

*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 2022**

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 2022 together with the comparative figures for the corresponding period for the six months ended 30 June 2021. 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 2022*

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2022</b>	<b>For the six months ended 30 June 2021</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
Revenue	4	<b>76,270</b>	97,897
Cost of sales		<b>(49,742)</b>	(42,404)
Gross profit		<b>26,528</b>	55,493
Other income, gains and losses, net	4	<b>(4,906)</b>	13,507
Selling and distribution expenses		<b>(14,275)</b>	(14,822)
General and administrative expenses		<b>(19,444)</b>	(14,398)
Finance costs	5	<b>(3,165)</b>	(3,211)

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2022 HK\$'000</b>	For the six months ended 30 June 2021 HK\$'000
	<i>Notes</i>		
(Loss)/profit before income tax		<b>(15,262)</b>	36,569
Income tax credit	6	<u>86</u>	<u>–</u>
(Loss)/profit for the period	7	<u><b>(15,176)</b></u>	<u>36,569</u>
<b>Other comprehensive loss</b>			
<b>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		<u>(161)</u>	<u>(208)</u>
Other comprehensive loss for the period, net of tax		<u>(161)</u>	<u>(208)</u>
Total comprehensive (loss)/income for the period		<u><b>(15,337)</b></u>	<u>36,361</u>
(Loss)/profit for the period attributable to owners of the Company		<u><b>(15,176)</b></u>	<u>36,569</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company		<u><b>(15,337)</b></u>	<u>36,361</u>
(Loss)/earnings per share			
– Basic	9	<u><b>(1.97) cents</b></u>	<u>4.75 cents</u>
– Diluted	9	<u><b>(1.97) cents</b></u>	<u>4.53 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2022</b>	2021
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>91</b>	230
Right-of-use assets	<i>10</i>	<b>2,675</b>	2,284
Loan receivables	<i>11</i>	<b>77,531</b>	106,180
Financial assets at fair value through profit or loss	<i>12</i>	<b>2,252</b>	2,400
Deferred tax assets		<b>1,228</b>	1,142
		<hr/> <b>83,777</b>	<hr/> 112,236
<b>Current assets</b>			
Inventories		<b>40,196</b>	60,713
Trade and other receivables, deposits and prepayments	<i>13</i>	<b>14,658</b>	11,843
Loan receivables	<i>11</i>	<b>69,206</b>	32,392
Financial assets at fair value through profit or loss	<i>12</i>	<b>69,035</b>	56,904
Cash and cash equivalents		<b>28,753</b>	40,007
		<hr/> <b>221,848</b>	<hr/> 201,859
<b>Current liabilities</b>			
Trade and other payables and accrued charges	<i>14</i>	<b>16,554</b>	26,610
Lease liabilities		<b>3,921</b>	5,135
Borrowings	<i>15</i>	<b>30,894</b>	12,036
Tax payable		<b>3,562</b>	3,562
Convertible loan notes		<b>72,300</b>	72,300
		<hr/> <b>127,231</b>	<hr/> 119,643

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net current assets</b>		<u>94,617</u>	<u>82,216</u>
<b>Total assets less current liabilities</b>		<u>178,394</u>	<u>194,452</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u>667</u>	<u>1,388</u>
<b>Net assets</b>		<u>177,727</u>	<u>193,064</u>
<b>EQUITY</b>			
Share capital	16	7,705	7,705
Reserves		<u>170,022</u>	<u>185,359</u>
<b>Total equity</b>		<u>177,727</u>	<u>193,064</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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 (the “**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 are presented in Hong Kong Dollar (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

The directors of the Company have, at the time of approving the unaudited condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of 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 financial statements.

### 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 2021 annual financial statements.

### 4. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET AND SEGMENTAL INFORMATION

The Group is principally engaged in sale of Chinese health products, money lending business and investment in financial instruments. Revenue and other income, 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 June
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers		
— Trading of Chinese health products	<b>69,134</b>	59,873
Revenue from other sources:		
— Interest income	<b>7,227</b>	10,988
— (Loss)/gain on disposal of financial instruments, net	<b>(91)</b>	27,036
	<b>76,270</b>	97,897
Disaggregation of revenue from contracts with customers:		
Timing of revenue recognition from contracts with customers		
At a point in time	<b>69,134</b>	59,873
Other income, gains and losses, net		
Fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	<b>(4,355)</b>	14,483
Impairment loss on loan receivables under expected credit loss (“ECL”) model, net	<b>(2,547)</b>	(1,128)
Government grants	<b>1,836</b>	–
Rent concessions	<b>160</b>	152
	<b>(4,906)</b>	13,507

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:

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

**(a) Segment revenue and results**

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2022 and 30 June 2021. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/(loss) that is used by the CODM for assessment of segment performance.

