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## **CHINA HEALTHWISE HOLDINGS LIMITED**

**中國智能健康控股有限公司**

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

**(Stock Code: 348)**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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 2023 together with the comparative figures for the corresponding period for the six months ended 30 June 2022. 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 2023*

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2023</b>	<b>For the six months ended 30 June 2022</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
Revenue	4	<b>80,826</b>	76,270
Cost of sales		<b>(47,173)</b>	(49,742)
Gross profit		<b>33,653</b>	26,528
Other income, gains and losses, net	4	<b>(28,239)</b>	(4,906)
Selling and distribution expenses		<b>(14,163)</b>	(14,275)
General and administrative expenses		<b>(16,024)</b>	(19,444)
Finance costs	5	<b>(4,487)</b>	(3,165)

		<b>Unaudited</b>	
		<b>For the six months ended 30 June 2023 HK\$'000</b>	<b>For the six months ended 30 June 2022 HK\$'000</b>
	<i>Notes</i>		
Loss before income tax		(29,260)	(15,262)
Income tax (expense)/credit	6	<u>(2,602)</u>	<u>86</u>
Loss for the period	7	<u>(31,862)</u>	<u>(15,176)</u>
<b>Other comprehensive income/(loss) 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>303</u>	<u>(161)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>303</u>	<u>(161)</u>
Total comprehensive loss for the period		<u>(31,559)</u>	<u>(15,337)</u>
Loss for the period attributable to owners of the Company		<u>(31,862)</u>	<u>(15,176)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(31,559)</u>	<u>(15,337)</u>
Loss per share			
— Basic and diluted	9	<u>(4.14) cents</u>	<u>(1.97) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2023</b>	2022
<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>	472	676
Right-of-use assets	<i>10</i>	9,419	6,077
Financial assets at fair value through profit or loss	<i>12</i>	1,041	1,143
Deferred tax assets		–	2,697
Loan receivables	<i>11</i>	1,764	2,049
		<b>12,696</b>	12,642
<b>Current assets</b>			
Inventories		42,777	55,121
Trade and other receivables, deposits and prepayments	<i>13</i>	13,560	14,721
Loan receivables	<i>11</i>	105,966	132,002
Tax recoverable		153	153
Financial assets at fair value through profit or loss	<i>12</i>	49,946	56,170
Cash and cash equivalents		8,843	16,850
		<b>221,245</b>	275,017
<b>Current liabilities</b>			
Trade and other payables and accrued charges	<i>14</i>	12,205	35,965
Lease liabilities		6,075	4,752
Borrowings	<i>15</i>	27,660	31,264
Tax payable		2,775	2,775
		<b>48,715</b>	74,756
<b>Net current assets</b>		<b>172,530</b>	200,261
<b>Total assets less current liabilities</b>		<b>185,226</b>	212,903

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Lease liabilities		<b>4,092</b>	2,843
Convertible loan notes		<b>73,771</b>	71,043
Deferred tax liabilities		<b>273</b>	368
		<u><b>78,136</b></u>	<u>74,254</u>
<b>Net assets</b>		<u><b>107,090</b></u>	<u>138,649</u>
<b>EQUITY</b>			
Share capital	<i>16</i>	<b>7,705</b>	7,705
Reserves		<b>99,385</b>	130,944
		<u><b>107,090</b></u>	<u>138,649</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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

### 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 2023 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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 2022 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>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers		
— Trading of Chinese health products	<b>70,259</b>	69,134
Revenue from other sources:		
— Interest income	<b>5,695</b>	7,227
— Dividend income	<b>1,505</b>	—
— Gain/(loss) on disposal of financial instruments, net	<b>3,367</b>	(91)
	<u><b>80,826</b></u>	<u>76,270</u>
Disaggregation of revenue from contracts with customers:		
Timing of revenue recognition from contracts with customers		
At a point in time	<u><b>70,259</b></u>	<u>69,134</u>
Other income, gains and losses, net		
Fair value gain/(loss) on financial assets at fair value through profit or loss (“FVTPL”)	<b>90</b>	(4,355)
Impairment loss on loan receivables under expected credit loss (“ECL”) model, net	<b>(28,334)</b>	(2,547)
Government grants	—	1,836
Rent concessions	—	160
Interest income on bank deposits	<b>3</b>	—
Others	<b>2</b>	—
	<u><b>(28,239)</b></u>	<u>(4,906)</u>

