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CHINA HEALTHWISE HOLDINGS LIMITED **中國智能健康控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

ANNOUNCEMENT OF ANNUAL RESULTS **FOR THE PERIOD FROM 1 APRIL 2019 TO 31 DECEMBER 2019**

RESULTS

The board of directors (the “Board” or “Directors”) of China Healthwise Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the period from 1 April 2019 to 31 December 2019 together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 April 2019 to 31 December 2019

	<i>Notes</i>	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Continuing operations			
Revenue	3	309,969	451,615
Cost of sales		(222,401)	(286,886)
Gross profit		87,568	164,729
Other income, gains and losses, net	4	(82,246)	(46,524)
Selling and distribution expenses		(58,762)	(86,697)
General and administrative expenses		(42,346)	(81,736)
Finance costs	6	(19,055)	(8,839)
Impairment loss on property, plant and equipment		–	(10,145)
Impairment loss on right-of-use assets		(5,778)	–
Impairment loss on goodwill		(614)	(2,500)
Impairment loss on intangible assets		(5,094)	–
Loss before income tax from continuing operations	5(a)	(126,327)	(71,712)
Income tax (expense)/credit	7	(547)	1,967

		Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Loss for the period/year from continuing operations	<i>5(b)</i>	(126,874)	(69,745)
Discontinued operations			
Loss for the period/year from discontinued operations		—	(34,667)
Loss for the period/year		<u>(126,874)</u>	<u>(104,412)</u>
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(1,876)	1,668
Exchange differences reclassified to profit or loss upon de-registration of a subsidiary		—	19
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		<u>35,091</u>	<u>35,705</u>
Other comprehensive income for the period/year, net of tax		<u>33,215</u>	<u>37,392</u>
Total comprehensive income for the period/year		<u>(93,659)</u>	<u>(67,020)</u>
Loss for the period/year attributable to:			
Owners of the Company			
Loss for the period/year from the continuing operations		(124,345)	(60,649)
Loss for the period/year from discontinued operations		—	(34,667)
Loss for the period/year attributable to owners of the Company		<u>(124,345)</u>	<u>(95,316)</u>

		Period from 1 April 2019 to 31 December 2019	Year ended 31 March 2019
	<i>Notes</i>	HK\$'000	HK\$'000
Non-controlling interests			
Loss for the period/year from the continuing operations		(2,529)	(9,096)
Loss for the period/year from discontinued operations		—	—
		<u>(2,529)</u>	<u>(9,096)</u>
Loss for the period/year attributable to non-controlling interests		<u>(2,529)</u>	<u>(9,096)</u>
		<u>(126,874)</u>	<u>(104,412)</u>
Total comprehensive income for the period/year attributable to:			
Owners of the Company		(99,853)	(58,028)
Non-controlling interests		6,194	(8,992)
		<u>(93,659)</u>	<u>(67,020)</u>
Loss per share attributable to owners of the Company from continuing operations			
– Basic	9	<u>(1.53) cents</u>	<u>(0.72) cents</u>
– Diluted	9	<u>(1.53) cents</u>	<u>(0.72) cents</u>
Loss per share attributable to owners of the Company from discontinued operations			
– Basic	9	<u>—</u>	<u>(0.41) cents</u>
– Diluted	9	<u>—</u>	<u>(0.41) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		At 31 December 2019 <i>HK\$'000</i>	At 31 March 2019 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,903	2,943
Right-of-use assets		12,074	–
Goodwill		–	614
Intangible assets		–	5,094
Financial assets at fair value through profit or loss	10	18,306	38,905
Deferred tax assets		3,569	1,870
Loans receivable	11	15,000	60,000
		<u>53,852</u>	<u>109,426</u>
Current assets			
Inventories		68,939	71,740
Trade and other receivables, deposits and prepayments	12	51,259	61,901
Loans receivable	11	248,831	200,616
Financial assets at fair value through profit or loss	10	120,275	189,117
Amount due from a related company		–	10,027
Tax recoverable		9	25
Pledged bank deposits		8,190	–
Cash and cash equivalents		47,072	54,940
		<u>544,575</u>	<u>588,366</u>
Current liabilities			
Trade and other payables and accrued charges	13	117,663	92,068
Lease liabilities		12,034	–
Borrowings		18,685	13,412
Amounts due to related companies		–	89,737
Tax payable		5,158	3,637
Convertible loan notes	14	110,038	–
		<u>263,578</u>	<u>198,854</u>
Net current assets		<u>280,997</u>	<u>389,512</u>
Total assets less current liabilities		<u>334,849</u>	<u>498,938</u>

		At 31 December 2019 <i>HK\$'000</i>	At 31 March 2019 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		6,256	–
Convertible loan notes	14	–	100,891
Deferred tax liabilities		1,920	4,607
		<u>8,176</u>	<u>105,498</u>
Net assets		<u>326,673</u>	<u>393,440</u>
EQUITY			
Share capital	15	786,546	852,131
Reserves		<u>(459,873)</u>	<u>(396,685)</u>
Equity attributable to owners of the Company		326,673	455,446
Non-controlling interests		–	<u>(62,006)</u>
Total equity		<u>326,673</u>	<u>393,440</u>

1. ORGANISATION AND OPERATIONS

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

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

1A. CHANGE OF FINANCIAL YEAR END DATE

On 2 December 2019, the Company announced to change its financial year end date from 31 March to 31 December in order to have a coterminous year end date with that of its substantial shareholder, which is a Hong Kong listed company domiciled in Bermuda, for comparable presentation of financial performance and position. As a result of this, the final results covered a period of nine months from 1 April 2019 to 31 December 2019.

Accordingly, the comparative figures presented for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, which were prepared for the year ended 31 March 2019, are not comparable with those of the current period.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or revised HKFRSs – first effective on 1 April 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

HKFRS 16 – Leases

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(IFRIC)-Int 4”), 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 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 table summarised the impact of transition to HKFRS 16 on Group’s consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/ (decrease)):

	<i>HK\$’000</i>
Statement of financial position as at 1 April 2019	
Right-of-use assets	15,290
Lease liabilities (current)	6,188
Lease liabilities (non-current)	9,102

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 Group’s consolidated statement of financial position as at 1 April 2019:

	<i>HK\$’000</i>
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 March 2019	17,924
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)
	<hr/>
Total lease liabilities as of 1 April 2019	<u>15,290</u>

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Group’s 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 but accounts 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.

