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 2019

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 2019 together with the comparative figures for the corresponding period in 2018. 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 2019

		Unaudited Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
Continuing operations			
Revenue	*4*	**239,836**	259,211
Cost of sales		**(183,339)**	(148,221)
Gross profit		**56,497**	110,990
Other revenue, gains and losses, net	*4*	**(55,759)**	(59,176)
Selling and distribution expenses		**(37,971)**	(31,499)
General and administrative expenses		**(25,901)**	(39,388)
Finance costs	*5*	**(12,365)**	(451)
Loss before income tax	*6*	**(75,499)**	(19,524)
Income tax expense	*7*	**(3,549)**	–
Loss for the period from continuing operations		**(79,048)**	(19,524)

	Notes	Unaudited Six months ended 30 September **2019** ***HK$'000***	 2018 *HK$'000* (Re-presented)
Discontinued operations			
Loss for the period from discontinued operations	*6*	**–**	(20,387)
Loss for the period		**(79,048)**	(39,911)
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		**(1,901)**	10,288
– Exchange differences reclassified to profit or loss upon the deregistration of a subsidiary		**–**	29
– Exchange difference reclassified to profit or loss upon disposal of subsidiaries	*16*	**11,154**	–
Other comprehensive income for the period, net of tax		**9,253**	10,317
Total comprehensive income for the period		**(69,795)**	(29,594)
Loss for the period attributable to:			
Owners of the Company			
Loss for the period from continuing operations		**(76,977)**	(18,712)
Loss for the period from discontinued operations		**–**	(20,387)
Loss for the period attributable to owners of the Company		**(76,977)**	(39,099)
Non-controlling interests			
Loss for the period from continuing operations		**(2,071)**	(812)
Loss for the period from discontinued operations		**–**	–
Loss for the period attributable to non-controlling interests		**(2,071)**	(812)
		(79,048)	(39,911)

		Unaudited Six months ended 30 September	
		2019	2018
	Note	***HK$'000***	*HK$'000* (Re-presented)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(77,359)**	(33,278)
Non-controlling interests		**7,564**	3,684
		(69,795)	(29,594)
Loss per share attributable to owners of the Company from continuing operations			
– Basic	*9*	**(0.93) cents**	(0.22) cents
– Diluted	*9*	**N/A**	N/A
Loss per share attributable to owners of the Company from discontinued operations			
– Basic		**–**	(0.24) cents
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	**Unaudited 30 September 2019 HK$'000**	Audited 31 March 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**4,822**	2,943
Right-of-use assets	*10*	**21,068**	–
Goodwill		**614**	614
Intangible assets		**5,094**	5,094
Loans receivable	*11*	**50,000**	60,000
Financial assets at fair value through profit or loss	*12*	**19,746**	38,905
Deferred tax assets		**1,870**	1,870
		103,214	109,426
Current assets			
Inventories		**69,871**	71,740
Trade and other receivables, deposits and prepayments	*13*	**147,185**	61,901
Loans receivable	*11*	**146,422**	200,616
Financial assets at fair value through profit or loss	*12*	**124,913**	189,117
Amount due from a related company	*20(b)*	**–**	10,027
Tax recoverable		**25**	25
Cash and cash equivalents		**123,081**	54,940
		611,497	588,366
Current liabilities			
Trade and other payables and accrued charges	*14*	**118,156**	92,068
Lease liabilities		**12,696**	–
Borrowings	*15*	**21,125**	13,412
Amounts due to related companies	*20(b)*	**134,155**	89,737
Tax payable		**2,703**	3,637
		288,835	198,854

