, the Company entered into a subscription agreement with Heng Tai Finance Limited (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue a straight bond (the "**Bond**"), but subject to the satisfaction of the conditions precedent in relation to the conditional rights attached to the Bond to convert the principal amount of the Bond into shares of the Company at HK$0.1 per share (the "**Conversion Rights**") attached to the Bond (the "**CB Conditions Precedent**") to automatically become a convertible bond, in an aggregate principal amount of HK$120 million. On 22 November, all the CB Conditions Precedent had been fulfilled. Accordingly, the Conversion Rights attached to the Bond have become unconditional and irrevocable. Details are set out in the Company's announcement dated 8 October 2018, 15 November 2018 and 22 November 2018 and the Company's circular dated 30 October 2018.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2018 (the "**Period**"), the Group's revenue decreased by approximately ("**approx.**") 6% to approx. HK$306 million, compared with approx. HK$325 million for the six months ended 30 September 2017 (the "**Corresponding Period**"). Gross profit margin for the Period was approx. 37% compared to approx. 23% in the Corresponding Period. Overall, the loss attributable to owners of the Company was approx. HK$39 million compared with the loss attributable to the owners of the Company of approx. HK$41 million in the Corresponding Period.

Business Review

The Group recorded a decrease in revenue by approx. 6% for the Period compared to the revenue of the Group for the Corresponding Period.

During the Period, the OEM toys and OBM toys business contributed the revenue of approx. HK$155 million compared with the Corresponding Period of approx. HK$159 million. The consumer electronic products contributed the revenue of approx. HK$37 million compared with the Corresponding Period of approx. HK$130 million. Such decrease was mainly because the contract with Haier was expired in December 2017. The Chinese health products business has contributed revenue of approx. HK$58 million during the Period compared with the Corresponding Period of approx. HK$32 million. The increase was mainly because the Chinese Health products business was acquired in June 2017. The money lending business and the investment in financial instruments business have also contributed revenue of approx. HK$11 million and approx. HK$44 million respectively during the period.

The gross profit margin increased to 37% from 23% of the Corresponding Period mainly because of (i) the interest income of approx. HK$11 million by money lending business; (ii) approx. HK$44 million realised gain on sales of financial instruments; and (iii) a reversal of inventory provision of approx. HK$6 million in consumer electronic products segment.

The Group recorded a decrease in loss of approx. HK$7 million to approx. HK$40 million during the Period compared with the Corresponding Period of approx. HK$47 million. The decrease in loss was mainly attributable to the segment profit generated from the money lending business and cost saving through more effective cost control measures in place during the Period.

Consumer Electronic Products

Childcare Products

Since the Group entered the childcare market, the Management focused on R&D enhancement, product line expansion, distribution channel development and integration. Currently, the main products of the Group are small baby appliances (electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, baby air purifier, etc.). The contract between the Group and Haier was expired during the period which have a significant negative impact on the Group's revenue and profit.

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 to serve as their major distributor for childcare products in the PRC.

On the other hand, we further streamlined the distribution networks during the Period to cope with the negative impact of contract expiry with Haier. We focused more on large distributors with extensive networks in the future. The streamline of the distribution networks facilitates network management and has reduced cost during the period.

In addition, we have continued to develop 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.

Chinese Health Products Business

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 approximately HK$58 million and a loss of approximately HK$1.4 million. As at 30 September 2018, there were 11 retail shops of Nam Pei Hong.

OBM Toys

The strengthened and continued recovery of the North American market has positively impacted the sales of our Own Brand Manufacturing ("**OBM**") business. Kid Galaxy has recorded a sharp increase in sales by approximately HK$20 million overall due to reducing prices and lowering margins in order to gain favorable market respond to our new line of products. Sales for the period ended 30 September 2018 increased approx. 23% from approx. HK$88 million for the six months ended 30 September 2017 to approx. HK$108 million for the six months ended 30 September 2018.

