

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 348)

### **UNAUDITED INTERIM RESULTS** **FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (the “**Board**” or “**Directors**”) of China Healthwise Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period for the six months ended 30 September 2019. These interim consolidated financial statements have not been audited but have been reviewed by the Company’s Audit Committee.

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

*For the Six Months Ended 30 June 2020*

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2020</b>	<b>For the six months ended 30 September 2019</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
Revenue	4	<b>117,838</b>	239,836
Cost of sales		<b>(71,735)</b>	(183,339)
<b>Gross profit</b>		<b>46,103</b>	56,497
Other revenue, gains and losses, net	4	<b>(23,637)</b>	(55,759)
Selling and distribution expenses		<b>(25,640)</b>	(37,971)
General and administrative expenses		<b>(23,858)</b>	(25,901)
Finance costs	5	<b>(13,215)</b>	(12,365)
<b>Loss before income tax</b>	6	<b>(40,247)</b>	(75,499)
Income tax credit/(expense)	7	<b>1,630</b>	(3,549)

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2020 HK\$'000</b>	<b>For the six months ended 30 September 2019 HK\$'000</b>
	<i>Notes</i>		
Loss for the period		<b>(38,617)</b>	(79,048)
<b>Other comprehensive (loss)/income for the period, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising from translation of foreign operations		<b>(10)</b>	(1,901)
– Exchange difference reclassified to profit or loss upon disposal of subsidiaries		–	11,154
		<u>          </u>	<u>          </u>
Other comprehensive (loss)/income for the period, net of tax		<b>(10)</b>	9,253
		<u>          </u>	<u>          </u>
Total comprehensive loss for the period		<b><u>(38,627)</u></b>	<b><u>(69,795)</u></b>
Loss for the period attributable to:			
Owners of the Company		<b>(38,617)</b>	(76,977)
Non-controlling interests		–	(2,071)
		<u>          </u>	<u>          </u>
		<b><u>(38,617)</u></b>	<b><u>(79,048)</u></b>
Total comprehensive loss for the period attributable to:			
Owners of the Company		<b>(38,627)</b>	(77,359)
Non-controlling interests		–	7,564
		<u>          </u>	<u>          </u>
		<b><u>(38,627)</u></b>	<b><u>(69,795)</u></b>
Loss per share attributable to owners of the Company			
– Basic	9	<b>(0.49) cents</b>	(0.93) cents
– Diluted	9	<b>N/A</b>	N/A
		<u>          </u>	<u>          </u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

		Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>5,127</b>	4,903
Right-of-use assets	<i>10</i>	<b>5,868</b>	12,074
Loans receivable	<i>11</i>	<b>64,500</b>	15,000
Financial assets at fair value through profit or loss	<i>12</i>	<b>3,971</b>	18,306
Deferred tax assets		<b>4,846</b>	3,569
		<b>84,312</b>	53,852
<b>Current assets</b>			
Inventories		<b>67,303</b>	68,939
Trade and other receivables, deposits and prepayments	<i>13</i>	<b>53,366</b>	51,259
Loans receivable	<i>11</i>	<b>217,878</b>	248,831
Financial assets at fair value through profit or loss	<i>12</i>	<b>106,714</b>	120,275
Tax recoverable		–	9
Pledged bank deposit		–	8,190
Cash and cash equivalents		<b>24,668</b>	47,072
		<b>469,929</b>	544,575
<b>Current liabilities</b>			
Trade and other payables and accrued charges	<i>14</i>	<b>116,223</b>	117,663
Lease liabilities		<b>6,256</b>	12,034
Borrowings	<i>15</i>	<b>36,013</b>	18,685
Tax payable		<b>6,152</b>	5,158
Convertible loan notes		<b>99,876</b>	110,038
		<b>264,520</b>	263,578