**For the six months ended 30 June 2022**

	<b>Chinese health products <i>HK\$'000</i> (Unaudited)</b>	<b>Money lending business <i>HK\$'000</i> (Unaudited)</b>	<b>Investment in financial instruments <i>HK\$'000</i> (Unaudited)</b>	<b>Reportable segment total <i>HK\$'000</i> (Unaudited)</b>
Revenue to external customers	<u>69,134</u>	<u>7,227</u>	<u>(91)</u>	<u>76,270</u>
Segment profit/(loss) before income tax	<u>1,865</u>	<u>(4,720)</u>	<u>(5,187)</u>	<u>(8,042)</u>

**For the six months ended 30 June 2021**

	<b>Chinese health products <i>HK\$'000</i> (Unaudited)</b>	<b>Money lending business <i>HK\$'000</i> (Unaudited)</b>	<b>Investment in financial instruments <i>HK\$'000</i> (Unaudited)</b>	<b>Reportable segment total <i>HK\$'000</i> (Unaudited)</b>
Revenue to external customers	<u>59,873</u>	<u>10,988</u>	<u>27,036</u>	<u>97,897</u>
Segment (loss)/profit before income tax	<u>(2,184)</u>	<u>2,764</u>	<u>40,845</u>	<u>41,425</u>

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June</b>	30 June
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment (loss)/profit	<u>(8,042)</u>	<u>41,425</u>
Exchange gain, net	–	6
Unallocated finance costs	(2,151)	(2,442)
Unallocated corporate expenses		
— Staff costs	(3,113)	(1,530)
— Legal and professional fee	(1,379)	(301)
— Others	<u>(577)</u>	<u>(589)</u>
Consolidated (loss)/profit before income tax	<u><u>(15,262)</u></u>	<u><u>36,569</u></u>

**(b) Segment assets and liabilities**

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

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment assets</b>		
— Chinese health products	70,703	84,448
— Money lending business	159,106	167,244
— Investment in financial instruments	<u>73,345</u>	<u>59,754</u>
Segment assets	<b>303,154</b>	311,446
Unallocated corporate assets		
— Cash and cash equivalents	2,471	2,498
— Other ( <i>Note</i> )	<u>–</u>	<u>151</u>
Consolidated total assets	<u><u>305,625</u></u>	<u><u>314,095</u></u>



	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment liabilities</b>		
— Chinese health products	<b>32,307</b>	27,984
— Money lending business	<b>787</b>	2,376
— Investment in financial instruments	<b>17,877</b>	15,541
	<hr/>	<hr/>
Segment liabilities	<b>50,971</b>	45,901
Unallocated corporate liabilities		
— Convertible loan notes	<b>72,300</b>	72,300
— Others ( <i>Note</i> )	<b>4,627</b>	2,830
	<hr/>	<hr/>
Consolidated total liabilities	<b>127,898</b>	121,031
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Other unallocated corporate assets and liabilities include certain other receivables, deposits and prepayments and certain other payables and accrual charges.

(c) **Information about the Group's revenue by geographical region is 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 June
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>75,999</b>	97,897
The People's Republic of China (the "PRC")	<b>271</b>	—
	<hr/>	<hr/>
	<b>76,270</b>	97,897
	<hr/> <hr/>	<hr/> <hr/>

*Note:* Revenue from trading of Chinese health products, interest income and sale of financial instruments are disclosed by location of operations and location where the products are delivered.

(d) **Information on major customers is as follows:**

For the six months ended 30 June 2022 and 2021, no external customer contributed 10% or more to the Group's revenue.