The right-of-use assets 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 lessees 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. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For right-of-use assets that meets the definition of an investment property, 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 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 as operating leases under HKAS 17 as if HKFRS 16 have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 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 following 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 assets 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 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.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 – Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

3. REVENUE AND SEGMENT REPORTING

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

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15:		
Trading of		
– OBM toys	202,062	183,848
– Consumer electronic products	–	41,811
– Chinese health products	88,827	154,660
– Others	–	5,153
	<hr/>	<hr/>
	290,889	385,472
Revenue from other sources:		
– Money lending business	21,470	23,258
– Investment in financial instruments	(2,390)	42,885
	<hr/>	<hr/>
	19,080	66,143
	<hr/>	<hr/>
	309,969	451,615
Discontinued operations		
Revenue from contracts with customers within the scope of HKFRS 15:		
– OEM toys	–	79,061
	<hr/>	<hr/>
	309,969	530,676
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers

**For the period from 1 April 2019 to
31 December 2019**

Continuing operations

Segments	OBM toys	Chinese health products	Total
	HK\$'000	HK\$'000	HK\$'000
Types of goods			
Trading of			
– Toys	202,062	–	202,062
– Chinese health products	–	88,827	88,827
Total	<u>202,062</u>	<u>88,827</u>	<u>290,889</u>

For the year ended 31 March 2019

Segments	Continuing operations				Discontinued operations		
	OBM toys	Consumer electronic products	Chinese health products	Others	Total	OEM toys	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Types of goods							
Trading of							
– Toys	183,848	–	–	–	183,848	79,061	262,909
– Consumer electronic	–	41,811	–	–	41,811	–	41,811
– Chinese health products	–	–	154,660	–	154,660	–	154,660
– Others	–	–	–	5,153	5,153	–	5,153
Total	<u>183,848</u>	<u>41,811</u>	<u>154,660</u>	<u>5,153</u>	<u>385,472</u>	<u>79,061</u>	<u>464,533</u>

**For the period from 1 April 2019
to 31 December 2019**

Continuing operations

Segments	OBM toys	Chinese health products	Total
	HK\$'000	HK\$'000	HK\$'000
Geographical market			
– United States of America and Canada	194,675	–	194,675
– Europe (Note)	3,538	–	3,538
– Australia	222	–	222
– Hong Kong	2,910	88,827	91,737
– Korea	82	–	82
– Others	635	–	635
Total	<u>202,062</u>	<u>88,827</u>	<u>290,889</u>

For the year ended 31 March 2019							Discontinued operations
Segments	Continuing operations					Discontinued operations	
	OBM toys <i>HK\$'000</i>	Consumer electronic products <i>HK\$'000</i>	Chinese health products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	OEM toys <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical market							
- United States of America and Canada	172,998	-	-	-	172,998	13,440	186,438
- Europe (<i>Note</i>)	6,083	-	-	-	6,083	29,252	35,335
- China	-	41,811	-	5,153	46,964	3,163	50,127
- Australia	625	-	-	-	625	1,581	2,206
- Japan	-	-	-	-	-	18,975	18,975
- Hong Kong	2,987	-	154,660	-	157,647	12	157,659
- Korea	-	-	-	-	-	3,162	3,162
- Indonesia	-	-	-	-	-	1,768	1,768
- Others	1,155	-	-	-	1,155	7,708	8,863
Total	183,848	41,811	154,660	5,153	385,472	79,061	464,533

Note: The products are first exported to one of the European countries (the “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.

For the period from 1 April 2019 to 31 December 2019			
Continuing operations			
Segments	OBM toys <i>HK\$'000</i>	Chinese health products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition			
- At a point in time	202,062	88,827	290,889

For the year ended 31 March 2019							
Segments	Continuing operations					Discontinued operations	
	OBM toys <i>HK\$'000</i>	Consumer electronic products <i>HK\$'000</i>	Chinese health products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	OEM toys <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition							
- At a point in time	183,848	41,811	154,660	5,153	385,472	79,061	464,533

For the period from 1 April 2019 to 31 December 2019 Continuing operations			
Segments	OBM toys HK\$'000	Chinese health products HK\$'000	Total HK\$'000
Sales channels/market or type of customers			
– Retail/individual customers	–	61,412	61,412
– Wholesale/corporate customers	202,062	27,415	229,477
Total	202,062	88,827	290,889

For the year ended 31 March 2019							
Segments	Continuing operations				Discontinued operations		
	OBM toys HK\$'000	Consumer electronic products HK\$'000	Chinese health products HK\$'000	Others HK\$'000	Total HK\$'000	OEM toys HK\$'000	Total HK\$'000
Sales channels/market or type of customers							
– Retail/individual customers	–	–	107,729	–	107,729	–	107,729
– Wholesale/corporate	183,848	41,811	46,931	5,153	277,743	79,061	356,804
Total	183,848	41,811	154,660	5,153	385,472	79,061	464,533

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

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

- OBM toys: sale of own-brand 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

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

The Group disposed of the consumer electronic products segment during the current period to match its business strategy and improve its financial position. In the opinion of the directors of the Company, the disposal of consumer electronic products segment during the current period does not constitute a discontinued operation as it does not represent a separate major line of business of the Group during the current period and prior year.

The Group disposed of the OEM toys segment during the year ended 31 March 2019. The CODM considered the necessity of reporting the OEM toys segment separately under discontinued operations in accordance with HKFRS 5 as the OEM toys segment was a separate major line of business of the Group.

(a) Segment revenue and results

For the period from 1 April 2019 to 31 December 2019

	OBM toys HK\$'000	Chinese health products HK\$'000	Consumer electronic products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Reportable segment total HK\$'000	Others HK\$'000 (Note)	Total HK\$'000
Revenue to external customers	<u>202,062</u>	<u>88,827</u>	<u>-</u>	<u>21,470</u>	<u>(2,390)</u>	<u>309,969</u>	<u>-</u>	<u>309,969</u>
Segment (loss)/profit before income tax	<u>(7,376)</u>	<u>(18,421)</u>	<u>(22,199)</u>	<u>2,015</u>	<u>(60,791)</u>	<u>(106,772)</u>	<u>3,713</u>	<u>(103,059)</u>

For the year ended 31 March 2019

	Continuing operations							Discontinued operations		
	Consumer electronic products HK\$'000	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Reportable segment total HK\$'000 (Note)	Others HK\$'000	Total HK\$'000	OEM toys HK\$'000	Total HK\$'000	
Revenue to external customers	<u>183,848</u>	<u>41,811</u>	<u>154,660</u>	<u>23,258</u>	<u>42,885</u>	<u>446,462</u>	<u>5,153</u>	<u>451,615</u>	<u>79,061</u>	<u>530,676</u>
Segment (loss)/profit before income tax	<u>(24,926)</u>	<u>(15,785)</u>	<u>1,733</u>	<u>7,971</u>	<u>(1,855)</u>	<u>(32,862)</u>	<u>(3,375)</u>	<u>(36,237)</u>	<u>(34,667)</u>	<u>(70,904)</u>

Note:

Others reported above represents revenue and results generated by the sale of commercial kitchen products.