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Net current assets</b>		<u><b>205,409</b></u>	<u>280,997</u>
<b>Total assets less current liabilities</b>		<u><b>289,721</b></u>	<u>334,849</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>6,092</b>	6,256
Deferred tax liabilities		<b>575</b>	1,920
		<u><b>6,667</b></u>	<u>8,176</u>
<b>Net assets</b>		<u><b>283,054</b></u>	<u>326,673</u>
<b>EQUITY</b>			
Share capital	<i>16</i>	<b>775,306</b>	786,546
Reserves		<b>(492,252)</b>	(459,873)
<b>Total equity</b>		<u><b>283,054</b></u>	<u>326,673</u>

# 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 period from 1 April 2019 to 31 December 2019 (the “**2019 annual financial statements**”), except for those additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) as disclosed in note 2 and application of accounting policy which became relevant to the Group as described below:

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “Other revenue, gains and losses, net”.

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 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.

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.

Accordingly, the comparative figures presented for the unaudited condensed consolidated statement of profit or loss and other comprehensive income and related notes, which covers a six-month period from 1 April 2019 to 30 September 2019, are not comparable with those of the current interim period which covers a six-month period from 1 January 2020 to 30 June 2020.

## 2. Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of unaudited condensed consolidated interim financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19-Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

### **Impacts and accounting policies on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions**

#### ***Accounting policies***

##### *Leases*

##### COVID-19-related rent concessions

Rent concessions relation to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

#### ***Transition and summary of effects***

The Group has early applied the amendment in current interim period. The application has no impact to the opening accumulated losses at 1 January 2020. The Group recognised changes in lease payments resulted from rent concessions of HK\$1,170,000 in profit or loss for the current interim period.

### 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.

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

The Group is principally engaged in sale of toys, 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:

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June</b>	30 September
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers		
Sale of goods	<b>102,637</b>	227,973
Interest income	<b>15,201</b>	14,263
Dividend income and gain or loss on disposal of financial instruments, net	–	(2,400)
	<b>117,838</b>	239,836
Other revenue, gains and losses, net		
Interest income	<b>8</b>	127
Fair value loss on financial assets at fair value through profit or loss	<b>(18,090)</b>	(51,304)
Gain on disposal of subsidiaries	–	4,051
Impairment loss on loans, trade and other receivables, net	<b>(7,736)</b>	(8,232)
Government grants	<b>800</b>	–
Rent concessions	<b>1,170</b>	–
Others	<b>211</b>	(401)
	<b>(23,637)</b>	(55,759)
	<b>94,201</b>	184,077

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

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

Consumer electronic products segment was disposed on 27 October 2019.

(a) **Segment revenue and results**

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2020 and 30 September 2019. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' (loss)/profit that is used by the CODM for assessment of segment performance.

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

	OBM toys <i>HK\$'000</i> (Unaudited)	Chinese health products <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Investment in financial instruments <i>HK\$'000</i> (Unaudited)	Reportable segment total <i>HK\$'000</i> (Unaudited)
Revenue to external customers	<u>44,641</u>	<u>57,996</u>	<u>15,201</u>	<u>-</u>	<u>117,838</u>
Segment loss before income tax	<u>(3,691)</u>	<u>(2,146)</u>	<u>(1,710)</u>	<u>(18,641)</u>	<u>(26,188)</u>

**For the six months ended 30 September 2019**

	OBM toys <i>HK\$'000</i> (Unaudited)	Consumer electronic products <i>HK\$'000</i> (Unaudited)	Chinese health products <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Investment in financial instruments <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Reportable segment total <i>HK\$'000</i> (Unaudited)
Revenue to external customers	<u>179,172</u>	<u>-</u>	<u>48,801</u>	<u>14,263</u>	<u>(2,400)</u>	<u>-</u>	<u>239,836</u>
Segment (loss)/profit before income tax	<u>(7,883)</u>	<u>(3,300)</u>	<u>(5,515)</u>	<u>8,177</u>	<u>(53,995)</u>	<u>3,712</u>	<u>(58,804)</u>