The sales increase was mainly due to enlarged deliveries to North America's largest membership only retail warehouse club, largest discount retail chain stores as well as the largest online retailer, accounting for approx. 36% of the Group's turnover (2017: 27%). However, Kid Galaxy was unable to translate the sales momentum in other markets such as Europe and Asia.

For the six months ended 30 September 2018, North America remained our major destination for the Group's OBM toys, with shipments amounting to approx. HK$104 million compared to HK$87 million for the six months ended 30 September 2017, accounted for approx. 34% (2017: 27%) of the Group's total revenue. The sales increase was mainly due to enlarged deliveries to America's membership only retail warehouse club and largest discount retail chain stores as well as North America's largest online retailer.

In view of the increased OBM toy sales mainly in the States, account receivables increased from approx. HK$14 million as at 31 March 2018 to approx. HK$74 million as at 30 September 2018.

OEM Toys

The Indonesian factory made minor contribution to the Group's overall sales. However it exposed the difficulties and competitiveness of the Original Equipment Manufacturing ("**OEM**") business segment of the Group as this segment recorded a sharp decrease in sales by approximately 35%, from approx. HK$71 million for the six months ended 30 September 2017 to approx. HK$46 million for the six months ended 30 September 2018.

The lower sales further worsened the impact of annual increased in labor and staff costs, major depreciation of the local currency Rupiah, plus amortization of fixed assets investments made in recent years which ultimately led to a very low gross margin in the OEM toy manufacturing segment. During the period under review, due to previous year's production issues, the Group continued incurring reworking, testing and quality improvement processes at the Indonesian factory which further impacted this segment's overall contribution. The decrease in sales further impacted the OEM segment thus continued the segment's losses from previous years.

Europe became the Group's major OEM toy export market accounting for approx. 8% of our sales for the six months ended 30 September 2018 compared to approx. 5% for the comparative period ended 30 September 2017. North America deliveries were lesser, amounted to approx. 3% of sales compared to approx. 5% during the corresponding period ended 30 September 2017. Toys destined for the Japan market for the six months ended 30 September 2018 was lowered to approx. 3% compared to approx. 4% in the previous period under review.

Money Lending

During the Period, the Group's money lending business generated interest income on loans amounting to approximately HK$11 million, and reported a segment profit (before taxation) of approximately HK$7 million. The average monthly outstanding balance of loans receivables was HK$209 million in the six months ended 30 September 2018. During the Period, the Group granted new loans in the aggregate principal amount of HK$306 million to seven customers. The Group's customers made drawings in the aggregate principal amount of HK$341 million from the existing and new loans, and repaid HK$80 million to the Group. At the end of the reporting period, the directors assessed the collectability of the loan receivables. As there was no objective evidence that the Group would not be able to collect its loans receivables, no impairment loss on loans receivables was recognised.

Investment in Financial Instruments

During the Period, the Group's investment in financial instruments business reported a segment loss of approximately HK$6 million including (i) a loss of approximately HK$49 million arising on change in fair value of financial assets at fair value through profit or loss and (ii) a realised gain of approximately HK$44 million by disposal of certain listed equities. The segment loss was a result of the poor market sentiment on the stock market during the Period. An investment advisor was engaged by the Group in July 2018 to further strengthen the Group's investment portfolio management.

Movements in the listed equities held by the Group during the six months ended 30 September 2018 and the year ended 31 March 2018 are as follows:

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
At beginning of period/year	**232,722**	174,380
Acquisitions	**104,775**	117,281
Loss arising on change in fair value	**(49,462)**	(58,939)
Disposals	**(128,170)**	–
At end of period/year	**159,865**	232,722

Details of certain significant listed equities held by the Group at 30 September 2018 are as follows:

Name of listed equities	Number of shares held at 30 September 2018	Fair value at 30 September 2018 *HK$'000*	Fair value as compared to the consolidated total assets of the Group at 30 September 2018	Impairment gain/(loss) arising on change in fair value recognised in the six months ended 30 September 2018 *HK$'000*
Financial assets at fair value through profit or loss				
Global Mastermind Capital Limited (stock code: 905)	**195,500,000**	**39,100**	**4.8%**	**(17,595)**
Yunfeng Financial Group Limited (stock code: 376)	**5,526,000**	**22,104**	**2.7%**	**(2,112)**
Frontier Services Group Limited (stock code: 500)	**4,000,000**	**4,240**	**0.5%**	**(2,440)**
Lajin Entertainment Network Group Limited (stock code: 8172)	**23,580,000**	**4,834**	**0.6%**	**(3,419)**
CBK Holdings Limited (stock code: 8428)	**25,248,000**	**5,807**	**0.7%**	**303**
PacRay International Holdings Limited (stock code: 1010)	**5,000,000**	**8,750**	**1.1%**	**(1,250)**
KuangChi Science Limited (stock code: 439)	**10,000,000**	**6,700**	**0.8%**	**(11,400)**
Huayi Tencent Entertainment Company Limited (stock code: 419)	**62,690,000**	**18,494**	**2.3%**	**(4,702)**
CLP Holdings Limited (stock code: 2)	**38,685**	**3,545**	**0.4%**	**(32)**
Hang Seng Bank Limited (stock code: 11)	**13,252**	**2,817**	**0.3%**	**17**
Link Real Estate Investment Trust (stock code: 823)	**47,842**	**3,686**	**0.5%**	**(60)**
Kuang-Chi Technologies Co Ltd (stock code: 002625 Shenzhen)	**2,415,251**	**24,308**	**3.0%**	**(6,017)**

PLANS AND PROSPECTS

Consumer Electronic Products

Childcare Products

The Group adopts a multi-brand and multi-product strategy. However, there was no new supply from the Haier brands products following the contract expiry with Haier in December 2017. As such, the revenue of childcare products decreased significantly during the Period. Strong competition in the childcare products market and US-China trade war which lead to market uncertainties globally and have negative impact on the consumers' demand as well as this segment performance. The Group will maintain our multi-brand and multi-product and to strictly control cost to cope with this challenge.

OBM Toys

Kid Galaxy will ride on their recent successes thus showcased new concepts and other innovative product lines at the New York and Hong Kong toy fairs in the early part of 2018. Early indication from recent product previews with major customers received encouraging and positive responses. However further capital investments will be required in continuous product development, engineering, new product moulds plus additional marketing and promotion costs for the new products. These expenses will continue to affect the contribution to this OBM segment's profitability.

The recent liquidation of a major toy retail chain stores in the States and worldwide had minor impact on Kid Galaxy's sales as management have to continue to reduce price and margin plus diverted our markets in North America towards clubs, supermarkets and internet sales over the last couple of years. With the right products at competitive prices, management expect these retail channels to continue contributing to our OBM sales segment for the reminder of the year.

For the six months ended 30 September 2018, related party purchases amounted to approx HK$55 million. In view of the projected increased in sales, management anticipates an increase in the related party purchases for the reminder of the financial period ending 31 March 2019 as well as coming financial years.

OEM Toys

The demand for OEM toy products are expected to improve with the Group acquiring new production techniques resulting in obtaining orders to produce a range of girls' toy items for the new financial year ending 31 March 2019. However, our major OEM customer's sales may be affected by the recent liquidation of a major toy retail chain stores in North America and few other countries.

The Indonesia factory will have to face annual increase in minimum salaries and extreme fluctuation of the local currency. The Group's factory location close to Jakarta, the capital city continued to disadvantaged our competitiveness when compared to competitors with factory in the inland province or with factories in India and Vietnam. The weaknesses faced by the Serang factory will be further burdened by uncertainties created by ongoing international trade disputes as well as the coming Presidential election in Indonesia, expected to be held in the first half of 2019.

Management anticipating possible double digit annual minimum wages increase in Indonesia beginning January 2019. In view of the depreciating Chinese Yuan or Renminbi and fluctuation of other competing Asian currencies, Indonesia Rupiah during the period under review also weakened much against the US dollar. The other Asian currencies movements and lesser increase in their minimum salaries in particular Vietnam and India, made it tough for the Group's Indonesian plant to compete as a viable production source for our current OEM customers.