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Continuing operations		
– Reportable segment loss	(106,772)	(32,862)
– Other profit/(loss)	3,713	(3,375)
Discontinued operations		
– Segment loss	–	(34,667)
	<u>(103,059)</u>	<u>(70,904)</u>
Unallocated interest income	3	121
Gain on deemed disposal of bonds	–	2,410
Unallocated finance costs	(16,639)	(7,760)
Unallocated corporate expenses		
– Staff costs	(8,039)	(23,145)
– Legal and professional fee	(479)	(5,220)
– Others	–	(1,881)
Unallocated corporate income	<u>1,886</u>	<u>–</u>
Consolidated loss before income tax	<u><u>(126,327)</u></u>	<u><u>(106,379)</u></u>

(b) Segment assets and liabilities

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

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
Segment assets		
OBM toys	68,346	73,392
Consumer electronic products	–	6,928
Chinese health products	103,107	90,479
Money lending business	281,299	284,379
Investment in financial instruments	<u>138,811</u>	<u>231,990</u>
Segment assets	591,563	687,168
Unallocated corporate assets		
– Cash and cash equivalents	6,346	9,821
– Other receivables, deposits and prepayments	518	485
– Others	<u>–</u>	<u>318</u>
Consolidated total assets	<u><u>598,427</u></u>	<u><u>697,792</u></u>

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
Segment liabilities		
OBM toys	112,217	110,608
Consumer electronic products	–	55,520
Chinese health products	37,266	7,139
Money lending business	5,494	1,158
Others	–	22,329
	<hr/>	<hr/>
Segment liabilities	154,977	196,754
Unallocated corporate liabilities		
– Convertible loan notes	110,038	100,891
– Others	6,739	6,707
	<hr/>	<hr/>
Consolidated total liabilities	<u>271,754</u>	<u>304,352</u>

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

For the period from 1 April 2019 to 31 December 2019

	Continuing operations							Total HK\$'000
	OBM toys HK\$'000	Consumer electronic products HK\$'000	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Bank interest income	–	–	–	(164)	–	–	(3)	(167)
Interest expenses	1,393	–	834	189	–	–	16,639	19,055
Depreciation of property, plant and equipment	797	–	490	–	–	–	–	1,287
Depreciation of right-of-use assets	375	–	7,859	1,466	–	–	–	9,700
Impairment loss on right-of-use assets	–	–	5,778	–	–	–	–	5,778
Impairment loss on loans receivable	–	–	–	5,593	–	–	–	5,593
Impairment loss on trade and other receivables	2,603	–	–	–	–	–	–	2,603
Loss on disposal of subsidiaries, net	–	–	–	–	–	–	13,991	13,991
Fair value loss on financial assets at FVTPL, net	–	–	–	–	58,094	–	–	58,094
Impairment loss on intangible assets	–	–	5,094	–	–	–	–	5,094
Impairment loss on goodwill	–	–	614	–	–	–	–	614
Employee costs (including directors' remuneration)	6,017	–	15,926	8,416	–	–	8,039	38,398
Additions to property, plant and equipment	2,897	–	374	–	–	–	–	3,271
Other segment information regularly provided to CODM:								
Income tax (credit)/expense	(718)	–	(840)	1,177	–	–	928	547

For the year ended 31 March 2019

	Continuing operations							Discontinued operations		
	OEM toys HK\$'000	Consumer electronic products HK\$'000	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000	OEM toys HK\$'000	Total HK\$'000
Bank interest income	-	-	(3)	(427)	-	-	(121)	(551)	(2)	(553)
Interest expenses	700	352	21	-	-	6	7,760	8,839	2,720	11,559
Depreciation of property, plant and equipment	2,987	-	1,157	-	-	-	-	4,144	9	4,153
Impairment loss on property, plant and equipment	10,145	-	-	-	-	-	-	10,145	-	10,145
Impairment loss on inventories	-	8,008	-	-	-	-	-	8,008	-	8,008
Impairment loss on loans receivable	-	-	-	5,109	-	-	-	5,109	-	5,109
Impairment loss on trade and other receivables	3,505	-	-	-	-	-	-	3,505	-	3,505
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	(11,620)	(11,620)
Fair value loss on financial assets at FVTPL, net	-	-	-	-	42,509	-	-	42,509	-	42,509
Impairment loss on intangible assets	-	-	-	-	-	-	-	-	-	-
Impairment loss on goodwill	2,500	-	-	-	-	-	-	-	-	2,500
Employee costs (including directors' remuneration)	8,863	4,102	22,769	21,590	-	-	23,145	-	-	80,469
Additions to property, plant and equipment	6,360	-	247	-	-	-	-	6,607	505	7,112
Other segment information regulatory provided to CODM:										
Income tax credit/(expense)	(192)	-	(918)	-	-	-	(857)	(1,967)	-	(1,967)

(d) **Geographical information**

Information about the Group's revenue for the period from 1 April 2019 to 31 December 2019 and non-current assets at 31 December 2019 by geographical region, according to the location which the product is shipped and the location of assets, is as follows:

	Revenue HK\$'000	Non-current assets HK\$'000 (Note (i))
United States of America and Canada	194,675	679
Europe (Note (ii))	3,538	-
China	-	-
Australia	222	-
Hong Kong (Note (iii))	111,534	16,298
	309,969	16,977

For the year ended 31 March 2019

	Revenue <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i> <i>(Note (i))</i>
Continuing operations		
United States of America and Canada	172,998	2,037
Europe <i>(Note (ii))</i>	6,083	–
China	46,964	–
Australia	625	–
Hong Kong <i>(Note (iii))</i>	223,790	6,614
Indonesia	1,155	–
	<u>451,615</u>	<u>8,651</u>
Discontinued operations		
United States of America and Canada	13,440	–
Europe <i>(Note (ii))</i>	29,252	–
China	3,163	–
Australia	1,581	–
Japan	18,975	–
Hong Kong	12	–
Korea	3,162	–
Indonesia	1,768	–
Others	7,708	–
	<u>79,061</u>	<u>–</u>

Notes:

- (i) Excluding deferred tax assets and financial instruments.
- (ii) The products are first exported to one of the 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.
- (iii) Revenue from interest income, dividend income and sale of financial instruments are disclosed by location of operations.

