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CHINA HEALTHWISE HOLDINGS LIMITED

中國智能健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS

The board of directors (the “Board” or “Directors”) of China Healthwise Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue	3	170,079	137,853
Cost of sales		(79,085)	(76,797)
Gross profit		90,994	61,056
Other income, gains and losses, net	4	(15,146)	1,253
Selling and distribution expenses		(31,083)	(30,030)
General and administrative expenses		(33,090)	(34,642)
Finance costs	6	(6,410)	(18,847)
Impairment loss under expected credit loss model		(102,606)	(48,692)
Impairment loss on property, plant and equipment		(216)	(166)
Impairment loss on right-of-use assets		(3,023)	(2,861)

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Loss before income tax from continuing operations	5(a)	(100,580)	(72,929)
Income tax (expense)/credit	7	(2,466)	3,648
Loss for the year from continuing operations		(103,046)	(69,281)
Discontinued operation			
Profit for the year from discontinued operation	5(b)	<u>—</u>	<u>44,059</u>
Loss for the year		<u>(103,046)</u>	<u>(25,222)</u>
Other comprehensive (loss)/income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(181)	20
Exchange differences reclassified to profit or loss upon disposal of a foreign operation		<u>—</u>	<u>(188)</u>
Other comprehensive loss for the year, net of tax		<u>(181)</u>	<u>(168)</u>
Total comprehensive loss for the year		<u>(103,227)</u>	<u>(25,390)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company			
— from continuing operations		(103,046)	(69,281)
— from discontinued operation		<u>—</u>	<u>44,059</u>
		<u>(103,046)</u>	<u>(25,222)</u>

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive (loss)/income attributable to:			
Owners of the Company			
— from continuing operations		(103,227)	(69,261)
— from discontinued operation		<u>—</u>	<u>43,871</u>
		<u>(103,227)</u>	<u>(25,390)</u>
Loss per share attributable to owners of the Company from continuing and discontinued operations			
— Basic and diluted	9	<u>(13.37) cents</u>	<u>(3.25) cents</u>
Loss per share attributable to owners of the Company from continuing operations			
— Basic and diluted	9	<u>(13.37) cents</u>	<u>(8.94) cents</u>
Earnings per share attributable to owners of the Company from discontinued operation			
— Basic and diluted	9	<u>— cents</u>	<u>5.69 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		230	395
Right-of-use assets		2,284	3,100
Financial assets at fair value through profit or loss		2,400	2,611
Deferred tax assets		1,142	3,608
Loan receivables	<i>10</i>	106,180	135,978
		112,236	145,692
Current assets			
Inventories		60,713	47,964
Trade and other receivables, deposits and prepayments	<i>11</i>	11,843	13,569
Loan receivables	<i>10</i>	32,392	87,136
Financial assets at fair value through profit or loss		56,904	105,088
Cash and cash equivalents		40,007	34,829
		201,859	288,586

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Current liabilities			
Trade and other payables and accrued charges	<i>12</i>	26,610	20,325
Lease liabilities		5,135	6,175
Borrowings		12,036	20,000
Tax payable		3,562	3,847
Convertible loan notes		72,300	–
		<u>119,643</u>	<u>50,347</u>
Net current assets		<u>82,216</u>	<u>238,239</u>
Total assets less current liabilities		<u>194,452</u>	<u>383,931</u>
Non-current liabilities			
Lease liabilities		1,388	2,140
Convertible loan notes		–	85,500
		<u>1,388</u>	<u>87,640</u>
Net assets		<u>193,064</u>	<u>296,291</u>
EQUITY			
Share capital		7,705	770,481
Reserves		185,359	(474,190)
Total equity		<u>193,064</u>	<u>296,291</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company and principally engaged in investment in financial instruments. Its subsidiaries (together with the Company referred to as the “Group”) are principally engaged in sale of Chinese health products, money lending business and investment in financial instruments. The Group was also engaged in sale of Own Brand Manufacturing (“OBM”) toys which was discontinued during the year ended 31 December 2020.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all amounts are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT REPORTING