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 <i>HK\$'000</i></b>	<b>For the six months ended 30 September 2019 <i>HK\$'000</i></b>
Reportable segment loss	<u>(26,188)</u>	<u>(58,804)</u>
Interest income	<b>8</b>	127
Exchange losses, net	<b>(81)</b>	-
Unallocated finance costs	<b>(9,141)</b>	(11,144)
Unallocated corporate expenses		
– Staff costs	<b>(3,511)</b>	(2,775)
– Legal and professional fee	<b>(1,043)</b>	(563)
– Others	<b>(291)</b>	(2,340)
Consolidated loss before income tax	<u><b>(40,247)</b></u>	<u>(75,499)</u>

(b) **Segment assets and liabilities**

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

At 30 June 2020

	OBM toys <i>HK\$'000</i> (Unaudited)	Chinese health products <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Investment in financial instruments <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	<u>71,380</u>	<u>81,231</u>	<u>288,451</u>	<u>111,211</u>	552,273
Unallocated corporate assets					<u>1,968</u>
Consolidated total assets					<u>554,241</u>
Segment liabilities	<u>118,944</u>	<u>23,384</u>	<u>5,080</u>	<u>23,322</u>	170,730
Unallocated corporate liabilities					<u>100,457</u>
Consolidated total liabilities					<u>271,187</u>

At 31 December 2019

	OBM toys <i>HK\$'000</i> (Audited)	Chinese health products <i>HK\$'000</i> (Audited)	Money lending business <i>HK\$'000</i> (Audited)	Investment in financial instruments <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	<u>68,346</u>	<u>103,107</u>	<u>281,299</u>	<u>138,811</u>	591,563
Unallocated corporate assets					<u>6,864</u>
Consolidated total assets					<u>598,427</u>
Segment liabilities	<u>112,217</u>	<u>37,266</u>	<u>5,494</u>	<u>–</u>	154,977
Unallocated corporate liabilities					<u>116,777</u>
Consolidated total liabilities					<u>271,754</u>

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 HK\$'000</b>	<b>For the six months ended 30 September 2019 HK\$'000</b>
The PRC and Hong Kong ( <i>Note (i)</i> )	73,735	63,252
United States of America and Canada	43,080	173,035
Europe ( <i>Note (ii)</i> )	753	2,859
Australia	170	106
Others	100	584
	<hr/>	<hr/>
Total	<b>117,838</b>	<b>239,836</b>

*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 June 2020, revenue of approximately HK\$18,586,000 were derived from OBM Toys segment to one external customer, which contributed over 10% or more of the Group's revenue (six months ended 30 September 2019: HK\$76,516,000).

**5. Finance costs**

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 HK\$'000</b>	<b>For the six months ended 30 September 2019 HK\$'000</b>
Total interest expenses for financial liabilities that are not at fair value through profit or loss:		
Interest on borrowings	1,124	546
Interest on lease liabilities	550	705
Imputed interest on convertible loan notes	10,541	11,114
Loss on partial redemption of convertible loan notes ( <i>note (i)</i> )	1,000	–
	<hr/>	<hr/>
	<b>13,215</b>	<b>12,365</b>

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

## 6. Loss before income tax

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 HK\$'000</b>	<b>For the six months ended 30 September 2019 HK\$'000</b>
Loss before income tax is stated after charging the following:		
Cost of inventories sold	71,735	183,339
Depreciation of right-of-use assets	7,162	6,054
Depreciation of property, plant and equipment	797	925
	<u>79,694</u>	<u>190,318</u>

## 7. Income tax (credit)/expense

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 HK\$'000</b>	<b>For the six months ended 30 September 2019 HK\$'000</b>
Current taxation – Hong Kong profits tax		
– provision for the period	993	1,358
– under-provision in respect of prior years	–	2,191
Deferred tax	(2,623)	–
	<u>(1,630)</u>	<u>3,549</u>

Hong Kong profits tax is calculated at applicable tax rate on the estimated assessable profits for six months ended 30 June 2020 and 30 September 2019.