## 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2022 HK\$'000</b>	For the six months ended 30 June 2021 HK\$'000
Interest on borrowings	797	514
Interest on lease liabilities	217	257
Interest on convertible loan notes	2,151	2,440
	<u>3,165</u>	<u>3,211</u>

## 6. INCOME TAX CREDIT

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2022 HK\$'000</b>	For the six months ended 30 June 2021 HK\$'000
Deferred tax	<u>86</u>	<u>–</u>

Hong Kong Profits Tax 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 subsidiaries in Hong Kong for the six months ended 30 June 2022 and 2021 as they either did not derive any assessable profits from Hong Kong or had estimated tax losses brought forward to offset against the estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No Enterprise Income Tax has been provided as the Company's subsidiary in the PRC did not derive any assessable profits from the PRC for the six months ended 30 June 2022 and 2021.

## 7. (LOSS)/PROFIT FOR THE PERIOD

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2022 HK\$'000</b>	<b>For the six months ended 30 June 2021 HK\$'000</b>
(Loss)/profit before income tax is stated after charging the following:		
Cost of inventories sold	<b>49,742</b>	42,404
Depreciation of right-of-use assets	<b>1,169</b>	1,841
Depreciation of property, plant and equipment	<b>174</b>	198
	<u><u>          </u></u>	<u><u>          </u></u>

## 8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## 9. (LOSS)/EARNINGS PER SHARE

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2022 HK\$'000</b>	<b>For the six months ended 30 June 2021 HK\$'000</b>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	<b>(15,176)</b>	36,569
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of income tax)	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	<u><u>          </u></u>	<u><u>          </u></u>

	<b>Unaudited</b>	
	<b>For the</b>	For the
	<b>six months</b>	six months
	<b>ended</b>	ended
	<b>30 June</b>	30 June
	<b>2022</b>	2021
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>770,480,836</b>	770,480,836
Effect of dilutive potential ordinary shares:		
Convertible loan notes	–	81,000,000
	<u>770,480,836</u>	<u>851,480,836</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u><b>770,480,836</b></u>	<u>851,480,836</u>

The computation of diluted loss per share for six months ended 30 June 2022 does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share.

#### **10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with a cost of HK\$35,000 (six months ended 30 June 2021: HK\$320,000). The Group has entered into lease for retail shop in Hong Kong during the six months ended 30 June 2022 and accordingly additional right-of-use assets amounted to HK\$1,560,000 (six months ended 30 June 2021: HK\$4,987,000) have been recognised during the current period.

#### **11. LOAN RECEIVABLES**

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loan receivables arising from money lending business	<b>311,249</b>	300,537
<i>Less:</i> allowance for ECL	<b>(164,512)</b>	(161,965)
	<u><b>146,737</b></u>	<u>138,572</u>

All loans are denominated in HK\$. The loan receivables are unsecured and carry effective interest ranging from 8%–15% per annum (31 December 2021: 8%–15% per annum). A maturity profile of the loan receivables (net of allowance for ECL) at the end of the reporting periods, based on the maturity date is as follows:

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>69,206</b>	32,392
More than one year but not exceeding two years	<b>77,531</b>	106,180
	<b>146,737</b>	138,572

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Listed equity securities in Hong Kong		
– Current	<b>69,035</b>	56,904
Unlisted equity securities		
– Non-current	<b>2,252</b>	2,400
	<b>71,287</b>	59,304

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>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>5,575</b>	5,681
Other receivables, deposits and prepayments	<b>9,083</b>	6,162
	<b>14,658</b>	11,843

The ageing analysis of the trade receivables is as follows:

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–90 days	5,256	5,174
91–180 days	319	507
	<u>5,575</u>	<u>5,681</u>

The Group's sales are on open account terms. Credit terms are reviewed on a regular basis. The credit period ranges 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>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables	6,530	17,604
Other payables and accrued charges	10,024	9,006
	<u>16,554</u>	<u>26,610</u>

The ageing analysis of the trade payables is as follows:

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–90 days	6,391	17,465
91–180 days	–	–
181–365 days	–	–
Over 365 days	139	139
	<u>6,530</u>	<u>17,604</u>

## 15. BORROWINGS

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Margin loans from securities brokers	15,102	12,036
Other loan	15,792	–
	<u>30,894</u>	<u>12,036</u>

At 30 June 2022, the Group had margin loans from securities brokers of HK\$15,102,000 (31 December 2021: HK\$12,036,000). The margin loans are interest-bearing from 8% to 10% (31 December 2021: 10%) per annum, repayable on demand and are secured by a portfolio of listed equity securities with carrying amounts of HK\$61,724,000 (31 December 2021: HK\$52,591,000).