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 2023 and 30 June 2022. 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 2023**

	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>70,259</u>	<u>5,695</u>	<u>4,872</u>	<u>80,826</u>
Segment profit/(loss) before income tax	<u>3,192</u>	<u>(31,270)</u>	<u>4,175</u>	<u>(23,903)</u>

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

	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>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>

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2023 HK\$'000</b>	For the six months ended 30 June 2022 HK\$'000
Reportable segment loss	<u>(23,903)</u>	<u>(8,042)</u>
Unallocated finance costs	(2,728)	(2,151)
Unallocated corporate expenses		
— Staff costs	(2,055)	(3,113)
— Legal and professional fee	(105)	(1,379)
— Others	<u>(469)</u>	<u>(577)</u>
Consolidated loss before income tax	<u><u>(29,260)</u></u>	<u><u>(15,262)</u></u>

**(b) Segment assets and liabilities**

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

	<b>Unaudited At 30 June 2023 HK\$'000</b>	Audited At 31 December 2022 HK\$'000
<b>Segment assets</b>		
— Chinese health products	74,441	92,731
— Money lending business	108,153	137,084
— Investment in financial instruments	<u>51,028</u>	<u>57,343</u>
Segment assets	<b>233,622</b>	287,158
Unallocated corporate assets		
— Cash and cash equivalents	319	350
— Other ( <i>Note</i> )	<u>—</u>	<u>151</u>
Consolidated total assets	<u><u>233,941</u></u>	<u><u>287,659</u></u>



	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment liabilities</b>		
— Chinese health products	<b>33,825</b>	54,712
— Money lending business	–	1,290
— Investment in financial instruments	<b>16,820</b>	18,247
	<hr/>	<hr/>
Segment liabilities	<b>50,645</b>	74,249
Unallocated corporate liabilities		
— Convertible loan notes	<b>73,771</b>	71,043
— Others ( <i>Note</i> )	<b>2,435</b>	3,718
	<hr/>	<hr/>
Consolidated total liabilities	<b>126,851</b>	149,010
	<hr/> <hr/>	<hr/> <hr/>

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

**(c) Information about the Group's revenue by geographical region**

	<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>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>80,773</b>	75,999
The People's Republic of China (the "PRC")	<b>53</b>	271
	<hr/>	<hr/>
	<b>80,826</b>	76,270
	<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**

For the six months ended 30 June 2023 and 2022, 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 2023 HK\$'000</b>	For the six months ended 30 June 2022 HK\$'000
Interest on borrowings	1,411	797
Interest on lease liabilities	348	217
Interest on convertible loan notes	2,728	2,151
	<u>4,487</u>	<u>3,165</u>

## 6. INCOME TAX (EXPENSE)/CREDIT

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2023 HK\$'000</b>	For the six months ended 30 June 2022 HK\$'000
Deferred tax (expense)/credit	<u>(2,602)</u>	<u>86</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 2023 and 2022 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 2023 and 2022.

## 7. LOSS FOR THE PERIOD

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2023 HK\$'000</b>	For the six months ended 30 June 2022 HK\$'000
Loss before income tax is stated after charging the following:		
Cost of inventories sold	47,172	49,742
Depreciation of right-of-use assets	2,465	1,169
Depreciation of property, plant and equipment	213	174
	<u>49,850</u>	<u>51,085</u>

## 8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 9. LOSS PER SHARE

The calculation of basic and diluted loss 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 2023 HK\$'000</b>	For the six months ended 30 June 2022 HK\$'000
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(31,862)</u>	<u>(15,176)</u>

	<b>Unaudited</b>	
	<b>For the six months ended 30 June 2023</b>	For the six months ended 30 June 2022
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>770,480,836</u>	<u>770,480,836</u>

The computation of diluted loss per share for six months ended 30 June 2023 and 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 2023, the Group acquired property, plant and equipment with a cost of HK\$9,000 (six months ended 30 June 2022: HK\$35,000). The Group has entered into lease for retail shops and offices in Hong Kong during the six months ended 30 June 2023 and accordingly additional right-of-use assets amounted to HK\$5,807,000 (six months ended 30 June 2022: HK\$1,560,000) have been recognised during the current period.