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15:		
Trading of		
— Chinese health products	<u>114,196</u>	<u>111,768</u>
Revenue from other sources:		
— Money lending business	22,291	30,285
— Investment in financial instruments	<u>33,592</u>	<u>(4,200)</u>
	<u>55,883</u>	<u>26,085</u>
	<u>170,079</u>	<u>137,853</u>
Disaggregation of revenue from contracts with customers		
Timing of revenue recognition from contracts with customers		
— At a point in time	<u>114,196</u>	<u>111,768</u>
Sales channels		
— Retail	66,037	72,320
— Wholesale	1,580	1,910
— Direct sales event	33,978	27,216
— Internet	<u>12,601</u>	<u>10,322</u>
Total	<u>114,196</u>	<u>111,768</u>

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

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

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

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

The Group disposed of the OBM toys segment during the year ended 31 December 2020. The CODM considered the necessity of reporting the OBM toys segment separately under discontinued operation in accordance with HKFRS 5 as the OBM toys segment was a separate major line of business of the Group. The segment information reported on the next pages does not include any amounts for OBM toys segment, which are described in more detail in note 5(b).

(a) Segment revenue and results

Year ended 31 December 2021

Continuing operations

	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Total HK\$'000
Revenue to external customers	<u>114,196</u>	<u>22,291</u>	<u>33,592</u>	<u>170,079</u>
Segment (loss)/profit before income tax	<u>(8,871)</u>	<u>(97,828)</u>	<u>16,914</u>	<u>(89,785)</u>

Year ended 31 December 2020

Continuing operations

	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Total HK\$'000
Revenue to external customers	<u>111,768</u>	<u>30,285</u>	<u>(4,200)</u>	<u>137,853</u>
Segment loss before income tax	<u>(258)</u>	<u>(33,225)</u>	<u>(11,281)</u>	<u>(44,764)</u>

2021	2020
HK\$'000	HK\$'000

Continuing operations

Reportable segment loss	(89,785)	(44,764)
Loss on partial redemption of convertible loan notes	–	(1,248)
Unallocated finance costs	(4,773)	(16,386)
Unallocated corporate (expenses)/income		
— Government grant	–	216
— Staff costs	(2,574)	(7,239)
— Legal and professional fee	(451)	(643)
— Others	(2,997)	(2,865)
Consolidated loss before income tax	<u>(100,580)</u>	<u>(72,929)</u>

(b) **Segment assets and liabilities**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment assets		
— Chinese health products	84,448	82,658
— Money lending business	167,244	234,145
— Investment in financial instruments	59,754	109,630
	<hr/>	<hr/>
Segment assets	311,446	426,433
Unallocated corporate assets		
— Cash and cash equivalents	2,498	7,500
— Other (<i>Note</i>)	151	345
	<hr/>	<hr/>
Consolidated total assets	<u>314,095</u>	<u>434,278</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment liabilities		
— Chinese health products	27,984	22,972
— Money lending business	2,376	2,295
— Investment in financial instruments	15,541	21,606
	<hr/>	<hr/>
Segment liabilities	45,901	46,873
Unallocated corporate liabilities		
— Convertible loan notes	72,300	85,500
— Others (<i>Note</i>)	2,830	5,614
	<hr/>	<hr/>
Consolidated total liabilities	<u>121,031</u>	<u>137,987</u>

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

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

Year ended 31 December 2021

	Continuing operations				Total HK\$'000
	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Unallocated HK\$'000	
Interest expenses	535	11	1,091	4,773	6,410
Depreciation of property, plant and equipment	309	–	–	–	309
Depreciation of right-of-use assets	3,238	651	–	–	3,889
Impairment loss on property, plant and equipment	216	–	–	–	216
Impairment loss on right-of-use assets	3,023	–	–	–	3,023
Impairment loss on loan receivables, net	–	102,606	–	–	102,606
Fair value loss on financial assets at FVTPL, net	–	–	15,300	–	15,300
Employee costs (including directors' remuneration)	19,646	15,242	–	2,574	37,462
Additions to property, plant and equipment	360	–	–	–	360
Additions to right-of-use asset	6,096	–	–	–	6,096
Other segment information regularly provided to CODM:					
Income tax expense	–	2,466	–	–	2,466