	Note	Unaudited 30 September 2019 HK$'000	Audited 31 March 2019 HK$'000
Net current assets		**322,662**	389,512
Total assets less current liabilities		**425,876**	498,938
Non-current liabilities			
Convertible loan notes		**112,005**	100,891
Lease liabilities		**8,667**	–
Deferred tax liabilities		**4,607**	4,607
		125,279	105,498
Net assets		**300,597**	393,440
EQUITY			
Share capital	*17*	**786,546**	852,131
Reserves		**(437,379)**	(396,685)
Equity attributable to owners of the Company		**349,167**	455,446
Non-controlling interests		**(48,570)**	(62,006)
Total equity		**300,597**	393,440

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

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

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2019 (the "**2019 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 2019. This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. Details of any changes in accounting policies are set out in note 2. Except for the adoption of HKFRS 16, the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") have no material effect on these unaudited condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

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 2019 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 2019 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 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015 – 2017 Cycle

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases for which the underlying assets are of low-value or which are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised, if any all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (i.e. 1 April 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on condensed consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

Statement of financial position as at 1 April 2019	*HK$'000*
Right-of-use assets	15,290
Lease liabilities (current)	6,108
Lease liabilities (non-current)	9,182

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitments to lease liabilities	*HK$'000*
Operating lease commitments as of 31 March 2019	11,632
Less: short-term leases for which lease terms end within 12 months of the date of initial application	(1,873)
Less: future interest expenses	(761)
Others	6,292
Total lease liabilities as of 1 April 2019	15,290

The weighted average incremental borrowing rate applied to lease liabilities recognised in the leasee's condensed consolidated statement of financial position as at 1 April 2019 is 6.54%.

(ii) The new definition of lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has not applied the practical expedient and account for non-lease components applying other applicable HKFRSs.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases which at the commencement date have a lease term less than 12 months, if any. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised, if any all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with terms that will end within 12 months of the date of initial application and accounted for those leases as short-term leases; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

3. Use of Judgements and Estimates

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 annual financial statements, except for new significant judgements related to the application of HKFRS 16 as described in note 2.

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

The Group is principally engaged in 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	
	2019	2018
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Revenue from contracts with customers		
Sale of goods	**227,973**	204,204
Interest income	**14,263**	10,645
Dividend income and gain or loss on disposal of financial instruments, net	**(2,400)**	44,362
	239,836	259,211
Other revenue, gains and losses, net		
Interest income	**127**	124
Fair value loss on financial assets at fair value through profit or loss	**(51,304)**	(49,462)
Gain on disposal of subsidiaries	**4,051**	–
Impairment loss on loans, trade and other receivables, net	**(8,232)**	–
Others	**(401)**	(9,838)
	(55,759)	(59,176)
	184,077	200,035

	Unaudited Six months ended 30 September **2019** ***HK$'000***	 2018 *HK$'000* (Re-presented)
Discontinued operations		
Revenue from contracts with customers		
Sale of goods	**–**	46,419
Other revenue, gain and losses, net	**–**	714
	–	47,133

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:

Continuing operations

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

Discontinued operations

- OEM toys: manufacturing and sale of original equipment manufacturing toys (Note 6(b))

(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 2019 and 2018. 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 2019

	Continuing operations						
	OBM 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	**179,172**	**–**	**48,801**	**14,263**	**(2,400)**	**–**	**239,836**
Segment (loss)/profit before income tax	**(7,883)**	**(3,300)**	**(5,515)**	**8,177**	**(53,995)**	**3,712**	**(58,804)**

For the six months ended 30 September 2018

	Continuing operations							Discontinued operations	
	OBM 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$'000* (Unaudited)	OEM toys *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue to external customers	108,142	36,976	58,452	10,645	44,362	634	259,211	46,419	305,630
Segment profit/(loss) before income tax	1,423	(937)	(1,437)	6,753	(5,690)	(1,990)	(1,878)	(20,387)	(22,265)