## 8. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 September 2019: Nil).

## 9. Loss per share

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 HK cents</b>	For the six months ended 30 September 2019 HK cents
Basic loss per share	<u>(0.49)</u>	<u>(0.93)</u>
Diluted loss per share ( <i>Note</i> )	<u>N/A</u>	<u>N/A</u>

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020 HK\$'000</b>	For the six months ended 30 September 2019 HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(38,617)</u>	<u>(76,977)</u>

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 September 2019
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>7,810,647,096</u>	<u>8,276,728,852</u>

*Note:* No diluted loss per share is presented for the six months ended 30 June 2020 and 30 September 2019 as the effect of all potential ordinary shares from convertible loan notes outstanding at 30 June 2020 and 30 September 2019 is anti-dilutive.

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

During the six months ended 30 June 2020, the Group acquired property, plant and equipment which are moulds with a cost of HK\$991,000 (six months ended 30 September 2019: HK\$2,819,000). The Group has entered into several leases for shops and offices in Hong Kong during the six months ended 30 June 2020 and accordingly additional right of use assets amounted to HK\$1,142,000 (six months ended 30 September 2019: HK\$11,832,000) have been recognised during the current period.

## 11. Loans receivable

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
Loans receivable arising from money lending business	<b>300,816</b>	274,533
Less: accumulated allowances for expected credit loss	<b>(18,438)</b>	(10,702)
	<b>282,378</b>	263,831

All loans are denominated in HK\$. The loans receivable are unsecured and carry effective interest ranging from 8%-15% per annum (31 December 2019: 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:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
<b>Current assets</b>		
Within one year	<b>217,878</b>	248,831
<b>Non-current assets</b>		
More than one year but not exceeding two years	<b>64,500</b>	15,000
	<b>282,378</b>	263,831

## 12. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
Listed equity securities in Hong Kong		
– Non-current	–	18,306
– Current	<b>106,714</b>	120,275
	<b>106,714</b>	138,581
Unlisted equity securities		
– Non-current	<b>3,971</b>	–
	<b>110,685</b>	138,581

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

### 13. Trade and other receivables, deposits and prepayments

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

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Trade receivables	<b>34,941</b>	39,494
Other receivables, deposits and prepayments	<b>18,425</b>	11,765
	<b>53,366</b>	51,259

The ageing analysis of the trade receivables is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
0 – 90 days	<b>29,283</b>	37,412
91 – 180 days	<b>5,115</b>	1,089
181 – 365 days	<b>313</b>	695
Over 365 days	<b>230</b>	298
	<b>34,941</b>	39,494

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

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Trade payables	<b>90,752</b>	97,699
Other payables and accrued charges	<b>25,471</b>	19,964
	<b>116,223</b>	117,663

The ageing analysis of the trade payables is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
0 – 90 days	<b>28,153</b>	37,888
91 – 180 days	<b>4,128</b>	3,409
181 – 365 days	<b>9,427</b>	4,931
Over 365 days	<b>49,044</b>	51,471
	<u><b>90,752</b></u>	<u>97,699</u>

## 15. Borrowings

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited 31 December 2019 <i>HK\$'000</i>
Current		
Bank loans	<b>16,013</b>	18,685
Other loans	<b>20,000</b>	–
	<u><b>36,013</b></u>	<u>18,685</u>

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

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

## 16. Share capital

	<b>Authorised</b>			
	<b>Convertible cumulative redeemable preference shares of US\$100,000 each</b>		<b>Ordinary shares of HK\$0.10 each</b>	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
As at 31 December 2019 (audited),				
1 January and 30 June 2020 (unaudited)	<u>40</u>	<u>4,000</u>	<u>15,000,000</u>	<u>1,500,000</u>

	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares '000</i>	<i>HK\$'000</i>
As at 31 December 2019 (audited) and 1 January 2020 (unaudited)	–	–	7,865,458	786,546
Repurchase and cancellation of shares ( <i>Note</i> )	–	–	(112,400)	(11,240)
	<u>–</u>	<u>–</u>	<u>7,753,058</u>	<u>775,306</u>
As at 30 June 2020 (unaudited)	–	–	7,753,058	775,306