## 11. LOAN RECEIVABLES

	<b>Unaudited</b>	Audited
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loan receivables arising from money lending business	<b>322,814</b>	320,800
<i>Less: allowance for ECL</i>	<b>(215,084)</b>	(186,749)
	<b>107,730</b>	134,051

All loans are denominated in HK\$. The loan receivables are unsecured and carry effective interest ranging from 8%–13% per annum (31 December 2022: 8%–13% 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
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>105,966</b>	132,002
More than one year but not exceeding two years	<b>1,764</b>	2,049
	<b>107,730</b>	134,051

Included in the loan receivables is a loan to the ultimate holding company of a substantial shareholder of the Company amounted to HK\$4,143,000.

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

	Unaudited At 30 June 2023 <i>HK\$'000</i>	Audited At 31 December 2022 <i>HK\$'000</i>
Listed equity securities in Hong Kong		
— Current	<u>49,946</u>	<u>56,170</u>
Unlisted equity securities		
— Non-current	<u>1,041</u>	<u>1,143</u>
	<u><b>50,987</b></u>	<u><b>57,313</b></u>

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

	Unaudited At 30 June 2023 <i>HK\$'000</i>	Audited At 31 December 2022 <i>HK\$'000</i>
Trade receivables	5,323	6,420
Less: allowance for ECL	<u>(616)</u>	<u>(616)</u>
	4,707	5,804
Deposits and other receivables	2,808	5,714
Prepayments	<u>6,045</u>	<u>3,203</u>
	<u><b>13,560</b></u>	<u><b>14,721</b></u>

The ageing analysis of the trade receivables is as follows:

	<b>Unaudited</b> <b>At</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited At 31 December 2022 <i>HK\$'000</i>
0–90 days	<b>3,395</b>	5,800
91–180 days	<b>1,312</b>	4
	<b>4,707</b>	5,804

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> <b>At</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited At 31 December 2022 <i>HK\$'000</i>
Trade payables	<b>6,082</b>	23,770
Other payables and accrued charges	<b>6,123</b>	12,195
	<b>12,205</b>	35,965

The ageing analysis of the trade payables is as follows:

	<b>Unaudited</b> <b>At</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited At 31 December 2022 <i>HK\$'000</i>
0–90 days	<b>5,943</b>	23,631
Over 365 days	<b>139</b>	139
	<b>6,082</b>	23,770

## 15. BORROWINGS

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Margin loans from securities brokers	<b>14,046</b>	15,472
Other loan	<b>13,614</b>	15,792
	<b>27,660</b>	31,264

At 30 June 2023, the Group had margin loans from securities brokers of HK\$14,046,000 (31 December 2022: HK\$15,472,000). The margin loans are interest-bearing from 8% to 10% (31 December 2022: 8% to 10%) per annum, repayable on demand and are secured by a portfolio of listed equity securities with carrying amounts of HK\$49,946,000 (31 December 2022: HK\$56,170,000).

At 30 June 2023, the Group had other loan of HK\$13,614,000 (31 December 2022: 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

	<b>Authorised</b>		
	<b>Convertible cumulative redeemable preference shares of US\$100,000 each</b>	<b>Ordinary shares of HK\$0.01 each</b>	
	<i>Number of shares</i>	<i>Number of shares</i>	
	<i>US\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
At 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	40	150,000,000	1,500,000

	<b>Issued and fully paid</b>		
	<b>Convertible cumulative redeemable preference shares of US\$100,000 each</b>	<b>Ordinary shares of HK\$0.01 each</b>	
	<i>Number of shares</i>	<i>Number of shares</i>	
	<i>US\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
At 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	-	770,481	7,705

## 17. CONTINGENT LIABILITIES

At 30 June 2023 and 31 December 2022, the Group had no contingent liabilities.