Year ended 31 December 2020

	Continuing operations				Total HK\$'000
	Chinese health products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Unallocated HK\$'000	
Bank interest income	(1)	(7)	–	–	(8)
Interest expenses	727	129	1,605	16,386	18,847
Depreciation of property, plant and equipment	394	–	–	–	394
Depreciation of right-of-use assets	6,400	1,954	–	–	8,354
Impairment loss on property, plant and equipment	166	–	–	–	166
Loss on written off of property, plant and equipment	5	–	–	–	5
Impairment loss on right-of-use assets	2,861	–	–	–	2,861
Impairment loss on loan receivables, net	–	48,657	–	–	48,657
Impairment loss on trade and other receivables	35	–	–	–	35
Fair value loss on financial assets at FVTPL, net	–	–	5,409	–	5,409
Employee costs (including directors' remuneration)	18,377	11,523	–	7,239	37,139
Additions to property, plant and equipment	195	–	–	–	195
Additions to right-of-use asset	3,272	–	–	–	3,272
Other segment information regularly provided to CODM:					
Income tax expense/(credit)	918	(2,655)	–	(1,911)	(3,648)

(d) **Geographical information**

Information about the Group's revenue from continuing operations from external customers and non-current assets by geographical region, according to location of operations or the location which the products are delivered and the location of assets, is as follows:

	Revenue		Non-current assets (Note (i))	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (Note (ii))	169,613	137,853	2,514	3,495
The People's Republic of China ("PRC")	466	–	–	–
	<u>170,079</u>	<u>137,853</u>	<u>2,514</u>	<u>3,495</u>

Notes:

- (i) Excluding deferred tax assets and financial instruments.
- (ii) Revenue from interest income, dividend income and sale of financial instruments are disclosed by location of operations.

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

No external customer contributed 10% or more to the Group's revenue from continuing and discontinued operations for both years.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Bank interest income	–	8
Fair value loss on financial assets at FVTPL, net	(15,300)	(5,409)
Loss on partial redemption of convertible loan notes	–	(1,248)
Loss on written off of property, plant and equipment	–	(5)
Government grants	–	5,599
Rent concession	152	2,107
Others	2	201
	<u>(15,146)</u>	<u>1,253</u>

5. LOSS FOR THE YEAR

(a) Continuing operations

Loss for the year from continuing operations is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	71,794	69,127
Auditors' remuneration		
— audit services	1,280	1,400
— non-audit services	80	129
	1,360	1,529
Depreciation of property, plant and equipment	309	394
Depreciation of right-of-use assets	3,889	8,354
Employee costs (excluding directors' emoluments)	21,853	22,624
Directors' emoluments	15,609	14,515
Short-term leases expenses	3,384	2,141
	<u>71,794</u>	<u>69,127</u>

(b) Discontinued operation

On 19 August 2020, the Group entered into sale and purchase agreements to dispose of the entire equity interests in LC Global Holdings Corporation, a wholly-owned subsidiary of the Company, and its respective subsidiaries, (collectively referred to as the "Disposal Group"), which engaged in sale of OBM toys. The disposal was completed on 30 October 2020, the date on which the control of the Disposal Group passed to the acquirer. The profit for the period from the discontinued OBM toys business is set out below.

	Period from 1 January 2020 to 30 October 2020 HK\$'000
Revenue	140,073
Cost of sales	<u>(110,448)</u>
Gross profit	29,625
Other revenue, gains and losses, net	619
Selling and distribution expenses	(16,623)
General and administrative expenses	(12,708)
Finance costs	<u>(1,100)</u>
Loss before gain on disposal of operation and income tax	(187)
Gain on disposal of operation	<u>46,227</u>
Profit before income tax from discontinued operation	46,040
Income tax expense	<u>(1,981)</u>
Profit for the period from discontinued operation	<u><u>44,059</u></u>
Profit for the period from discontinued operation has been arrived at after charging:	
Cost of inventories sold	110,448
Auditors' remuneration	81
Depreciation of property, plant and equipment	1,163
Depreciation of right-of-use assets	676
Employee costs	5,960
Loss on written off of property, plant and equipment	4
Research and development costs (included in general and administrative expense)	<u>2,943</u>
Cashflow of the discontinued operation for the period were as follows:	
Net operating cash outflow	(13,152)
Net investing cash inflow	3,867
Net financing cash inflow	<u>10,501</u>
Total cash inflow	<u><u>1,216</u></u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interest on borrowings	1,090	1,605
Interest on lease liabilities	547	856
Interest on convertible loan notes	4,773	16,386
	<u>6,410</u>	<u>18,847</u>

7. INCOME TAX EXPENSE/(CREDIT)

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 both years 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% for both years.