*Note:* During the six months ended 30 June 2020, the Company repurchased 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	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
January 2020	19,900	0.036	0.034	700
March 2020	20,150	0.029	0.026	577
April 2020	17,550	0.028	0.027	480
May 2020	29,850	0.030	0.028	875
June 2020	52,150	0.034	0.029	1,649
	<u>139,600</u>			<u>4,281</u>

Out of 139,600,000 repurchased ordinary shares, 91,350,000 ordinary shares of HK\$2,748,000, together with 21,050,000 ordinary shares of HK\$711,000 repurchased during the nine months ended 31 December 2019, a total number of 112,400,000 ordinary shares of HK\$3,459,000 were cancelled during the six months ended 30 June 2020. The remaining 48,250,000 repurchased ordinary shares of HK\$1,533,000 were recognised as treasury shares as at 30 June 2020.

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.

## 17. Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Group had no contingent liabilities.

## 18. Related party transactions

During the six months ended 30 June 2020, the Group did not have significant transactions with related parties.

During the six months ended 30 September 2019, the Group had transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules.

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

The significant transactions with related parties are as follows:

	Type of transaction	Unaudited	
		For the six months ended 30 June 2020 <i>HK\$'000</i>	For the six months ended 30 September 2019 <i>HK\$'000</i>
Companies controlled by a close family member of a director of a subsidiary of the Company	Purchases ( <i>Note</i> )	–	9,411

*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.

## 19. Event after the reporting period

Subsequent to 30 June 2020 and up to the date of this announcement, the Group had the following material event:

- (a) On 19 August 2020, the Company entered into the sale and purchase agreement to which the Company has conditionally agreed to dispose of the entire issued share capital of its subsidiary, LC Global Holdings Corporation, at a consideration of HK\$1. Details of which are set out in the Company's announcement dated 19 August 2020.
- (b) Since the outbreak of COVID-19 pandemic, ongoing prevention and guarantee measures as well as travel restrictions have been imposed by many countries. Such measures and the COVID-19 have had negative impacts on 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.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

## **RESULTS, BUSINESS REVIEW AND PROSPECTS**

### **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.

For the six months ended 30 June 2020 (the "**Period**"), the Group's revenue decreased by approximately ("**approx.**") 51% to approx. HK\$118 million, compared with approx. HK\$240 million for the six months ended 30 September 2019 (the "**Corresponding Period**"). Gross profit margin for the Period was approx. 39% compared to approx. 24% in the Corresponding Period. Overall, the loss attributable to owners of the Company was approx. HK\$39 million compared with the loss attributable to the owners of the Company of approx. HK\$77 million in the Corresponding Period.

### **Business Review**

The Group recorded a decrease in revenue by approx. 51% for the Period compared to the revenue of the Group for the Corresponding Period as a result of the negative impact from COVID-19.

During the Period, the OBM toys business contributed the revenue of approx. HK\$45 million compared with the Corresponding Period of approx. HK\$179 million. The Chinese health products business has contributed revenue of approx. HK\$58 million during the Period compared with the Corresponding Period of approx. HK\$49 million. The impact from COVID-19 was partially offset by the change of financial year, which the Period included the lunar new year, a peak season for the Chinese health product business. The money lending business has contributed revenue of approx. HK\$15 million (2019: approx. HK\$14 million) during the Period. The investment in financial instruments business had no realised gain or loss during the Period (2019: realised loss of approx. HK\$2 million).

The gross profit margin increased to 39% from 24% of the Corresponding Period mainly because of a decrease in contribution from the OBM Toys segment which generated a lower gross profit margin, comparing with other segments.

The Group recorded a decrease in loss for the Period of approx. HK\$40 million to approx. HK\$39 million during the Period compared with the Corresponding Period of approx. HK\$79 million. The reduction in loss was mainly attributable to the significant decrease in segment losses of investment in financial instruments to approx. HK\$19 million (2019: HK\$54 million) for the Period.