	Unaudited Six months ended 30 September 2019 *HK$'000*	2018 *HK$'000*
Reportable segment loss	**(58,804)**	(1,878)
Segment loss from discontinued operations	**–**	(20,387)
	(58,804)	(22,265)
Interest income	**127**	124
Exchange losses, net	**–**	(138)
Unallocated finance costs	**(11,144)**	–
Unallocated corporate expenses		
– Staff costs	**(2,775)**	(7,080)
– Legal and professional fee	**(563)**	(1,033)
– Others	**(2,340)**	(9,519)
Consolidated loss before income tax	**(75,499)**	(39,911)

(b) Segment assets and liabilities

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

At 30 September 2019

	Continuing operations					
	OBM 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$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Segment assets	**155,930**	**6,568**	**106,682**	**283,939**	**146,995**	**700,114**
Unallocated corporate assets						**14,597**
Consolidated total assets						**714,711**
Segment liabilities	**201,026**	**61,310**	**28,876**	**6,925**	**–**	**298,137**
Unallocated corporate liabilities						**115,977**
Consolidated total liabilities						**414,114**

At 31 March 2019

	Continuing operations						
	OBM 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	73,392	6,928	90,479	284,379	231,990	–	687,168
Unallocated corporate assets							10,624
Consolidated total assets							697,792
Segment liabilities	110,608	55,520	7,139	1,158	–	22,329	196,754
Unallocated corporate liabilities							107,598
Consolidated total liabilities							304,352

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

	Unaudited Six months ended 30 September 2019 *HK$'000*	2018 *HK$'000* (Re-presented)
Continuing operations		
The PRC and Hong Kong *(Note (i))*	**63,252**	149,599
United States of America and Canada	**173,035**	103,889
Europe *(Note (ii))*	**2,859**	3,025
Australia	**106**	112
Others	**584**	2,586
	239,836	259,211
Discontinued operations		
The PRC and Hong Kong *(Note (i))*	**–**	5,289
United States of America and Canada	**–**	8,703
Europe *(Note (ii))*	**–**	20,648
Japan	**–**	8,262
Korea	**–**	482
Australia	**–**	977
Others	**–**	2,058
	–	46,419
Total	**239,836**	305,630

Note (i): Revenue from interest income, dividend income and sale of financial instruments are disclosed by location of operations.

Note (ii): 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 2019, aggregate revenue of approximately HK$76,516,000 were derived from OBM Toys segment to two external customers, which contributed over 10% or more of the Group's revenue (2018: Nil).

5. Finance costs

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000 (Re-presented)
Total interest expenses for financial liabilities that are not at fair value through profit or loss:		
Continuing operations		
Interest on borrowings	**546**	451
Interest on lease liabilities	**705**	–
Imputed interest on convertible loan notes	**11,114**	–
	12,365	451
Discontinued operations		
Interest on borrowings	**–**	1,567

6. Loss before income tax

(a) Continuing operations

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
Loss before income tax is stated after charging the following:		
Cost of inventories sold	**183,339**	148,221
Depreciation of right-of-use assets	**6,054**	–
Depreciation of property, plant and equipment	**925**	6,402

(b) Discontinued operations

On 14 December 2018, the Group entered into sale and purchase agreements to dispose of the entire equity interests in its subsidiaries (namely Lung Cheong Asia Holdings Limited, Kid Galaxy Global Limited and Lung Cheong Overseas Corporation, collectively the "**Disposal Companies**"). The disposal was completed on 30 January 2019, the date on which the control of the Disposal Companies and its subsidiaries (the "**Disposal Group**"), which engaged in manufacturing and sale of OEM toys passed to the acquirer. The sales, results and cash flows of the Disposal Group were as follows:

	Unaudited Six months ended 30 September 2018 ***HK$'000***
Revenue	46,419
Cost and expenses	(66,806)
Loss before income tax from discontinued operations	(20,387)
Income tax	–
Loss for the period from discontinued operations	(20,387)
Operating cash flows	7,216
Investing cash flows	(2,226)
Financing cash flows	(4,020)
Total cash flows	970

7. Income tax expense

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Current taxation – Hong Kong profits tax		
– provision for the period	**1,358**	–
– under-provision in respect of prior years	**2,191**	–
	3,549	–

Hong Kong profits tax is calculated at applicable tax rate on the estimated assessable profits for six months ended 30 September 2019. No provision for Hong Kong profits tax has been made for the six months ended 30 September 2018 as the Group has tax losses brought forward from previous years to offset the assessable profits for the period.

8. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

9. Loss per share

	Unaudited Six months ended 30 September **2019** ***HK cents***	 2018 *HK cents*
Continuing operations		
Basic loss per share	**(0.93)**	(0.22)
Diluted loss per share *(Note)*	**N/A**	N/A
Discontinued operations		
Basic loss per share	**–**	(0.24)
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 **2019** ***HK$'000***	 2018 *HK$'000*
Loss		
Loss for the period attributable to owners of the Company from continuing operations, used in the basic and diluted loss per share calculation	**(76,977)**	(18,712)
Loss for the period attributable to owners of the Company from discontinued operations, used in the basic and diluted loss per share calculation	**–**	(20,387)

	Unaudited Six months ended 30 September **2019**	2018
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**8,276,728,852**	8,381,636,229

Note: No diluted loss per share is presented for the six months ended 30 September 2019 and 2018 as the effect of all potential ordinary shares from convertible loan notes outstanding at 30 September 2019 and share options outstanding at 30 September 2018 respectively is anti-dilutive.

10. Property, plant and equipment and right-of-use assets

During the six months ended 30 September 2019, the Group acquired property, plant and equipment which are moulds with a cost of HK$2,819,000 (2018: HK$2,431,000). The Group has entered into several leases for shops and offices in Hong Kong during the six months ended 30 September 2019 and accordingly additional right-of-use assets amounted to HK$11,832,000 have been recognised during the current period.

11. Loans receivable

	Unaudited **30 September** **2019** ***HK$'000***	Audited 31 March 2019 *HK$'000*
Loans receivable arising from money lending business	**201,181**	265,725
Less: impairment	**(4,759)**	(5,109)
	196,422	260,616

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

	Unaudited **30 September** **2019** ***HK$'000***	Audited 31 March 2019 *HK$'000*
Current assets		
Within one year	**146,422**	200,616
Non-current assets		
More than one year but not exceeding two years	**50,000**	60,000
	196,422	260,616

12. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	Unaudited 30 September 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
Listed equity securities in the PRC and Hong Kong		
– Non-current	**19,746**	38,905
– Current	**124,913**	189,117
	144,659	228,022

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 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
Trade receivables	**128,513**	40,941
Other receivables, deposits and prepayments	**18,672**	20,960
	147,185	61,901

The ageing analysis of the trade receivables is as follows:

	Unaudited 30 September 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
0 – 90 days	**124,881**	38,184
91 – 180 days	**2,908**	934
181 – 365 days	**–**	167
Over 365 days	**724**	1,656
	128,513	40,941

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 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
Trade payables	**66,884**	39,305
Other payables and accrued charges	**51,272**	52,763
	118,156	92,068

The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
0 – 90 days	**66,335**	10,597
91 – 180 days	**410**	11,661
181 – 365 days	**–**	1,777
Over 365 days	**139**	15,270
	66,884	39,305

15. Borrowings

	Unaudited 30 September 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
Current		
Bank loans	**21,125**	11,700
Other loans	**–**	1,712
	21,125	13,412

Certain of the Group's borrowings are secured by pledge of a subsidiary's fixtures and equipment, inventories and trade receivables.