No Enterprise Income Tax has been provided as the Company's subsidiary in the PRC did not derive any assessable profits from PRC for both years.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Hong Kong Profits Tax		
— Over-provision in respect of prior years	—	(18)
Deferred tax	2,466	(3,630)
	<u>2,466</u>	<u>(3,648)</u>

8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 December 2021 (2020: Nil).

9. (LOSS)/EARNINGS PER SHARE

	2021 <i>HK cents</i>	2020 <i>HK cents</i>
Continuing and discontinued operations		
Basic and diluted loss per share (<i>Note</i>)	<u>(13.37)</u>	<u>(3.25)</u>
Continuing operations		
Basic and diluted loss per share (<i>Note</i>)	<u>(13.37)</u>	<u>(8.94)</u>
Discontinued operation		
Basic and diluted earnings per share (<i>Note</i>)	<u>–</u>	<u>5.69</u>

Note: The computation of diluted (loss)/earnings per share for both years 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 from continuing operations.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company from continuing operations, used in the basic and diluted loss per share calculations	<u>(103,046)</u>	<u>(69,281)</u>
Profit for the year attributable to owners of the Company from discontinued operation, used in the basic and diluted earnings per share calculations	<u>–</u>	<u>44,059</u>
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>770,480,836</u>	<u>774,981,861</u>

10. LOAN RECEIVABLES

The carrying amount of loan receivables from money lending business of the Group was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables arising from money lending business	300,537	282,473
Less: allowance for expected credit loss	<u>(161,965)</u>	<u>(59,359)</u>
	<u>138,572</u>	<u>223,114</u>

As at 31 December 2021 and 2020, loan receivables are unsecured, interest-bearing at fixed rates ranging from 8%–15% per annum.

The maturity profile of the loan receivables, net of allowance for expected credit loss, if any, at the end of the reporting period, analysed by the remaining period to its contracted maturity, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	32,392	87,136
Over 1 year	<u>106,180</u>	<u>135,978</u>
	<u>138,572</u>	<u>223,114</u>

During the year ended 31 December 2021, impairment loss of HK\$102,606,000 was recognised in respect of loan receivables (2020: HK\$48,657,000).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	6,297	7,365
Less: allowance for expected credit loss	<u>(616)</u>	<u>(616)</u>
	5,681	6,749
Other receivables		
– Deposits and other receivables	4,712	5,259
– Prepayments	<u>1,450</u>	<u>1,561</u>
	<u>11,843</u>	<u>13,569</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	5,174	6,071
91–180 days	507	678
	<u>5,681</u>	<u>6,749</u>

The Group's sales are on open account terms. Credit terms are reviewed on a regular basis. The normal credit terms range from 30 to 90 days (2020: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

- (b) During the year ended 31 December 2021, no impairment loss was recognised in respect of trade receivables (2020: HK\$35,000).

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	17,604	10,700
Other payables and accrued charges	9,006	9,625
	<u>26,610</u>	<u>20,325</u>

The ageing analysis of trade payables, based on invoice dates as of the end of reporting period, is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	17,465	2,555
91–180 days	–	8,006
181–365 days	–	–
Over 365 days	139	139
	<u>17,604</u>	<u>10,700</u>

CORPORATE INFORMATION

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

RESULTS

The Company hereby announces its annual results for the year ended 31 December 2021 (the “Reporting Year” or “FY21”). For the Reporting Year, the Group’s turnover from continuing operation increased by approximately (“approx.”) 23% to approx. HK\$170 million, compared with approx. HK\$138 million for the year ended 31 December 2020 (the “FY20” or “Corresponding Year”).

Gross profit margin from continuing operations for the Reporting Year was approx. 54% compared to approx. 44% in the Corresponding Year. Overall, loss attributable to owners of the Company was approx. HK\$103 million compared with HK\$25 million in the Corresponding Year. The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (FY20: Nil).

BUSINESS REVIEW

During the Reporting Year, revenue from continuing operation increased due to the net effect of (1) the increase in revenue from the investment in financial instrument segment from loss of HK\$4 million in FY20 to gain of HK\$34 million in the Reporting Year; (2) the increase in revenue from the Chinese health product segment from HK\$112 million in FY20 to HK\$114 million in the Reporting Year; and (3) the decrease in revenue from the money lending segment from HK\$30 million in FY20 to HK\$22 million in the Reporting Year.