At 30 June 2022, the Group had other loan of HK\$15,792,000. The other loan is interest-bearing at Hong Kong Prime Rate (as quoted by the designated bank) plus 4% per annum, secured by share charge over issued shares in a subsidiary of the Group and guaranteed by the Company. As the other loan contains a repayable on demand clause, the entire outstanding balance of the other loan was classified under current liabilities.

## 16. SHARE CAPITAL

	Authorised		
	Convertible cumulative redeemable preference shares of US\$100,000 each <i>Number of shares</i>	US\$'000	Ordinary shares of HK\$0.01 each <i>Number of shares</i> '000 HK\$'000
At 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited)	<u>40</u>	<u>4,000</u>	<u>150,000,000</u> <u>1,500,000</u>
	Issued and fully paid		
	Convertible cumulative redeemable preference shares of US\$100,000 each <i>Number of shares</i>	US\$'000	Ordinary shares of HK\$0.01 each <i>Number of shares</i> '000 HK\$'000
At 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited)	<u>–</u>	<u>–</u>	<u>770,481</u> <u>7,705</u>

## 17. CONTINGENT LIABILITIES

At 30 June 2022 and 31 December 2021, the Group had no contingent liabilities.

## 18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2022 and 30 June 2021, the Group had the following transactions with related parties:

Related party relationship	Types of transaction	Unaudited	
		For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Fellow subsidiary of a substantial shareholder of the Company	Interest on lease liabilities	–	11
	Expenses relating to short-term leases	817	306

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

## 19. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2022 and up to the date of this announcement, the Group had the following material event:

On 17 August 2022, the Company and Heng Tai Finance Limited (the “**Subscriber**”) entered into a supplemental agreement (the “**Second Supplemental Agreement**”) to amend the subscription agreement dated 8 October 2018 entered into between the Company and the Subscriber in relation to the subscription of the convertible bond, in the aggregate principal amount of HK\$120.0 million (the “**Bond**”) and the terms and conditions of the instrument constituting the Bond. Pursuant to the Second Supplemental Agreement, the Company and the Subscriber have conditionally agreed:

- (i) to amend and extend the maturity date of the Bond (the “**Maturity Date**”) of 10 October 2022 to 10 October 2024 (or if that day is not a Business Day, the immediately following Business Day);
- (ii) to amend the conversion price of the Bond from HK\$1.00 per new share to be allotted and issued by the Company upon the exercise of the conversion right attached to the Bond (the “**Conversion Share**”) to HK\$0.38 per Conversion Share; and



(iii) to amend the Instrument that the Company shall utilise the specific mandate for the allotment and issue of the Conversion Shares to be granted to the Directors by the shareholders of the Company at the extraordinary general meeting for the Conversion Shares for the extended period of the Maturity Date.

Other than the proposed amendments above (and the necessary administrative matters to give effect to such changes), no other terms and conditions of the instrument constituting the Bond have been changed.

The conditions precedent under the Second Supplemental Agreement have not been satisfied as at the date of this announcement.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

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

### **Results**

For the six months ended 30 June 2022 (the “**Period**”), the Group’s revenue decreased by approximately (“**approx.**”) 22% to approx. HK\$76 million, compared with approx. HK\$98 million for the six months ended 30 June 2021 (the “**Corresponding Period**”). Gross profit margin for the Period was approx. 35% compared to approx. 57% in the Corresponding Period. Overall, the loss attributable to owners of the Company was approx. HK\$15 million compared with the profit attributable to the owners of the Company of approx. HK\$37 million in the Corresponding Period.

### **Business Review**

The Group recorded a decrease in revenue by approx. 22% for the Period compared to the revenue of the Group for the Corresponding Period because of a realised loss of approx. HK\$0.1 million recognised under the investment in financial instruments during the Period compared to a realised gain of approx. HK\$27 million in the Corresponding Period.