(e) **Information on major customers:**

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	Period from 1 April 2019 to 31 December 2019 HK\$'000
Customer A ¹	53,846
Customer B ¹	<u>32,213</u>

¹ Included in the OBM toys segment.

None of the external customers contributed 10% or more of the Group's revenue during the year ended 31 March 2019.

4. OTHER INCOME, GAINS AND LOSSES, NET

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Continuing operations		
Bank interest income	167	551
Fair value loss on financial assets at FVTPL, net	(58,094)	(42,509)
Loss on disposal of subsidiaries, net	(13,991)	–
Loss on de-registration of a subsidiary	–	(19)
Gain on deemed disposal of bonds	–	2,410
Loss on disposal of property, plant and equipment	(247)	(126)
Impairment loss on loans receivable	(5,593)	(5,109)
Impairment loss on trade and other receivables	(2,603)	(3,505)
Exchange losses, net	–	(100)
Others, net	(1,885)	1,883
	<u>(82,246)</u>	<u>(46,524)</u>
Discontinued operations		
Bank interest income	–	2
Exchange losses, net	–	(1,313)
Others	–	94
	<u>–</u>	<u>(1,217)</u>

5. LOSS BEFORE INCOME TAX

(a) Continuing operations

Loss before income tax from continuing operations is arrived at after charging:

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Carrying amount of inventories sold	222,401	278,878
Impairment loss on inventories	–	8,008
	<hr/>	<hr/>
Costs of inventories recognised as expenses	222,401	286,886
Auditor's remuneration	2,152	2,354
Depreciation of property, plant and equipment	1,287	4,144
Depreciation of right-of-use assets	9,700	–
Employee costs (excluding directors' emoluments)	27,868	54,778
Directors' emoluments	10,530	25,691
Equity-settled share-based payment expenses, included in directors' emoluments	–	15,742
Research and development costs (included in general and administrative expenses)	2,250	10,209
Short-term leases expenses	4,619	–
Total minimum lease payments for leases in respect of properties previously classified as operating leases under HKAS 17	–	20,421
	<hr/> <hr/>	<hr/> <hr/>

(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 net assets of the Disposal Group were as follows:

	Period from 1 April 2018 to 30 January 2019 HK\$'000
Revenue	79,061
Expenses	(125,348)
	<hr/>
Loss before gain on disposal of operations and income tax	(46,287)
Gain on disposal of operations	11,620
	<hr/>
Loss before income tax from discontinued operations	(34,667)
Income tax	–
	<hr/>
Loss for the period from discontinued operations	(34,667)
	<hr/> <hr/>
Operating cash flows	19,814
Investing cash flows	(505)
Financing cash flows	(13,244)
	<hr/>
Total cash flows	(6,065)
	<hr/> <hr/>

The carrying amounts of the assets and liabilities of the Disposal Group at the date of completion of the disposal are disclosed in Note 16.

Reclassification of exchange differences to profit or loss of HK\$35,705,000 were recognised upon the disposal of the Disposal Group, being the proceeds of disposal less the carrying amount of the Disposal Group's net liabilities. As a result, a gain of HK\$11,620,000 was recognised. No tax charge or credit arose from the disposal.

6. FINANCE COSTS

	Period from 1 April 2019 to 31 December 2019 <i>HK\$'000</i>	Year ended 31 March 2019 <i>HK\$'000</i>
Total interest expenses for financial liabilities that are not at FVTPL:		
Continuing operations		
Interests on borrowings	1,341	1,079
Interest on lease liabilities	1,078	–
Interest on convertible loan notes	16,636	7,760
	<u>19,055</u>	<u>8,839</u>
Discontinued operations		
Interest on borrowings	–	2,720
	<u>–</u>	<u>11,559</u>

7. INCOME TAX EXPENSE/(CREDIT)

Provision for Hong Kong profits tax for a Company's subsidiary in Hong Kong for the current period is calculated at 8.25% on the estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of the estimated assessable profits over HK\$2,000,000. No Hong Kong profits tax was provided for the Company's other subsidiaries in Hong Kong for the prior year as they either did not derive any assessable profits or had estimated tax losses brought forward to offset against the estimated assessable profits.

No enterprise income tax has been provided as the Company's other subsidiaries in the PRC did not derive any assessable profits for the current period and prior year arising from the PRC.

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

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Continuing operations		
Current tax		
– Tax for the period/year	1,101	–
– Under-provision in respect of prior years	3,832	–
Deferred tax	<u>(4,386)</u>	<u>(1,967)</u>
Income tax expense/(credit)	<u>547</u>	<u>(1,967)</u>
Discontinued operations		
Deferred tax		
– current period/year	<u>–</u>	<u>–</u>
Income tax	<u>–</u>	<u>–</u>

8. DIVIDENDS

The directors do not recommend any dividend in respect of the period from 1 April 2019 to 31 December 2019 (year ended 31 March 2019: Nil).

9. LOSS PER SHARE

	Period from 1 April 2019 to 31 December 2019 HK cents	Year ended 31 March 2019 HK cents
Continuing operations		
Basic loss per share	<u>(1.53)</u>	<u>(0.72)</u>
Diluted loss per share (<i>Note</i>)	<u>(1.53)</u>	<u>(0.72)</u>
Discontinued operations		
Basic loss per share	<u>–</u>	<u>(0.41)</u>
Diluted loss per share (<i>Note</i>)	<u>–</u>	<u>(0.41)</u>

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

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
Loss for the period/year attributable to owners of the Company from continuing operations, used in the basic and diluted loss per share calculations	<u>(124,345)</u>	<u>(60,649)</u>
Loss for the period/year attributable to owners of the Company from discontinued operations, used in the basic and diluted loss per share calculations	<u>–</u>	<u>(34,667)</u>
	At 31 December 2019	At 31 March 2019
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>8,107,954,545</u>	<u>8,451,280,603</u>

Note: No adjustment is made in arriving at diluted loss per share for the period from 1 April 2019 to 31 December 2019 as the effect of all potential ordinary shares from convertible loan notes outstanding is anti-dilutive, No adjustment is made in arriving at diluted loss per share for the year ended 31 March 2019 as the effect of all potential ordinary shares from share options granted and convertible loan notes issued during the year was anti-dilutive.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
Equity securities listed in Hong Kong – at fair value		
– Non-current portion (<i>Note (a)</i>)	18,306	38,905
– Current portion (<i>Note (b)</i>)	<u>120,275</u>	<u>189,117</u>

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.