## 18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2023 and 30 June 2022, the Group had the following transactions with related parties:

Related party relationship	Types of transaction	Unaudited	
		For the six months ended 30 June 2023 <i>HK\$'000</i>	For the six months ended 30 June 2022 <i>HK\$'000</i>
Ultimate holding company of a substantial shareholder of the Company	Interest income	140	–
Fellow subsidiary of a substantial shareholder of the Company	Expenses relating to short-term leases	828	817

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

### RESULTS, BUSINESS REVIEW AND PROSPECTS

#### Results

For the six months ended 30 June 2023 (the “**Period**”), the Group’s revenue increased by approximately (“**approx.**”) 7% to approx. HK\$81 million, compared with approx. HK\$76 million for the six months ended 30 June 2022 (the “**Corresponding Period**”). Gross profit margin for the Period was approx. 42% compared to approx. 35% in the Corresponding Period. Overall, the loss attributable to owners of the Company was approx. HK\$32 million compared with the loss attributable to the owners of the Company of approx. HK\$15 million in the Corresponding Period.

#### Business Review

The Group recorded an increase in revenue by approx. 7% for the Period compared to the revenue of the Group for the Corresponding Period because of a realised gain of approx. HK\$5 million recognised under the investment in financial instruments segment during the Period compared to a realised loss of approx. HK\$0.1 million in the Corresponding Period.

During the Period, the Chinese health products business has contributed revenue of approx. HK\$70 million, representing an increase of approx. 1% from the Corresponding Period of approx. HK\$69 million. The money lending business has contributed revenue of approx. HK\$6 million (2022: approx. HK\$7 million) during the Period. The investment in financial instruments business had realised gain of approx. HK\$5 million during the Period (2022: realised loss of approx. HK\$0.1 million).

The gross profit margin increased to approx. 42% from approx. 35% of the Corresponding Period mainly because of the increase 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\$32 million during the Period compared with the loss for the period of the Corresponding Period of approx. HK\$15 million. The increase in loss is mainly due to the increase in the impairment loss in respect of loan receivables from approx. HK\$3 million in the Corresponding Period to approx. HK\$28 million in 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\$70 million (2022: approx. HK\$69 million) and a profit of approx. HK\$3 million (2022: approx. HK\$2 million). The increase in the segment revenue was contributed by the Consumption Vouchers Scheme launched and the relaxation of several social distancing measures by the Hong Kong Government which stimulate spendings from the customers. As at 30 June 2023, there were 10 retail shops of Nam Pei Hong (2022: 9 retail shops).

With the increase in the revenue contributed from online platform, the gross profit margin of the segment increase to approx. 33% during the Period from approx. 28% in the Corresponding Period. The selling expense of the segment remain stable at approx. HK\$14 million in the Period from approx. HK\$14 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\$6 million (2022: HK\$7 million), and reported a segment loss (before taxation) of approx. HK\$31 million (2022: HK\$5 million). The interest income decreased, mainly because one loan with principal of HK\$35 million classified under stage 3 (credit impaired) in 2022 has ceased to generate interest income during the Period. An increase in allowance for ECL in the amount of approx. HK\$28 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\$9 million to one customer and extended the final repayment date of one loan to a customer in the aggregate principal amount of approx. HK\$7 million. The Group’s customers made drawings in the aggregate principal amount of approx. HK\$8 million under existing and new loans, and repaid approx. HK\$4 million to the Group.

At 30 June 2023, twelve loans remained outstanding, out of which (i) five loan receivables with the aggregate gross balance of approx. HK\$69 million were classified under stage 1 (initial recognition); (ii) three loan receivables with gross balance of approx. HK\$54 million were classified under stage 2 (significant increase in credit risk); and (iii) four loan receivables with the aggregate gross balance of approx. HK\$200 million were classified under stage 3 (credit impaired). During the Period, two loan receivables with the aggregate gross balance of approx. HK\$22 million were transferred from stage 1 (initial recognition) to stage 2 (significant increase in credit risk) mainly because outstanding principal amount of the loan receivables and accrued interest were overdue for more than one month but less than three months. During the Period, one loan receivable with the aggregate gross balance of approx. HK\$30 million was transferred from stage 1 (initial recognition) to stage 3 (credit impaired) as the customer, which was named Customer J of the Company's annual report for the year ended 31 December 2022, failed to settle the principal for more than three months.