During the Period, the Chinese health products business has contributed revenue of approx. HK\$69 million during the Period, representing an increase of approx. 15% from the Corresponding Period of approx. HK\$60 million. The money lending business has contributed revenue of approx. HK\$7 million (2021: approx. HK\$11 million) during the Period. The investment in financial instruments business had realised loss of approx. HK\$0.1 million during the Period (2021: realised gain of approx. HK\$27 million).

The gross profit margin decreased to approx. 35% from approx. 57% of the Corresponding Period mainly because of the decrease in contribution from the investment in financial instruments segment which generated a higher gross profit margin, comparing with other segments.

The Group recorded a loss for the Period of approx. HK\$15 million during the Period compared with the profit for the period of the Corresponding Period of approx. HK\$37 million. The turnaround from profit to loss was mainly due to the net realised and unrealised losses on investment in financial instruments of approx. HK\$4 million for the Period, as compared to the net realised and unrealised gains on investment in financial instruments of approx. HK\$42 million for the Corresponding 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\$69 million (2021: approx. HK\$60 million) and a profit of approx. HK\$2 million (2021: loss of approx. HK\$2 million). The increase in the segment revenue was contributed by the increasing revenue generated from our own online platform and HKTVmall during the Period. As at 30 June 2022, there were 9 retail shops of Nam Pei Hong (2021: 10 retail shops).

The fifth wave of COVID-19 outbreak in Hong Kong in 2022 continues to have a negative impact on the Chinese health product segment during the Period. During the peak period of the pandemic, restaurants are prohibited from dining in at night, the consumers’ purchasing intention have been weakened. The Group has launched several measures to cope with the difficult operating environment, including (i) offer of sales discount to customers, (ii) relentless negotiation with landlords for rental relief and more favourable rental renewal, (iii) development of business relationship with online sales platform and (iv) rearrangement and promotion of products which could be easily and conveniently cooked. As such, the gross profit margin of the segment remain stable at approx. 28% during the Period from approx. 29% in the Corresponding Period. The selling expense of the segment decreased to approx. HK\$14 million in the Period from approx. HK\$15 million in the Corresponding Period.

### *Money Lending*

During the Period, the Group’s money lending business generated interest income on loans in the amount of approx. HK\$7 million (2021: HK\$11 million), and reported a segment loss (before taxation) of approx. HK\$5 million (2021: profit of HK\$3 million). The interest income decreased, mainly because one loan with principal of HK\$60 million classified under stage 3 (credit-impaired) in 2021 has ceased to generate interest income during the Period and one loan with principal of HK\$35 million classified under stage 3 (credit impaired) in 2021 has commenced to generate income based on its effective interest rate on its net carrying amount (after deducting accumulated allowance of ECL) rather than the gross balance of the loan. An increase in allowance for ECL in the amount of approx. HK\$3 million also resulted in the deterioration in segment results of the Group’s money lending business.

During the Period, the Group granted one new loan in the principal amount of approx. HK\$3 million to one customer and extended the final repayment date of three loans to three customers in the aggregate principal amount of approx. HK\$30 million. The Group's customers made drawings in the aggregate principal amount of approx. HK\$11 million under existing and new loans, and repaid approx. HK\$1 million to the Group.

At 30 June 2022, ten loans remained outstanding, out of which (i) six loan receivables with the aggregate gross balance of approx. HK\$110 million were classified under stage 1 (initial recognition); (ii) one loan receivable with gross balance of approx. HK\$31 million was classified under stage 2 (significant increase in credit risk); and (iii) three loan receivables with the aggregate gross balance of approx. HK\$170 million were classified under stage 3 (credit impaired). During the Period, one loan receivable with the aggregate gross balance of approx. HK\$31 million was transferred from stage 1 (initial recognition) to stage 2 (significant increase in credit risk) as the customer failed to pay interest for more than one month.

At the end of the Period, the Directors performed an impairment assessment on the Group's loan receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured impairment on loan receivables using the "expected credit loss model" established by HKFRS 9 Financial Instruments.