Notes:

- (a) At 31 December 2019 and 31 March 2019, the non-current portion of the Group's financial assets at FVTPL represented 28% interest in Global Mastermind Capital Limited ("GMC") at the closing price as quoted on the Stock Exchange on the respective reporting date.

The Group's interest in this company is not classified as a subsidiary or an associate as the Group does not have the power to control or significantly influence to participate in its operating and financing policies, evidenced by lack of any direct or indirect involvement at board level.

- (b) The equity securities are classified as financial assets at FVTPL as they have been acquired principally for the purpose of selling in near term, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Changes in their fair values are recognised in profit or loss (Note 4).

11. LOANS RECEIVABLE

The carrying amount of loans receivable from money lending business of the Group was as follows:

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
Loans receivable arising from money lending business	274,533	265,725
Less: impairment	<u>(10,702)</u>	<u>(5,109)</u>
	<u>263,831</u>	<u>260,616</u>

As at 31 December 2019, loans receivable of HK\$64,807,000 are secured by a share charge of a company incorporated in the British Virgin Island and of HK\$199,024,000 are unsecured. All the loans receivable are interest-bearing at fixed rates ranging from 8%-15% per annum. As at 31 March 2019, the loans receivable are unsecured, interest-bearing at fixed rates ranging from 8%-15% per annum.

The maturity profile of the loans receivable, net of impairment loss recognised, if any, at the end of the reporting period, analysed by the remaining period to its contracted maturity, is as follows:

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
Within 1 year	248,831	200,616
Over 1 year	<u>15,000</u>	<u>60,000</u>
	<u>263,831</u>	<u>260,616</u>

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
Trade receivables	39,494	40,941
Other receivables		
– Deposits and other receivables	7,332	10,860
– Prepayments	4,433	10,100
	51,259	61,901

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

	At 31 December 2019 HK\$'000	At 31 March 2019 HK\$'000
0-90 days	37,412	38,184
91-180 days	1,089	934
181-365 days	695	167
Over 365 days	298	1,656
	39,494	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 (31 March 2019: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

- (b) As at 31 December 2019, trade receivables of HK\$27,689,000 (31 March 2019: HK\$29,450,000) and other receivables, deposits and prepayments of HK\$9,110,000 (31 March 2019: Nil) respectively were pledged to secure designated banking facility and borrowing.

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	At 31 December 2019 <i>HK\$'000</i>	At 31 March 2019 <i>HK\$'000</i>
Trade payables	97,699	39,305
Other payables and accrued charges	19,964	52,763
	<u>117,663</u>	<u>92,068</u>

The Directors consider that the carrying amounts of trade payables, other payables and accrued charges approximate their fair value as at 31 December 2019 and 31 March 2019.

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	At 31 December 2019 <i>HK\$'000</i>	At 31 March 2019 <i>HK\$'000</i>
0-90 days	23,376	10,597
91-180 days	155	11,661
181-365 days	–	1,777
Over 365 days	74,168	15,270
	<u>97,699</u>	<u>39,305</u>

14. CONVERTIBLE LOAN NOTES

On 8 October 2018 (the “Issue Date”), the Company issued initially 8% straight bonds with a principal amount of HK\$120,000,000 with conditional conversion rights (the “Conversion Rights”). The bonds mature two years from the Issue Date at their principal amount, or subject to the satisfaction of certain conditions precedent in relation to the Conversion Rights (the “CB Conditions Precedent”), can be converted into ordinary shares of the Company at the holder’s option (the “Conversion Option”) at the fixed rate of HK\$0.1 per share. On 22 November 2018 (the “Change Date”), the Conditions Precedent have been fulfilled and the straight bonds were changed to 6% convertible loan notes embedded with the rights of early redemption by the Company (the “Redemption Rights”). The convertible loan notes are denominated in Hong Kong dollars. Further details of the convertible loan notes were set out in the Company’s announcements dated 8 October 2018 and 22 November 2018.

The convertible loan notes contain the Redemption Rights that allow the Company as the issuer to redeem the convertible loan notes at par together with accrued interests at any time during the life of the convertible loan notes. The redemption price is substantially equal to the amortised cost of the liability component of the convertible loan notes. Accordingly, the Redemption Rights are considered to be ‘closely related’ to the liability component of the convertible loan notes, and the Redemption Right is therefore not separately recognised from the liability component of the convertible loan notes.

The Management considered the terms of the convertible loan notes met the ‘fixed-for-fixed’ criterion. Therefore, the Conversion Option is recognised as equity component of the convertible loan notes.

The fair values of the liability component and the equity conversion component were determined at the Change Date. The fair value of the liability component, included in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible loan notes. The residual amount, representing the value of the equity conversion component, is included in shareholders’ equity net of deferred income taxes.

The convertible loan notes recognised in the consolidated statement of financial position are calculated as follows:

	2019 <i>HK\$’000</i>
Equity component of convertible loan notes on the Change Date	19,835
Equity component of convertible loan notes as at 31 March and 31 December	<u>19,835</u>
The Change Date	94,288
Interest expense	<u>6,603</u>
Liability component at 31 March under non-current liabilities	100,891
Interest expense	16,636
First coupon payment	<u>(7,489)</u>
Liability component at 31 December under current liabilities	<u>110,038</u>

Interest expense on the convertible loan notes is calculated using the effective interest method by applying the effective interest rate of 9% to the liability component.