The Group recorded an increase in loss for the year ended 31 December 2021 as compared to the year ended 31 December 2020. The increase in loss was mainly due to the net effect of (i) the increase in expected credit loss (“ECL”) provision on the loan receivables from HK\$49 million in FY20 to HK\$103 million in the Reporting Year; (ii) the net realised and unrealised gains on investment of financial instruments of HK\$18 million for FY21, as compared to the net realised and unrealised losses on investment of financial instruments of HK\$10 million in FY20; and (iii) the absence of the FY20’s segment profit of the OBM toys business of HK\$44 million which have been disposed of in October 2020.

Chinese Health Products

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

During the Reporting Year, this segment had contributed revenue of approx. HK\$114 million (FY20: HK\$112 million) and segment loss of approx. HK\$9 million (FY20: HK\$1 million). As at 31 December 2021, there were 10 (31 December 2020: 10) retail shops of Nam Pei Hong.

Money Lending

During the Reporting Year, the Group’s money lending business generated interest income on loans amounting to approximately HK\$22 million (FY20: HK\$30 million), and reported a segment loss (before taxation) of approximately HK\$98 million (FY20: HK\$33 million). The decrease in interest income was mainly because a loan with principal of HK\$64 million classified under stage 3 (credit-impaired) in the Corresponding Year has ceased to generate interest income during the Reporting Year. In contrast, the related interest income of such loan was recognised in the Corresponding Year. Other than the decrease in interest income, the deterioration in segment results was attributable to a HK\$103 million increase in allowance for ECL as discussed below.

During FY21, the Group granted seven new loans in the aggregate principal amount of HK\$100 million to six customers and extended the final repayment date of two loans to two customers in the aggregate principal amount of HK\$41 million. The Group’s customers made drawings in the aggregate principal amount of HK\$115 million from the existing and new loans and repaid HK\$99 million to the Group.

At 31 December 2021, nine loans remained outstanding, in which (i) six loan receivables with the aggregate gross balance of HK\$132 million were classified under stage 1 (initial recognition), and (ii) three loan receivables with the aggregate gross balance of HK\$169 million were classified under stage 3. During the year ended 31 December 2021, two loan receivables with the aggregate gross balance of HK\$101 million were transferred from stage 1 (initial recognition) to stage 3 (credit impaired) as a customer failed to pay interest for more than six months and another customer failed to settle interest and principal on a loan granted by another money lender on the due dates subsequent to the end of the Reporting Year.

At the end of the Reporting Year, 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 Hong Kong Financial Reporting Standard 9 Financial Instruments.

Based on the valuation, a total of HK\$162 million allowance for ECL on loan receivables was made, a HK\$103 million increase compared to that for FY20. Of the total allowance for ECL, HK\$7 million (2020: HK\$22 million) was recognised for loan receivables classified under stage 1 (initial recognition), and HK\$155 million (2020: HK\$37 million) was recognised for loan receivables classified under stage 3 (credit impaired).

There is a reversal of allowance for ECL of HK\$15 million under stage 1 (initial recognition). The reversal has mainly arisen from (i) the reversal of allowance for ECL previously recognised for three loans that were repaid during the year and (ii) the transfer of two loans from stage 1 to stage 3. Allowance for ECL for the loan receivables classified under stage 3 (credit-impaired) increased from HK\$37 million in the year ended 31 December 2020 to HK\$155 million in the year ended 31 December 2021. The increase was mainly attributable to (i) the transfer of two loans from stage 1 to stage 3 for the failure to settle the outstanding interests for more than 6 months by a customer, (ii) the failure to settle interest and principal on a loan granted by another borrower on the due dates subsequent to the end of the Reporting Year accordingly and (iii) the prolong outstanding of interest and principal of a stage 3 loan which management considered the recovery is remote.

Since FY21, the Group has recorded a substantial increase in the allowance for ECL on its loan receivables. The Group believes that such a substantial increase was primarily attributable to the continuous outbreak of the COVID-19 pandemic since early 2020, which has an adverse impact on the financial condition and cash flow of several customers. Prior to the COVID-19 pandemic, the money lending business contributed positively to the Group. Nevertheless, the Group will continue to monitor the performance of its loan portfolio closely, especially in the repayment and financial condition of each customer.

At 31 December 2021, the Group's loan receivables, together with accrued interest receivables (before accumulated allowance for ECL), amounted to HK\$301 million (31 December 2020: HK\$282 million).