16. Disposal of subsidiaries

On 26 September 2019, the Group entered into a sale and purchase agreement to dispose of the entire equity interests in Notton Limited. The disposal was completed on 26 September 2019, the date on which the control of Notton Limited and its subsidiaries, which engaged in the commercial kitchen products business passed to the acquirer. The net liabilities of the disposed subsidiaries at the date of disposal were as follows:

	HK$'000
Inventories	301
Cash and cash equivalents	1
Trade and other payables	(18,142)
Tax payables	(3,236)
Net liabilities	(21,076)
Non-controlling interests	5,872
Exchange differences reclassified to profit or loss	11,154
Gain on disposal of subsidiaries included in loss for the period in the condensed consolidated income statement	4,051
Total consideration	1
Satisfied by:	
Cash	1
Total	
Net cash inflow arising on disposal:	
Cash consideration	1
Cash and bank balances disposed of	(1)
	–

Upon the completion of disposal, cash consideration of HK$1 was received and a gain on disposal of subsidiaries of approximately HK$4,051,000 was recognised.

17. 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, 1 April and 30 September 2019	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 2019	–	–	8,521,308	852,131
Repurchase of shares *(Note)*	–	–	(655,850)	(65,585)
As at 30 September 2019	–	–	7,865,458	786,546

Note: During the six months ended 30 September 2019, the Company repurchased and cancelled its own shares as follows:

Month of repurchase	No. of ordinary share of HK$0.10 each *'000*	Price per share: Highest *HK$*	Price per share: Lowest *HK$*	Aggregate consideration paid *HK$'000*
June 2019	77,750	0.039	0.038	3,030
July 2019	578,100	0.050	0.039	25,889
	655,850			28,919

As at 30 September 2019, the above ordinary shares were cancelled.

The directors of the Company considered that the Company's ordinary shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

18. Contingent liabilities

As at 30 September 2019 and 31 March 2019, the Group had no contingent liabilities.

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 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**	
		2019	2018
		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

No share-based payment expenses was recognised (2018: HK$10,200,000) for the six months ended 30 September 2019 in relation to share options granted by the Company. During the six months ended 30 September 2019, 340,000,000 options were lapsed (2018: Nil) and no option (2018: 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 the reporting period, are as follows:

(a)

		Unaudited Six months ended 30 September	
		2019	2018
	Type of transaction	***HK$'000***	*HK$'000*
Companies controlled by a close family member of a director of a subsidiary of the Company	Purchases *(Note)*	**9,411**	54,762

Note: These companies ceased to be related parties of the Group since the resignation of that director on 7 May 2019. Accordingly, the transactions for the period from 1 April 2019 up to 7 May 2019 amounting to approximately HK$9,411,000 were related party transactions of the Group. Nevertheless, the transactions for the six months ended 30 September 2019 amounting to approximately HK$55,551,000 constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

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

21. Event after the reporting period

Subsequent to 30 September 2019 and up to the date of this announcement, the Group had the following material event:

On 27 October 2019, the Group entered into the sale and purchase agreement to dispose of the entire issued share capital of its subsidiary, Keytime Global Limited, at a consideration of HK$1. The disposal was completed on 27 October 2019, the date on which the control of Keytime Global Limited and its subsidiaries which engaged in the sale of consumer electronic products passed to the acquirer. Details of which are set out in the Company's announcement dated 27 October 2019.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2019 (the "**Period**"), the Group's revenue from continuing operations decreased by approximately ("**approx.**") 7% to approx. HK$240 million, compared with approx. HK$259 million for the six months ended 30 September 2018 (the "**Corresponding Period**"). Gross profit margin from continuing operations for the Period was approx. 24% compared to approx. 43% in the Corresponding Period. Overall, the loss attributable to owners of the Company was approx. HK$77 million compared with the loss attributable to the owners of the Company of approx. HK$39 million in the Corresponding Period.

Business Review

The Group recorded a decrease in revenue from continuing operations by approx. 7% for the Period compared to the revenue of the Group for the Corresponding Period.