15. SHARE CAPITAL

	Authorised			
	Convertible cumulative redeemable preference shares of US\$100,000 each Number of Shares	US\$'000	Ordinary shares of HK\$0.1 each Number of shares	'000 HK\$'000
At 1 April 2018, 31 March 2019 and 1 April 2019 and 31 December 2019	40	4,000	15,000,000	1,500,000
	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US\$100,000 each Number of shares	US\$'000	Ordinary shares of HK\$0.10 each Number of shares	'000 HK\$'000
At 1 April 2018	–	–	7,101,308	710,131
Issue of new shares upon placing	–	–	1,420,000	142,000
At 31 March 2019	–	–	8,521,308	852,131
Repurchase of shares (<i>Note</i>)	–	–	(655,850)	(65,585)
At 31 December 2019	–	–	7,865,458	786,546

Note:

During the period from 1 April 2019 to 31 December 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		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
June 2019	77,750	0.039	0.038	3,030
July 2019	578,100	0.050	0.039	25,890
	655,850			28,920

The repurchase was governed by the applicable laws of the Cayman Islands. During the period from 1 April 2019 to 31 December 2019, the above ordinary shares were repurchased and cancelled. The total amount paid on the repurchase of the shares was HK\$28,920,000 (year ended 31 March 2019: Nil) and accordingly HK\$65,585,000 was deducted from share capital and the difference of HK\$36,665,000 was credited to accumulated losses.

16. DISPOSAL OF SUBSIDIARIES

(a) Disposals during the period from 1 April 2019 to 31 December 2019

Name of entities	Disposal date
Notton Limited (<i>Note (i)</i>)	26 September 2019
Keytime Global Limited (<i>Note (ii)</i>)	27 October 2019

- (i) On 26 September 2019, the Group entered into a sale and purchase agreement to dispose of the entire equity interests in Notton Limited. The purchaser is a connected person of the subsidiary level of the Company under Chapter 14A of the Listing Rules. 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:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Inventories	301
Cash and cash equivalents	1
Trade and other payables	(18,142)
Tax payables	(3,236)
	<hr/>
Net liabilities	(21,076)
NCI	5,872
Release of exchange reserve upon disposal of subsidiaries	11,154
Gain on disposal of subsidiaries	4,051
	<hr/>
Total consideration	<u>1</u>
Satisfied by:	
Cash	<u>1</u>
Net cash inflows arising from disposal of subsidiaries:	
Cash consideration	1
Cash and bank balances disposed of	(1)
	<hr/>
	<u>–</u>

- (ii) On 27 October 2019, the Group entered into a sale and purchase agreement to dispose of the entire equity interests in Keytime Global Limited. 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 consumer electronic products business, passed to the acquirer. The net liabilities of the disposed subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Cash and cash equivalents	1,369
Trade and other payables	(56,619)
Short term bank loan	(1,625)
Tax recoverable	1,041
	<hr/>
Net liabilities	(55,834)
NCI	49,940
Release of exchange reserve upon disposal of subsidiaries	23,937
Loss on disposal of subsidiaries	(18,042)
	<hr/>
Total consideration	<u>1</u>
Satisfied by:	
Cash	<u>1</u>
Net cash outflows arising from disposal of subsidiaries:	
Cash consideration	1
Cash and bank balances disposed of	(1,369)
	<hr/>
	<u>(1,368)</u>

(b) Disposal during the year ended 31 March 2019

On 30 January 2019, the Group disposed of the Disposal Group which engaged in manufacturing and sale of OEM toys. The net liabilities of OEM toys segment at the date of disposal were as follows:

	30 January 2019 <i>HK\$'000</i>
Property, plant and equipment	74,369
Inventories	18,882
Trade and other receivables, deposits and prepayment	31,621
Cash and cash equivalents	2,861
Tax recoverable	555
Trade and other payables	(109,866)
Bank borrowings	(51,310)
Deferred tax liabilities	(14,436)
	<hr/>
Net liabilities	(47,324)
Exchange differences reclassified to profit or loss	35,704
	<hr/>
Gain on disposal of subsidiaries included in loss for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income	11,620
	<hr/>
Total consideration	<u>1</u>
Satisfied by:	
Cash	<u>1</u>
Net cash outflow arising on disposal:	
Cash consideration	1
Cash and bank balances disposed of	(2,861)
	<hr/>
	<u>(2,860)</u>

17. EVENTS AFTER THE REPORTING PERIOD

Effect assessment of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole world. The epidemic will impact the overall economy as well as the Group, especially on the business operations of the Chinese health products segment and the demand of OBM toys from North America and Europe. Therefore, the Group's operations and revenue may be negatively affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Company will closely monitor the situation, and assess its impacts on the Group's financial position and operating results. As of the date of this announcement, such assessment is still ongoing.

CORPORATE INFORMATION

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

RESULTS

The Board announced on 2 December 2019 that the financial year end date of the Group had been changed from 31 March to 31 December.

The above change was to align with the financial year end date of the Company's substantial shareholder which have a significant influence over the Company and whose accounts are to be closed at the financial year end date of 31 December. The Board considers that this change will minimise the resources, such as audit fee, applied for the preparation of the audited consolidated financial statements of the Group arising from the difference in the financial year end dates of the Company and its above mentioned substantial shareholder.

On account of this change of its financial year end date, the Company hereby announces its annual results for the nine months ended 31 December 2019 (the "Reporting Period" or "FP19"). For the Reporting Period, the Group's turnover from continuing operations decreased by approximately ("approx.") 31% to approx. HK\$310 million, compared with approx. HK\$452 million for the year ended 31 March 2019 (the "FY18/19" or "Corresponding Period").

Gross profit margin from continuing operations for the Reporting Period was approx. 28% compared to approx. 36% in the Corresponding Period. Overall, loss attributable to owners of the Company was approx. HK\$124 million compared with HK\$95 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2019 (FY18/19: Nil).

BUSINESS REVIEW

During the Reporting Period, revenue from continuing operations decreased due to (1) the decrease in sales from consumer electronic products segment by approximately HK\$42 million as a result of the disposal of the segment during the Reporting Period; (2) the decrease in revenue from the Chinese health product segment from HK\$155 million in FY 18/19 to HK\$89 million in the Reporting Period; and (3) the investment in financial instruments segment recognised realised loss of approx. HK\$2 million (FY18/19: realised gain of approx. HK\$43 million) during the Reporting Period.

The Group recorded an increase in loss for the nine months ended 31 December 2019 as compared to the year ended 31 March 2019. The increase in loss was mainly due to (i) significant increase in impairment loss and fair value loss on financial instruments; (ii) loss on disposal of subsidiaries engaged in the consumer electronic products business; (iii) an increase in loans receivable provision of the money lending segment of the Group.