Investment in Financial Instruments

During the Reporting Year, the Group's investment in financial instruments business generated dividend income and realised gain on sale of financial instruments amounting to net gain of approximately HK\$34 million (FY20: net loss of approximately HK\$4 million), and reported a segment profit of approximately HK\$17 million (FY20: segment loss of approximately HK\$11 million) mainly including (i) a loss of approximately HK\$15 million (FY20: HK\$5 million) arising on change in fair value of financial assets at fair value through profit or loss; and (ii) a realised gain of approximately HK\$34 million (FY20: realised loss of approximately HK\$4 million) by disposal of certain listed equities.

Movements in the listed equities held by the Group during the year ended 31 December 2021 and 2020 are as follows:

	Audited 31 December 2021 HK\$'000	Audited 31 December 2020 HK\$'000
At beginning of year	107,699	138,581
Acquisitions	15,453	10,861
Loss arising on change in fair value	(15,300)	(5,409)
Disposals	(48,548)	(36,334)
	<hr/>	<hr/>
At end of year	59,304	107,699

Details of significant Hong Kong listed equities held by the Group at 31 December 2021 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 31 December 2021 HK\$'000	Number of shares held at 31 December 2021 '000	Fair value at 31 December 2021 HK\$'000	Fair value as compared to the consolidated total assets of the Group at 31 December 2021	Fair value loss recognised during the year ended 31 December 2021 HK\$'000
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	35,963	22,260	31,387	10%	(3,256)

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2020 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 31 December 2020 <i>HK\$'000</i>	Number of shares held at 31 December 2020 <i>'000</i>	Fair value at 31 December 2020 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 31 December 2020	Fair value loss recognised during the year ended 31 December 2020 <i>HK\$'000</i>
IDG Energy Investment Limited (stock code: 650)	Upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, as well as related energy investment fund management	27,500	25,000	25,000	6%	(250)
Yunfeng Financial Group Limited (stock code: 376)	Provision of financial services, including securities brokerage, wealth management and investment, corporate finance consultancy, ESOP (Employee Stock Ownership Plan) administration, and investment research.	36,486	7,526	24,234	6%	(2,634)
Huanxi Media Group Limited (stock code: 1003)	Media and entertainment related businesses, and provision of property agency related services	25,093	16,860	23,773	5%	(1,517)

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.

FINANCIAL REVIEW

During the Reporting Year, the Group recorded an increase in revenue from continuing operations for approx. 23% from approx. HK\$138 million for the year ended 31 December 2020 to approx. HK\$170 million for the year ended 31 December 2021. The increase was due to the net effect of (1) the increase in revenue from the investment in financial instrument segment from loss of HK\$4 million to gain of HK\$34 million in the Reporting Year; (2) the increase in revenue from sales of the Chinese health product segment from HK\$112 million in FY20 to HK\$114 million in the Reporting Year; and (3) the decrease in revenue from the money lending segment from HK\$30 million in FY20 to HK\$22 million in the Reporting Year.

Cost of goods sold (“COGS”) from continuing operations increased by approx. 3% compared to FY20. The increase was mainly attributable to the corresponding increase in revenue from sales of the Chinese health product segment as mentioned above during the Reporting Year. The COGS from continuing operations were approx. HK\$79 million in FY21 compared with approx. HK\$77 million in FY20.

The gross profit from continuing operations increased to approx. HK\$91 million for the Reporting Year versus approx. HK\$61 million in FY20. Gross profit margin increased to approx. 54% (FY20: 44%) mainly due to the revenue of HK\$34 million (FY2020: loss of HK\$4 million) from the investment in financial instrument segment for the Reporting Year.

Other income, gains and losses, net from continuing operations for the year ended 31 December 2021 amounted to a loss of approx. HK\$15 million (FY20: gain of HK\$1 million). Other income, gains and losses, net mainly included (1) fair value loss on financial assets at fair value through profit or loss of HK\$15 million (FY20: HK\$5 million); and (2) government grants of HK\$6 million in FY20.

Selling and distribution expenses from continuing operations for the year ended 31 December 2021 increased to approx. HK\$31 million, representing a slight increase of approx. 3% against approx. HK\$30 million in the Corresponding Year. The slight increase in selling and distribution expenses was mainly due to the increase in promotion and advertising expenses in the Reporting Year.