Based on the valuation, a total of approx. HK\$165 million accumulated allowance for ECL on loan receivables was made as at 30 June 2022, representing an increase of approx. HK\$3 million as compared to 31 December 2021. Of the total accumulated allowance for ECL, approx. HK\$3 million (31 December 2021: HK\$7 million) was recognised for loan receivables classified under stage 1 (initial recognition), approx. HK\$4 million (31 December 2021: Nil) was recognised for loan receivable classified under stage 2 (significant increase in credit risk) and approx. HK\$157 million (31 December 2021: HK\$155 million) was recognised for loan receivables classified under stage 3 (credit impaired) as at 30 June 2022.

There is a reclassification of allowance for ECL of approx. HK\$4 million from stage 1 (initial recognition) to stage 2 (significant increase in credit risk) for the Period. Allowance for ECL for the loan receivables classified under stage 3 (credit-impaired) increased from approx. HK\$155 million as at 31 December 2021 to approx. HK\$157 million as at 30 June 2022, mainly attributable to the prolonged overdue of interest and principal of a stage 3 loan which management reassessed the chance of recovery as remote.

In October 2020, a borrower failed to repay a loan with outstanding principal amounts of HK\$64 million together with the accrued interest thereon according to the loan agreement. The Group has commenced legal proceedings against the borrower and the guarantor to recover the outstanding principal and interests thereon. The first court hearing was held on 12 May 2022 and the court handed down the judgment in favour of the Group on 31 May 2022. On 7 July 2022, the borrower lodged an appeal against the judgment and the court has not yet scheduled the date of the next court hearing as at the date of this announcement. The Group has instructed its legal adviser to continue the legal process to recover the loan.

Another borrower with outstanding principal amount of HK\$60 million has failed to pay the accrued interests on the loan since January 2022 and up to the date of this announcement. In addition, during the course of the Company's loan assessment and ongoing monitoring, some of the Company's directors became aware of a cross-default event of the borrower as he has failed to repay a loan owed to another licensed money lender (which is wholly-owned by our 21.5% shareholder with which we have common directors) in the principal amount of HK\$135 million when it fell due. At one stage, the Group has lost contact with this borrower but we later re-established contacts with him and was engaged in ongoing negotiation with him on repayment arrangements with the view to entering into a binding settlement agreement.

There was another borrower with outstanding principal amount of HK\$35 million who has failed to settle outstanding interest for more than a year. The customer has actively negotiated settlement plan with the Group including the giving of a corporate guarantee provided by a PRC company to secure the borrower's loan obligations in January 2022. The major asset of the guarantor includes a commercial property located in Mainland China. On 22 April 2022, the Group sent a loan repayment notice to the borrower to demand immediate repayment of the principal and the outstanding interest, as a result of the long overdue of the interests. The Group has instructed our lawyers to formulate recovery action plan.

At the end of the reporting period, the directors assessed the recoverability of the loans receivable. An accumulated allowance for expected credit losses on loans receivable of approx. HK\$165 million (31 December 2021: HK\$162 million) was recognised based on a valuation prepared by an independent professional valuer. Such allowance for expected credit losses was made in accordance with the impairment model of HKFRS 9 Financial Instruments and had no effect on the Group's cash flow.

#### *Investment in Financial Instruments*

During the Period, the Group's investment in financial instruments business reported a segment loss of approx. HK\$5 million (2021: profit of approx. HK\$41 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 a deterioration on the stock market during the Period.

Movements in the equities held by the Group during the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
At beginning of period/year	<b>59,304</b>	107,699
Acquisitions	<b>16,768</b>	15,453
Loss arising on change in fair value	<b>(4,355)</b>	(15,300)
Disposals	<b>(430)</b>	(48,548)
At end of period/year	<b>71,287</b>	59,304

Details of the significant listed equities held by the Group at 30 June 2022 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 30 June 2022 <i>HK\$'000</i>	Number of shares held at 30 June 2022 '000	Fair value at 30 June 2022 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 30 June 2022	Fair value loss recognised in the six months ended 30 June 2022 <i>HK\$'000</i>
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses, which include development and investment in film and TV programmes rights, as well as operation of an online video platform	36,923	22,960	29,618	9.7%	(2,728)

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

### 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 COVID-19 pandemic, the number of tourists visiting Hong Kong has significantly reduced which severely impact the retail market of Hong Kong. At the same time, the various COVID-19 related restrictions on social distancing and cross-border activities impacted the entire retail market. With the recently slowdown of the pandemic, together with the launch of a new round of consumers coupons from the Hong Kong Government in August and October 2022, and the industry traditional peak season after the fall, it is expected to help promote a recovery in the Chinese health products segment in the second half of 2022. However, if the COVID-19 pandemic continues, cross-border restrictions will not be released and together with the increasing operating and transportation costs, it will cause uncertainty and challenges to our operations.