Chinese Health Products

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

During the Reporting Period, this segment had contributed revenue of approx. HK\$89 million (FY18/19: HK\$155 million) and segment loss of approx. HK\$18 million (including the impairment losses of non-current assets of approximately HK\$11 million) (FY18/19: segment profit of approximately HK\$2 million). As at 31 December 2019, there were 11 (31 March 2019: 11) retail shops of Nam Pei Hong.

The decrease in revenue in this segment was mainly a result of the poor consumer sentiment in the Hong Kong retail industry during the Reporting Period.

OBM Toy

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 approximately 10% overall due to the much improved market condition in the United States and the favorable market respond to our new line of products. Sales for the nine months ended 31 December 2019 increased approx. 10% from approx. HK\$184 million for the year ended 31 March 2019 to approx. HK\$202 million for the nine months ended 31 December 2019.

The sales increase was mainly due to reducing prices and lowering margins in order to enlarge 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. 96% of the segment turnover (FY18/19: 94%).

For the nine months ended 31 December 2019, North America remained our major destination for the Group’s OBM toys, with shipments amounting to approx. HK\$195 million compared to HK\$173 million for year ended 31 March 2019, accounted for approx. 63% (FY18/19: 38%) of the Group’s total revenue from continuing operations.

In view of the increased OBM toy sales mainly in the United States of America, account receivables increased from approx. HK\$31 million as at 31 March 2019 to approx. HK\$34 million as at 31 December 2019.

Money Lending

During the Reporting Period, the Group's money lending business generated interest income on loans amounting to approximately HK\$21 million (FY18/19: HK\$23 million), and reported a segment profit (before taxation) of approximately HK\$2 million (FY18/19: HK\$8 million). The average monthly outstanding balance of loans receivable in the Reporting Period was approximately HK\$188 million (FY18/19: HK\$221 million). During the Reporting Period, the Group granted new loans in the aggregate principal amount of approximately HK\$123 million to 5 customers. The Group's customers made drawings in the aggregate principal amount of HK\$268 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\$11 million (31 March 2019: HK\$5 million) was recognised based on a valuation prepared by an independent professional valuer. The reduction of the loans receivable portfolio and the increase in loans receivable allowance was a result of the downturn of Hong Kong economy during the Reporting Period.

Investment in Financial Instruments

During the Reporting Period, the Group's investment in financial instruments business generated dividend income and realised loss on sale of financial instruments amounting to net loss of approximately HK\$2 million (FY18/19: gain of HK\$43 million), and reported a segment loss of approximately HK\$61 million (FY18/19: HK\$2 million) including (i) a loss of approximately HK\$58 million (FY18/19: HK\$43 million) arising on change in fair value of financial assets at fair value through profit or loss; and (ii) a realised loss of approximately HK\$3 million (FY18/19: realised gain of HK\$43 million) by disposal of certain listed equities.

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

	Period from 1 April 2019 to 31 December 2019 HK\$'000	Year ended 31 March 2019 HK\$'000
At beginning of period/year	228,022	232,722
Acquisitions	710	196,304
Loss arising on change in fair value	(58,094)	(42,509)
Disposals	(32,057)	(158,495)
	<hr/> 138,581 <hr/>	<hr/> 228,022 <hr/>
At end of period/year		

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2019 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of	Number of	Fair value at	Fair value as	Fair value
		shares at	shares held at	31 December	compared to	gain/(loss)
		31 December	31 December	31 December	the consolidated	recognised
		2019	2019	2019	total assets of	during the
		HK\$'000	'000	HK\$'000	the Group at	nine months
					31 December	ended
					2019	31 December
					2019	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, energy investment fund management as well as investment in energy-related and other industries and businesses	44,000	40,000	40,400	7%	(5,200)
Global Mastermind Capital Limited (stock code: 905)	Investment in listed and unlisted financial instruments	87,975	195,560	18,306	3%	(21,310)
Yunfeng Financial Group Limited (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	26,868	4%	(8,880)

Details of certain significant Hong Kong listed equities held by the Group at 31 March 2019 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of	Number of	Fair value at	Fair value as	Fair value
		shares at	shares held at	31 March 2019	compared to	gain/(loss)
		31 March 2019	31 March 2019	31 March 2019	the consolidated	recognised
		31 March 2019	31 March 2019	31 March 2019	total assets of	during
		HK\$'000	'000	HK\$'000	the Group at	the year ended
					31 March 2019	31 March 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	45,600	7%	1,600
Global Mastermind Capital Limited (stock code: 905)	Investment in listed and unlisted companies in Hong Kong and in the PRC	87,975	195,500	38,905	6%	(17,791)
Yunfeng Financial Group Limited (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	35,748	5%	1,615

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a decrease in revenue from continuing operations for approx. 31% from approx. HK\$452 million for the year ended 31 March 2019 to approx. HK\$310 million for the nine months ended 31 December 2019. The decrease was due to (1) the disposal of consumer electronic products segment during the Reporting Period which generated approximately HK\$42 million in FY18/19; (2) the decrease in revenue from sales the Chinese health product segment from HK\$155 million in FY18/19 to HK\$89 million in the Reporting Period; and (3) the investment in financial instruments segment recognised realised loss of approx. HK\$2 million (FY18/19: realised gain of approx. HK\$43 million) during the Reporting Period.

Cost of goods sold (“COGS”) from continuing operations decreased by approx. 23% compared to FY18/19. The decrease was attributable to the corresponding decrease in revenue as mentioned above during the Reporting Period. The COGS were approx. HK\$222 million in FP19 compared with approx. HK\$287 million in FY18/19.

The gross profit decreased to approx. HK\$88 million for the Reporting Period versus approx. HK\$165 million in FY18/19. Gross profit margin decreased to approx. 28% (FY18/19: 36%) because of the higher gross profit margin contributed from the investment in financial instruments segment in FY18/19.

Other income, gains and losses, net from continuing operations for the nine months ended 31 December 2019 amounted to loss of approx. HK\$82 million, resulting in an increase of approx. 74% as compared with the Corresponding Period (FY18/19: loss of HK\$47 million). Other income, gains and losses, net mainly included (1) fair value loss on financial assets at fair value through profit or loss of HK\$58 million (FY18/19: HK\$43 million); (2) impairment loss on loans receivable of HK\$6 million (FY18/19: HK\$5 million); and (3) loss on disposal of subsidiaries of HK\$14 million (FY18/19: Nil) during the Reporting Period.