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\$215 million accumulated allowance for ECL on loan receivables was made as at 30 June 2023, representing an increase of approx. HK\$28 million as compared to 31 December 2022. Of the total accumulated allowance for ECL, approx. HK\$1 million (31 December 2022: HK\$5 million) was recognised for loan receivables classified under stage 1 (initial recognition), approx. HK\$19 million (31 December 2022: HK\$11 million) was recognised for loan receivable classified under stage 2 (significant increase in credit risk) and approx. HK\$195 million (31 December 2022: HK\$170 million) was recognised for loan receivables classified under stage 3 (credit impaired) as at 30 June 2023.

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\$170 million as at 31 December 2022 to approx. HK\$195 million as at 30 June 2023, mainly attributable to the overdue of interest and principal of a stage 3 loan for more than three months.

Set out below is the latest development of the recovery of loan receivables classified under stage 3 (credit impaired).

In October 2020, Customer I 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 loan was guaranteed by a PRC company and a BVI Company, and the Group obtained a share change for the shares of a Hong Kong Company which indirectly held the guarantor. 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 next court hearing was scheduled on 12 September 2023. The Group has instructed its legal adviser to continue the legal process to recover the loan.

Customer A with outstanding principal amount of HK\$60 million has failed to pay the accrued interests on the loan since January 2022. The Group has engaged in ongoing negotiation with him on repayment arrangements with the view to entering into a binding settlement agreement. In March 2023, the Group instructed its legal adviser to send a demand letter to him demanding his immediate settlement. In July 2023, the Group received a reply from him proposing to repay the outstanding principal and the accrued interest of the loan by installments. In response to such reply, the Group is trying to contact him, with a view to counter-proposing a shorter repayment schedule and to request him to finalise the settlement proposal in accordance with the proposed terms.

Customer E with outstanding principal amount of HK\$35 million has failed to settle outstanding interest for more than a year. The borrower 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. The Group has commenced legal proceedings against the guarantor in the PRC in November 2022. The Group and the guarantor then negotiated the terms of settlement with the view to entering into a mediation agreement. A court hearing was held on 16 March 2023 to examine the draft mediation agreement. Under the guidance of the arbitration court, the mediation agreement was signed on the day of hearing of 16 March 2023. In May 2023, the court handed down a mediation statement. The Group has submitted an enforcement application to the court in June 2023. In the meantime, the Group is seeking advice from its legal advisers to commence concurrent legal proceedings against the borrower in Hong Kong.

Customer J with outstanding principal amount of HK\$30 million has failed to settle the outstanding principal and accrued interest in February 2023. The Group has engaged in ongoing negotiation with the borrower. Customer J has paid HK\$2.4 million in March 2023 and HK\$5 million subsequent to the period end in August 2023. Since the loan receivable was overdue for over 90 days, the loan was transferred from stage 1 (initial recognition) to stage 3 (credit-impaired). The Group is trying to negotiate a settlement arrangement with the borrower.

At the end of the reporting period, the directors assessed the recoverability of the loan receivables. An accumulated allowance for ECL on loan receivables of approx. HK\$215 million (31 December 2022: HK\$187 million) was recognised based on a valuation prepared by an independent professional valuer. Such allowance for ECL 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 profit of approx. HK\$4 million (2022: segment loss of approx. HK\$5 million) arising from the net effect of the change in fair value of financial assets at fair value through profit or loss and realised gain recognised upon disposal of financial assets at fair value through profit or loss. The turnaround from segment loss to segment profit was mainly due to the net realised gain and dividend income of approx. HK\$5 million recognised during the Period, as compared to the net realised loss of approx. HK\$0.1 million in the Corresponding Period.