To take advantage of the shift to online shopping due to COVID-19, the Group will continue to develop online sales channels for our Chinese health products. The financial performance of our own online platform and HKTVMall increased in the first half of 2022, however the competition of online platforms is keen and the operation cost has also been increased accordingly which narrowed the profit margin. In light of that, we target to attract more corporate customers. In the first half of 2022, some charitable organizations and institutional groups had ordered anti-epidemic tea bags, nourishing soup bags and gift boxes, etc from our Group which generated higher profit margin. In mid-2022, a flagship store has also been set up on Tmall Global.

Nevertheless, the Group will continue to invest in the health care business and 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 development of online sales in Hong Kong and Mainland China and the cost reduction measures such as renewal of rental agreement with more favourable terms could maintain a sound financial position of the segment ready for the steady recovery and post-COVID-19 development.

## **Money lending business**

The continuous outbreak of COVID-19 has a negative impact on the money lending business segment. Although the Group's loan receivables together with accrued interest receivables increased to approx. HK\$147 million (31 December 2021: approx. HK\$139 million), the Group expects the business environment for money lending to be difficult given the current outbreak of COVID-19 because many economic activities could not be carried out normally. The Group will closely monitor the repayment pattern of our customers and formulate an action plan of recovery should the risk of default increases. Our recovery strategy can involve a wide range of actions, which includes the revising of repayment terms, adding of collaterals/guarantees, reaching of settlement, the commencement of legal actions against the customers, and/or enforcement on collaterals/guarantees, etc. The Group will also 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.

On 10 June 2022, the Company has conditionally agreed to acquire the entire issued share capital in Powerful Select Limited at the consideration of HK\$43 million. Upon the completion of a reorganization, Powerful Select Limited and its subsidiaries (the "**Target Group**") will hold 20 units of stratified hotel serviced suits with an aggregate built-up area of 18,348 sq. ft. in Block C of the resort development project known as Impiana Residences Cherating, which is located at Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang, Malaysia (the "**Properties**"). The construction of the Properties is expected to be completed by the developer and delivered to the Target Group on or before June 2024. The acquisition has not been completed as at the date of this announcement. For further details, please refer to the Company's announcement dated 10 June 2022.



## **GROUP RESOURCES AND LIQUIDITY**

As at 30 June 2022, the Group's cash and bank balances were approx. HK\$29 million (31 December 2021: approx. HK\$40 million). The Group's total borrowings and convertible loan notes were approx. HK\$103 million (31 December 2021: approx. HK\$84 million). Gearing ratio, calculated as the total borrowings and convertible loan notes divided by shareholders' equity, was approx. 58% (31 December 2021: approx. 44%). As at 30 June 2022, the Group recorded total current assets of approx. HK\$222 million (31 December 2021: approx. HK\$202 million) and total current liabilities of approx. HK\$127 million (31 December 2021: HK\$120 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 1.7 (31 December 2021: approx. 1.7). The Group recorded an decrease in shareholders' fund from approx. HK\$193 million as at 31 December 2021 to a net asset position of approx. HK\$178 million as at 30 June 2022. The decrease was mainly due to the operating loss during the Period.

Inventories recorded a decrease of approx. 34% compared to previous year end date of 31 December 2021 and the value of stock in warehouse increased from approx. HK\$61 million as at 31 December 2021 to approx. HK\$40 million as at 30 June 2022 as winter is the industry traditional peak season.

Trade receivables remained stable as at 30 June 2022 to approx. HK\$6 million, compared with approx. HK\$6 million as at 31 December 2021.

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 and trade and other payables, 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**

The Group did not have any change to the capital structure of the Company during the Period.

## **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 2022, the Group had approx. 100 employees and contract workers based in Hong Kong headquarters and PRC offices. 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 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Board, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

## **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 2022, the interim report and the Group's risk management and internal control systems.

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

Hong Kong, 25 August 2022

*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.*