Selling and distribution expenses from continuing operations for the nine months ended 31 December 2019 decreased to approx. HK\$59 million, representing a decrease of approx. 32% against approx. HK\$87 million in the Corresponding Period. The decrease in selling and distribution expenses was in line with the decrease in revenue during the Reporting Period.

General and Administrative expenses from continuing operations for the nine months ended 31 December 2019 amounted to approx. HK\$42 million, resulting in a decrease of approx. 49% as compared with the previous year (FY18/19: HK\$82 million) which was in line with the decrease in revenue and decrease in the marketing expenses in the Chinese health products segment.

The goodwill of approx. HK\$1 million was written down in the Reporting Period. The recoverable amounts of the cash-generating units (“CGU”) of the Chinese health products business has been determined from value in use calculations by an independent third party valuer based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (FY18/19: 2%), which does not exceed the long-term growth rate for the industry in the corresponding country. Management reassessed the recoverable amount of the CGU of the Chinese health products business as at 31 December 2019 by reference to the discounted cash flow calculations. As at 31 December 2019, the value in use of the CGU of the Chinese health products business was approximately HK\$39 million which is lower than the carrying amount of approximately HK\$51 million. Since the Chinese health products business has recorded losses in the Reporting Period, management was of the opinion that an impairment loss for goodwill of HK\$1 million should be recognised. An additional impairment loss of HK\$5 million was allocated to intangible assets and HK\$6 million was allocated to right-of-use assets.

Finance costs from continuing operations incurred mainly for convertible loan notes, interest on lease and bank borrowing for the OBM toys segment during the Reporting Period was approx. HK\$19 million as compared with approx. HK\$9 million in FY18/19.

All in all, the Group recorded a loss attributable to shareholders of approx. HK\$124 million in the Reporting Period compared with approx. HK\$95 million in FY18/19.

RESULT OF DISCONTINUED OPERATION

Loss for the year from discontinued operation in FY18/19 amounted to HK\$35 million, which represents (1) the results of the OEM Toys segment for the period from 1 April 2018 to 30 January 2019, being the date on which the companies in the OEM Toys segment ceased to be subsidiaries of the Company; and (2) gain on disposal of the OEM Toys segment of HK\$12 million.

PLANS AND PROSPECTS

Chinese Health Products

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

As a result of the local social unrest since June 2019 and the recent Coronovirus outbreak globally, the number of tourists visiting Hong Kong has reduced and some of our shops were occasionally closed for business. As such, both demand from tourists and local demand on Chinese Health products decreased during the Reporting Period.

Despite the difficult business environment on the current retail market, the Group will continue to develop its retail business of “Sum Yung” (參茸) dried seafood products and other healthy food products in Hong Kong with an aim to broaden its revenue base especially to the youth generation and middle class consumers. The Group expects the number of tourists to Hong Kong will rebound as soon as the situation in relation to the Coronavirus becomes stable to have a positive future impact on the retail market of Hong Kong and the Group’s performance on Chinese health products.

OBM Toys

Kid Galaxy has started getting commitments from our current major customers for 2020. We are in hope of keeping the similar amount of business with some of our first tier customers like Walmart, Sam's Club, Costco & Tractor Supply. However, with the global outbreak of the Coronavirus, Kid Galaxy will lower our sales forecasts for 2020. Although it is still too early to predict the full impact of the crisis on our business, the Coronavirus outbreak unfortunately already started hurting our first quarter business in 2020.

Kid Galaxy is reliant on China for its manufacturing heavily. With the affect of the Coronavirus, our Chinese vendors may open for business, but production lines are not necessarily running in full capacity. The Coronavirus, therefore, has the potential to disrupt our supply chain. Fortunately, we had started shifting some of the production from our Chinese suppliers to an Indonesia manufacturer in 2019. With this change, Kid Galaxy does not need to 100% count on their supplies from China.

Another positive change, we are partnering with a major third party on-line reseller in 2020 to increase our on-line sales.

Money Lending

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 Reporting Period and the Group's loans receivable together with accrued interest receivables increased slightly to HK\$264 million (31 March 2019: HK\$261 million). The Group expect the business environment for money lending to be difficult given the current Coronavirus outbreak because many economic activities could not be carried out normally. The Group will be more cautious by strengthening its credit policy and risk control policy.

Investment in financial instruments

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

Business Portfolio Management

The current business strategies of the Group with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification have been continuously evaluated. The Company has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value through making investments and/or acquiring business or projects that have promising outlooks and prospects.

GROUP RESOURCES AND LIQUIDITY

As at 31 December 2019, the Group's cash and bank balances were approx. HK\$55 million (31 March 2019: HK\$55 million). The Group's total bank borrowings and convertible loan notes were approx. HK\$19 million (31 March 2019: HK\$13 million) and HK\$110 million (31 March 2019: HK\$101 million), respectively. Gearing ratio, calculated as the total borrowings divided by shareholders' equity was approx. 39% as at 31 December 2019 (31 March 2019: 29%). As at 31 December 2019, the Group recorded total current assets of approx. HK\$545 million (31 March 2019: HK\$588 million) and total current liabilities of approx. HK\$264 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. 206% (31 March 2019: 295%). 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\$327 million as at 31 December 2019. The decrease was mainly due to shares repurchased by the Company and the operating loss of the Group during the Reporting Period.

EMPLOYEES

As at 31 December 2019, the Group had approx. 120 employees and contract workers based in Hong Kong headquarters, Macau office 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.

CORPORATE GOVERNANCE CODE

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

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

Save for the deviation from code A.6.7 which are explained below, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the nine months ended 31 December 2019.

CODE PROVISION A.6.7

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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the nine months ended 31 December 2019. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31 December 2019, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Month of cancellation	No. of ordinary share of HK\$0.10 each '000	Price per share		Aggregate consideration paid HK\$'000
			Highest HK\$	Lowest HK\$	
June 2019	July 2019	77,750	0.039	0.038	3,030
July 2019	July-August 2019	578,100	0.050	0.039	25,889
December 2019	January 2020	21,050	0.036	0.031	711
		<u>676,900</u>			<u>29,630</u>

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.

DIVIDENDS

The Directors do not recommend any dividend in respect of the nine months ended 31 December 2019 (year ended 31 March 2019: Nil).

AUDIT COMMITTEE

The Audit Committee had reviewed (together with the management and external auditor) the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the period from 1 April 2019 to 31 December 2019.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period from 1 April 2019 to 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT

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

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

Hong Kong, 20 March 2020

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.