During the Period, the OBM toys business contributed the revenue of approx. HK$179 million compared with the Corresponding Period of approx. HK$108 million. The consumer electronic products had not contributed any revenue during the Period since the contract with Haier was expired in December 2017 (2018: approx. HK$37 million). The Chinese health products business has contributed revenue of approx. HK$49 million during the Period compared with the Corresponding Period of approx. HK$58 million. Such decrease was mainly due to the poor consumer sentiment in Hong Kong retail industry and the decrease in number of tourists to Hong Kong during the Period. The money lending business and the investment in financial instruments business have also contributed revenue of approx. HK$14 million (2018: approx. HK$11 million) and realised loss of approx. HK$2 million (2018: realised gain of approx. HK$44 million) respectively during the Period.

The gross profit margin from continuing operations decreased to 24% from 43% of the Corresponding Period mainly because of a realised loss on sales of financial instruments of approx. HK$2 million during the Period while there was approx. HK$44 million realised gain on sales of financial instruments in the Corresponding Period.

The Group recorded an increase in loss from continuing operations of approx. HK$59 million to approx. HK$79 million during the Period compared with the Corresponding Period of approx. HK$20 million. The increase in loss was mainly attributable to the significant increase in segment losses of investment in financial instruments to approx. HK$54 million for the Period.

Consumer Electronic Products

Childcare Products

During the Period, the consumer electronic products had not contributed any revenue (2018: HK$37 million) and had recorded a segment loss of HK$3 million (2018: HK$1 million). Such decrease in revenue and continuing loss was mainly attributable to the expiry of the supply contract with Haier in December 2017.

Given the continuous loss-making position of this segment with net liabilities in recent financial periods, and the difficulties and uncertainties faced by the consumer electronic products business, the Company has disposed of this segment after the end of reporting period on 27 October 2019. It is considered that such disposal will enable the Group to improve its financial position and eliminate any uncertainty arising from the consumer electronic products business with an aim to stabilising the future financial performance of the Group. Details of which are set out in the Company's announcement dated 27 October 2019.

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 approx. HK$49 million (2018: HK$58 million) and a loss of approx. HK$6 million (2018: HK$1 million). As at 30 September 2019, 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 an increase in sales by approx. HK$71 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 2019 increased approx. 66% from approx. HK$108 million for the six months ended 30 September 2018 to approx. HK$179 million for the six months ended 30 September 2019.

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. 75% of the Group's turnover (2018: 36%). 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 2019, North America remained our major destination for the Group's OBM toys, with shipments amounting to approx. HK$173 million compared to HK$104 million for the six months ended 30 September 2018, accounted for approx. 72% (2018: 34%) 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 United States of America ("**USA**"), trade receivables increased from approx. HK$32 million as at 31 March 2019 to approx. HK$123 million as at 30 September 2019.

Money Lending

During the Period, the Group's money lending business generated interest income on loans amounting to approx. HK$14 million (2018: HK$11 million), and reported a segment profit (before taxation) of approx. HK$8 million (2018: HK$7 million). The average monthly outstanding balance of loans receivables was HK$237 million in the six months ended 30 September 2019. During the Period, the Group granted new loans in the aggregate principal amount of HK$199 million to seven customers. The Group's customers made drawings in the aggregate principal amount of HK$54 million from the existing and new loans, and repaid HK$115 million to the Group. At the end of the reporting period, the directors assessed the collectability of the loans receivable. Although there was no objective evidence that the Group would not be able to collect its loans receivable, an allowance for expected credit losses on loans receivable of approximately HK$5 million was provided.

Investment in Financial Instruments

During the Period, the Group's investment in financial instruments business reported a segment loss of approx. HK$54 million (2018: HK$6 million) including (i) a loss of approx. HK$52 million arising on change in fair value of financial assets at fair value through profit or loss and (ii) a realised loss of approx. HK$2 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.