The Board will continue to monitor and review the viability of the Indonesia OEM factory as previous years' results have shown that it has not contributed to the Group's profitability and has been unable to recover investments made over recent years.

Chinese Health Products

In view of the increasing awareness in health and the aging of population in Hong Kong, demand for health care products, especially Chinese medicine, "Sum Yung"（參茸）and dried seafood in Hong Kong has grown steadily in recent years.

The Group will continue to invest in the health care business and to develop its retail business of "Sum Yung"（參茸）and dried seafood products in Hong Kong with an aim to broaden its revenue base. The Group expects the increasing tourists to Hong Kong to have a positive future impact on the retail market of Hong Kong and the Group's performance on Chinese Healthcare products.

Money lending business

Despite certain uncertainties in the global economy such as the interest hike and the tightening of US-China trade relationship, the demand for money lending business remain strong during the Period and the Group's loans receivables together with accrued interest receivables increased sharply to HK$269 million (31 March 2018: HK$35 million), the Group will continue to develop this business cautiously by strengthening its credit policy and risk control policy.

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 September 2018, the Group's cash and bank balances were approx. HK$38 million (31 March 2018: HK$58 million). The Group's total bank borrowings were approx. HK$76 million (31 March 2018: HK$100 million). Gearing ratio, calculated as the total bank borrowings divided by shareholders' equity, was approx. 19% (31 March 2018: 36%). As at 30 September 2018, the Group recorded total current assets of approx. HK$593 million (31 March 2018: HK$358 million) and total current liabilities of approx. HK$393 million (31 March 2018: HK$325 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 151% (31 March 2018: 110%). The Group recorded an increase in shareholders' fund from approx. HK$274 million as at 31 March 2018 to a net asset position of approx. HK$405 million as at 30 September 2018. The increase was mainly due to shares placing during the Period.

Inventories recorded an increase of approx. 39% compared to previous year end date of 31 March 2018 and the value of stock in warehouse increased from approx. HK$96 million as at 31 March 2018 to approx. HK$133 million as at 30 September 2018. These are mainly finished goods and materials held in the Indonesian factory, the PRC offices and by an independently managed warehouse in the U.S..

Trade receivables recorded an approx. 36% increase as at 30 September 2018 to approx. HK$95 million, compared with approx. HK$70 million as at 31 March 2018 partially due to OEM seasonal factors and the peak deliveries of OBM products during the Period.

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.

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.

USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

On 19 April 2018, a total of 1,420,000,000 new shares of the Company were allotted and issued at the placing price of HK$0.11 per share. The net proceeds from the placing of approximately HK$150 million which were Intended to be used for (i) approx. HK$120 million was intended to be used on money leading business; and (ii) approx. HK$30 million was intended to be used as general working capital and/or future investment opportunities. As at 30 September 2018, all net proceeds were used up as intended.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Saved from those mentioned in this announcement, the Group did not have any other significant investments or acquisitions or sales of subsidiaries during the Period.

EMPLOYEES

As at 30 September 2018, the Group had approx. 1,633 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 has purchased, redeemed or sold any of the Company's listed securities throughout the Period.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with the 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 September 2018, except for:

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One non-executive director was absent from the Company's annual general meeting held on 4 September 2018 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 2018, this interim report and the Group's risk management and internal control systems.

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

Hong Kong, 30 November 2018

As at the date of this announcement, the Executive Directors are Mr. Lei Hong Wai (Chairman), Mr. Leung Alex (Vice Chairman), Ms. Lo Ming Wan, Mr. Tse Chi Keung and Mr. Yuan Huixia; the Non-executive Director is Mr. Diao Yunfeng; and the Independent Non-executive Directors are Mr. Lai Hok Lim, Mr. Lien Wai Hung and Mr. Wong Tak Chuen.