Movements in the equities held by the Group during the six months ended 30 June 2023 and the year ended 31 December 2022 are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
At beginning of period/year	<b>57,313</b>	59,304
Acquisitions	<b>2,428</b>	16,768
Profit/(loss) arising on change in fair value	<b>90</b>	(15,325)
Disposals	<b>(8,844)</b>	(3,434)
	<hr/>	<hr/>
At end of period/year	<b>50,987</b>	57,313
	<hr/> <hr/>	<hr/> <hr/>

Details of the significant listed equities held by the Group at 30 June 2023 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 30 June 2023 <i>HK\$'000</i>	Number of shares held at 30 June 2023 <i>'000</i>	Fair value at 30 June 2023 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 30 June 2023	Fair value gain recognised in the six months ended 30 June 2023 <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	36,482	22,660	26,059	11%	1,133

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. The Group will also strengthen the promotion on health care products, such as cordyceps sinensis (冬蟲夏草), ginseng (人參), tianqi (田七), and dendrobium nobile (石斛) etc. In order to cope with the rapid pace of life of modern people, the Group also provides products like ginseng powder, energy drink, probiotics capsules and ganodevma capsules.

Following the full resumption of normal travel between Hong Kong and Mainland China, it is expected to have a positive impact and economic recovery on the retail market of Hong Kong. To take advantage of the shift to online shopping since the outbreak of COVID-19, the Group will continue to develop online sales channels for our Chinese health products. During the Period, our sales channel through online platform “HKTVmall” continues to contribute stable turnover to this segment. Due to the COVID-19 pandemic, more people are concerned about their healthcare and prevention from being infected. We concentrated on the promotion of all types of healthcare products that can safeguard our health and enhance immunity.

The Group also actively attracts corporate customers. During the Period, our marketing campaign successfully attracted certain charitable organisations and institutional customers to order products such as healthy tea bags, nutritious stew series and gift hampers, which generated a higher gross profit margin.

The retail industry is still challenging given that the inflation, recruitment difficulties, increasing ongoing cost and rent. Despite facing many challenges, we will take advantage from technology and data to optimize operations, such as considering the use of Customer Relationship Management System (“CRM”) to understand the needs of consumers. Participate in shopping promotions organized by the Hong Kong Retail Management Association, Manufacturers Association, and payment platforms (such as Alipay) to increase brand exposure and enhance popularity. And we will also consider participating in some live commerce platforms in the second half of the year to expand our customer base.

### **Money lending business**

Given the reopening of the border and the easing of COVID-19 restrictions in early 2023, Hong Kong is expected to have a rebound in its economy. However, the Group expects the business environment for money lending to be challenging and difficult because of the tightening of the monetary policy in the United States of America, the expected increase of Hong Kong Dollar interest rate and the heightened geopolitical tension between the United States of America and China. 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.

## **GROUP RESOURCES AND LIQUIDITY**

As at 30 June 2023, the Group's cash and bank balances were approx. HK\$9 million (31 December 2022: approx. HK\$17 million). The Group's total borrowings and convertible loan notes were approx. HK\$101 million (31 December 2022: approx. HK\$102 million). Gearing ratio, calculated as the total borrowings and convertible loan notes divided by shareholders' equity, was approx. 94% (31 December 2022: approx. 73%). As at 30 June 2023, the Group recorded total current assets of approx. HK\$221 million (31 December 2022: approx. HK\$275 million) and total current liabilities of approx. HK\$49 million (31 December 2022: HK\$75 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 4.5 (31 December 2022: approx. 3.7). The Group recorded an decrease in shareholders' fund from approx. HK\$139 million as at 31 December 2022 to a net asset position of approx. HK\$107 million as at 30 June 2023. The decrease was mainly due to the operating loss during the Period.

Inventories recorded a decrease of approx. 22% compared to previous year end date of 31 December 2022 and the value of stock in warehouse decreased from approx. HK\$55 million as at 31 December 2022 to approx. HK\$43 million as at 30 June 2023 as winter is the industry traditional peak season.

Trade receivables remained stable as at 30 June 2023 to approx. HK\$5 million, compared with approx. HK\$6 million as at 31 December 2022.

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 2023, 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 2023, 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 2023.

## **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 2023, 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, 24 August 2023

*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.*