Movements in the listed equities held by the Group during the six months ended 30 September 2019 and the year ended 31 March 2019 are as follows:

	Unaudited 30 September 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
At beginning of period/year	**228,022**	232,722
Acquisitions	**–**	196,304
Loss arising on change in fair value	**(51,306)**	(42,509)
Disposals	**(32,057)**	(158,495)
At end of period/year	**144,659**	228,022

Details of certain significant listed equities held by the Group at 30 September 2019 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 30 September 2019 *HK$'000*	Number of shares held at 30 September 2019 *'000*	Fair value at 30 September 2019 *HK$'000*	Fair value as compared to the consolidated total assets of the Group at 30 September 2019	Fair value gain/(loss) recognised in the six moths ended 30 September 2019 *HK$'000*
IDG Energy Investment Limited (stock code: 650)	Upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, as well as related energy investment fund management	44,000	40,000	46,000	6.4%	400
Yunfeng Financial Group Limitedd (stock code: 376)	Provision of financial services, including securities brokerage, wealth management and investment, corporate finance consultancy, ESOP (Employee Stock Ownership Plan) administration, and investment research	36,486	7,526	26,040	3.6%	(9,709)
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses, and provision of property agency related services	25,093	16,860	24,110	3.4%	(1,686)
Global Mastermind Capital Limited (stock code: 905)	Investment in listed and unlisted companies in Hong Kong and in the PRC	87,975	195,500	19,745	2.8%	(19,159)
Huayi Tencent Entertainment Company Limited (stock code: 419)	(i) Entertainment and media business, and (ii) provision of offline healthcare and wellness services	26,430	77,480	7,903	1.1%	(7,748)
PacRay International Holdings Limited (stock code: 1010)	Design and sales of integrated circuits and semi-conductor parts, provision of finance lease services, trading of construction materials and corporate administration and investment functions	9,000	50,000	7,200	1.0%	(3,800)
SuperRobotics Limited (stock code: 8176)	Sale of beauty products, provision of therapy services and provision of engineering products and related services	9,200	1,840	4,858	0.7%	(4,342)
KuangChi Science Limited (stock code: 439)	The research and development and manufacture of innovative products for future technology businesses, and the provision of other innovative technology service solutions	28,000	10,000	3,550	0.5%	(2,950)
Frontier Services Group Limited (stock code: 500)	The provision of aviation and logistics services, the provision of online financial market information, and other direct investments	5,160	4,000	2,800	0.4%	(1,840)
Lajin Entertainment Network Group Limited (stock code: 8172)	The business of investment and production of movie and media contents, and the provision of artist management services	9,904	23,580	2,452	0.3%	(472)

RESULT OF DISCONTINUED OPERATION

Loss for the six months ended 30 September 2018 from discontinued operation amounted to HK$20 million, which represents the results of the OEM Toys segment. The OEM Toys segment had been disposed on 30 January 2019.

PLANS AND PROSPECTS

OBM Toys

Kid Galaxy will expect a small decline in sales in 2020 comparing to 2019. Also, with the uncertain threat of getting hit by tariff, Kid Galaxy's profit margin may further get hurt in 2020.

Fortunately, the early indications from the recent product previews with major customers in LA & HK had received encouraging and positive responses. Kid Galaxy will continue developing innovative & unique items with completive pricing in 2020. Kid Galaxy also will keep expanding our outsourcing arms to expand our product lines and to cut down our development investment.

Other than maintaining our business with the regular first tier retain chains such as Walmart, Target & Costco, Kid Galaxy's sales team will keep on knocking door of other retail channels such as hardware stores, grocery chain & department stores.

For the six months ended 30 September 2019, related party purchases amounted to approx. HK$9 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 2020 as well as coming financial 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.

As a result of the local social unrest since June 2019, the number of tourists visiting Hong Kong has reduced which negatively impact the retail market of Hong Kong. Nevertheless, the local demand on Chinese Healthcare products increased slightly during the Period.

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 number of tourists to Hong Kong will rebounce in the near future to have a positive impact on the retail market of Hong Kong and the Group's performance on Chinese Health products.