### ***Chinese Health Products***

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

During the Period, this segment had contributed revenue of approx. HK\$58 million (2019: HK\$49 million) and a loss of approx. HK\$2 million (2019: HK\$6 million). As at 30 June 2020, there were 10 retail shops of Nam Pei Hong (2019: 11 retail shops). The increase in revenue and improvement of results was mainly because of the change of financial year of which the Period included the lunar new year, a peak season for the Chinese Health Products Business.

### ***OBM Toys***

The outbreak of COVID-19 has negatively impacted the sales of our Own Brand Manufacturing (“**OBM**”) business, especially the North American Market. Sales for the period ended 30 June 2020 decreased approx. 75% from approx. HK\$179 million for the six months ended 30 September 2019 to approx. HK\$45 million for the six months ended 30 June 2020.

The COVID-19 recession had impacted the OBM Toys segment’s revenues decline significantly due to the overall drop in consumer demand, reduced discretionary spending, and nationwide lockdown resulting in stores remaining closed in Q2. Under mandatory “stay-at-home” or “shelter-in-place” orders, 90% of the domestic spring & summer orders of the OBM Toys segment got cancelled in April because of the store closure. Products sold was much lower comparing to the Corresponding Period.

For the six months ended 30 June 2020, North America remained our major destination for the Group’s OBM toys, with shipments amounting to approx. HK\$43 million compared to HK\$173 million for the six months ended 30 September 2019, accounted for approx. 98% (2019: 97%) of the revenue from OBM Toys segment. Trade receivables slightly decreased from approx. HK\$34 million as at 31 December 2019 to approx. HK\$30 million as at 30 June 2020.

### ***Money Lending***

During the Period, the Group's money lending business generated interest income on loans amounting to approx. HK\$15 million (2019: HK\$14 million), and reported a segment loss (before taxation) of approx. HK\$2 million (2019: profit of HK\$8 million). The segment loss of the Period was mainly due to the increase in allowance for expected credit losses under a weaker Hong Kong economy during the Period. The average monthly outstanding balance of loans receivables was HK\$286 million in the six months ended 30 June 2020. During the Period, the Group granted new loans in the aggregate principal amount of HK\$26 million to three customers. The Group's customers made drawings in the aggregate principal amount of HK\$26 million from the existing and new loans 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 receivables, receivable, an allowance for expected credit losses on loans receivable of approx. HK\$18 million (2019: HK\$11 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\$19 million (2019: HK\$54 million) arising from the change in fair value of financial assets at fair value through profit or loss. The segment loss was a result of the poor market sentiment on the stock market during the Period.

Movements in the equities held by the Group during the six months ended 30 June 2020 and the nine months ended 31 December 2019 are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
At beginning of period	<b>138,581</b>	228,022
Acquisitions	<b>8,500</b>	710
Loss arising on change in fair value	<b>(18,090)</b>	(58,094)
Disposals	<b>(18,306)</b>	(32,057)
	<hr/>	<hr/>
At end of period	<b><u>110,685</u></b>	<u>138,581</u>

Details of certain significant listed equities held by the Group at 30 June 2020 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 30 June 2020 HK\$'000	Number of shares held at 30 June 2020 '000	Fair value at 30 June 2020 HK\$'000	Fair value as compared to the consolidated total assets of the Group at 30 June 2020	Fair value gain/(loss) recognised in the six months ended 30 June 2020 HK\$'000
IDG Energy Investment Limited (stock code: 650)	Mobility services business, upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, as well as related energy investment fund management	44,000	40,000	40,200	7.3%	(200)
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses, and provision of property agency related services	25,093	16,860	25,627	4.6%	155
Yunfeng Financial Group Limited (stock code: 376)	Long term assurance business, the provision of securities brokerage, consultancy and advisory services and investment research, wealth management, employee stock ownership plan administration and principal investment.	36,486	7,526	24,460	4.4%	(2,408)

The Group had made investments with a short to long term perspective with the objective of making capital gain as well as income from dividend. The Group invested in a diversified portfolio of listed equity securities in various industries. The directors believe that the future performance of the Hong Kong listed equities held by the Group is largely affected by economic factors, investor sentiment, demand and supply balance of an investee company's shares and fundamentals of an investee company, such as investee company's news, business fundamentals and development, financial performance and future prospects. Accordingly, the directors closely monitor the above factors, particularly the fundamentals of each individual investee company in the Group's equity portfolio, and proactively adjust the Group's equity portfolio mix in order to improve its performance.