Money lending business

Despite certain uncertainties in the global economy such as the tightening of US-China trade relationship, the demand for money lending business remain stable during the period and the Group's loans receivable together with accrued interest receivables decreased slightly to HK$196 million (31 March 2019: HK$261 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 2019, the Group's cash and bank balances were approx. HK$123 million (31 March 2019: HK$55 million). The Group's total bank borrowings and convertible loan notes were approx. HK$133 million (31 March 2019: HK$114 million). Gearing ratio, calculated as the total bank borrowings and convertible loan notes divided by shareholders' equity, was approx. 44% (31 March 2019: 29%). As at 30 September 2019, the Group recorded total current assets of approx. HK$611 million (31 March 2019: HK$588 million) and total current liabilities of approx. HK$289 million (31 March 2019: HK$199 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 212% (31 March 2019: 296%). The Group recorded a decrease in shareholders' fund from approx. HK$393 million as at 31 March 2019 to a net asset position of approx. HK$301 million as at 30 September 2019. The decrease was mainly due to the share repurchase and the operating loss during the Period.

Inventories recorded a decrease of approx. 3% compared to previous year end date of 31 March 2019 and the value of stock in warehouse decreased from approx. HK$72 million as at 31 March 2019 to approx. HK$70 million as at 30 September 2019.

Trade receivables recorded an approx. 315% increase as at 30 September 2019 to approx. HK$129 million, compared with approx. HK$41 million as at 31 March 2019 mainly because customers in USA has increased its orders of OBM Toys during the period to avoid uncertainties in tariff from the USA.

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

FOREIGN CURRENCY RISKS

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

DISPOSAL OF SUBSIDIARIES

Given the continuing loss-making position of the sale of consumer kitchen products business with net liabilities in recent years, on 26 September 2019, the Group entered into the sale and purchase agreement to dispose the entire issued share capital of its subsidiary, Notton Limited, at a consideration of HK$1 and resulting in a gain on disposal of HK$4 million. The disposal of was completed on 26 September 2019, the date on which the control of Notton Limited and its subsidiaries which engaged in the sale of consumer kitchen products passed to the acquirer.

CAPITAL STRUCTURE

In June and July 2019, the Company repurchased a total of 655,850,000 ordinary shares of the Company at an aggregate price of HK$28,919,000 on the Stock Exchange. As at 30 September 2019, the 655,850,000 repurchased shares were cancelled.

USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

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**") in an aggregate principal amount of HK$120 million. On 22 November 2018, all the conditions precedent in relation to the right to convert the principal amount (or any part(s) thereof) of the Bond into the ordinary shares of the Company at HK$0.1 each before the second (2nd) anniversary of the date of issue of the Bond (the "**Conversion Rights**") had been fulfilled. Accordingly, the Conversion Rights attached to the Bond have become unconditional and irrevocable. The net proceeds from the issue of the Bonds of approx. HK$119.5 million which were intended to be used for (i) approx. HK$104.5 million on the money lending business; and (ii) approx. HK$15.0 million as general working capital and/or future investment opportunities. As at 30 September 2019, all net proceeds were used up as intended. Details of the issue of the Bonds were set out in the Company's announcements dated 8 October 2018, 15 November 2018 and 22 November 2018 and the circular of the Company dated 30 October 2018.

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 2019, the Group had approx. 130 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices 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

During the six months ended 30 September 2019, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

		Price per share		
Month of repurchase	**No. of ordinary share of HK$0.10 each**	**Highest**	**Lowest**	**Aggregate consideration paid**
	'000	*HK$*	*HK$*	*HK$'000*
June 2019	77,750	0.039	0.038	3,030
July 2019	578,100	0.050	0.039	25,889
	655,850			28,919

As at 30 September 2019, the above ordinary shares were cancelled.

The directors of the Company considered that the Company's ordinary shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

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 2019, 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 3 September 2019 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 2019, the 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, 29 November 2019

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