## PLANS AND PROSPECTS

### OBM Toys

Kid Galaxy will expect a considerable decline in sales in 2020 comparing to 2019. Also, with the uncertain threat of getting hit by tariff and COVID-19, Kid Galaxy's profit margin may further get hurt in 2020.

Consumers are shopping with greater awareness of the environment, health and cost. A huge rise in digital commerce with the lockdowns in place and many stores shuttered. Kid Galaxy will continue investing more efforts and putting out more promotions for their ecommerce business to catch this trend which likely to continue post-pandemic.

This segment is also expecting its domestic sales to improve in the coming months as retail stores had begun to reopen in June.

## **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. Furthermore, the Chinese Health Products business was further hit by COVID-19 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 will strictly control costs and improve operation efficiency to stay competitive and expects the retail market of Hong Kong and demand for Chinese Health products will rebound after the COVID-19 outbreak.

## **Money lending business**

Despite certain uncertainties in the global economy such as the tightening of US-China trade relationship and the outbreak of COVID-19, the demand for money lending business remain stable during the Period and the Group’s loans receivable together with accrued interest receivables increased slightly to HK\$282.4 million (31 December 2019: HK\$263.8 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 June 2020, the Group’s cash and bank balances were approx. HK\$25 million (31 December 2019: HK\$55 million). The Group’s total borrowings and convertible loan notes were approx. HK\$136 million (31 December 2019: HK\$129 million). Gearing ratio, calculated as the total borrowings and convertible loan notes divided by shareholders’ equity, was approx. 48% (31 December 2019: 39%). As at 30 June 2020, the Group recorded total current assets of approx. HK\$470 million (31 December 2019: HK\$545 million) and total current liabilities of approx. HK\$265 million (31 December 2019: HK\$264 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 177% (31 December 2019: 206%). The Group recorded a decrease in shareholders’ fund from approx. HK\$327 million as at 31 December 2019 to a net asset position of approx. HK\$283 million as at 30 June 2020. 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 December 2019 and the value of stock in warehouse decreased from approx. HK\$69 million as at 31 December 2019 to approx. HK\$67 million as at 30 June 2020.

Trade receivables recorded an approx. 10% decrease as at 30 June 2020 to approx. HK\$35 million, compared with approx. HK\$39 million as at 31 December 2019 mainly because customers in USA has decreased its orders of OBM Toys during the Period under the impact of COVID-19.

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

## **FOREIGN CURRENCY RISKS**

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

## **CAPITAL STRUCTURE**

During the Period, the Company repurchased a total of 139,600,000 ordinary shares of the Company at an aggregate price of HK\$4 million on the Stock Exchange. As at the date of this announcement, the 139,600,000 repurchased shares were cancelled.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

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

## **EMPLOYEES**

As at 30 June 2020, the Group had approx. 110 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 June 2020, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

	No. of ordinary share of HK\$0.10 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2020	19,900	0.036	0.034	700
March 2020	20,150	0.029	0.026	577
April 2020	17,550	0.028	0.027	480
May 2020	29,850	0.030	0.028	875
June 2020	52,150	0.034	0.029	1,649
	<u>139,600</u>			<u>4,281</u>

As at the date of this announcement, 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 June 2020.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## **AUDIT COMMITTEE**

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process including review of the unaudited condensed interim financial statements for the six months ended 30 June 2020, the interim report and the Group's risk management and internal control systems.

## **CHANGE OF AUDITORS**

BDO Limited has resigned as the auditor of the Company with effect from 23 July 2020. HLB Hodgson Impey Cheng Limited has been appointed as the auditor of the Company with effect from 27 July 2020 to fill the casual vacancy.

HLB Hodgson Impey Cheng Limited shall retire in the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 21 August 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.*