General and Administrative expenses from continuing operations for the year ended 31 December 2021 amounted to approx. HK\$33 million, resulting in a decrease of approx. 6% as compared with the previous period (FY20: HK\$35 million). The general and administrative expenses decreased by 6% because of a slight decrease in the number of employee during the Reporting Year.

Finance costs from continuing operations incurred mainly for convertible loan notes and other borrowings during the Reporting Year was approx. HK\$6 million as compared with approx. HK\$19 million in FY20.

Impairment loss under the expected credit loss model increased to approx. HK\$103 million for the Reporting Year versus approx. HK\$49 million in FY20. The impairment loss mainly in relation to the loan receivables was recognised based on a valuation prepared by an independent professional valuer. The impairment loss increased mainly because several measures against the continuous outbreak of COVID-19 such as the restriction of travel have an adverse impact on the operation and cash flow of several customers during the Reporting Year. Hence, management considered the risk of default from the loan receivables of these customers significantly increased. 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 cashflow.

All in all, the Group recorded a loss attributable to shareholders of approx. HK\$103 million in the Reporting Year compared with approx. HK\$25 million in FY20.

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 global outbreak of COVID-19, the number of tourists visiting Hong Kong has significantly reduced which negatively 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. 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.

During the Reporting Year, our sales channel through online platform “HKTVmall” reported a growth in turnover of over 12%. 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 enhance the immunity, such as convenient series of Lingzhi capsules, Korean ginseng extract and probiotics, so as to safeguard our health and enhance immunity. In addition, with more people working from home and thus reducing dining out, we launched the nutritious stew series all year round, which are conveniently consumed by reheating to satisfy the market demand. The series are sold in our shops, and also available online on HKTVmall platform.

Our operations were affected to a certain extent as no visitors were travelling from China nor the people in Hong Kong were able to go back to China to visit their relatives. The deterioration of the pandemic and the prevention measures had affected the consumption sentiment and the business environment, the overall turnover was seriously affected. Coupled with the competition from online platforms, offline physical shops were facing heavy pressure. Although our own online shops and HKTVmall platform reported a growth in their results, the shrinking business of our physical shops could not be covered. If the pandemic continues, we cannot foresee when the borders will be opened, our business outlook will continue to be under pressure.

In addition, we have added sales channels in China by setting up our solely operated “Sam Jee Won (蔘之元) Overseas Flagship Shop” in Tmall Global (天貓國際). In 2022, we will set up another solely operated “Nam Pei Hong (南北行) Overseas Flagship Shop” in Tmall Global (天貓國際) with an expectation to create synergistic effect by our online and offline sales platforms, so as to increase our turnover and enhance the awareness of our brand in China.

Money Lending

Despite certain uncertainties in the global economy such as the global outbreak of COVID-19, the demand for money lending business remain stable during the Reporting Year and the Group’s loans receivables together with accrued interest receivables decreased to HK\$139 million (31 December 2020: HK\$223 million). The Group expect 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.

GROUP RESOURCES AND LIQUIDITY

As at 31 December 2021, the Group's cash and bank balances were approx. HK\$40 million (31 December 2020: HK\$35 million). The Group's total borrowings and convertible loan notes were approx. HK\$12 million (31 December 2020: HK\$20 million) and HK\$72 million (31 December 2020: HK\$86 million), respectively. The convertible loan notes will be mature on 10 October 2022. Gearing ratio, calculated as the total borrowings divided by shareholders' equity was approx. 44% as at 31 December 2021 (31 December 2020: 36%). As at 31 December 2021, the Group recorded total current assets of approx. HK\$202 million (31 December 2020: HK\$289 million) and total current liabilities of approx. HK\$120 million (31 December 2020: HK\$50 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 168% (31 December 2020: 578%). The Group recorded a decrease in shareholders' fund from approx. HK\$296 million as at 31 December 2020 to a net asset position of approx. HK\$193 million as at 31 December 2021. The decrease was mainly due to the operating loss of the Group during the Reporting Year.

CAPITAL STRUCTURE

Pursuant to an extraordinary general meeting of the Company held on 11 August 2021, the resolutions approving the capital reorganisation involving capital reduction, share sub-division and share premium reduction (the "Capital Reorganisation") was duly passed by way of poll. The Company completed the implementation of the Capital Reorganisation on 6 October 2021, in which the Capital Reorganisation involved:

(1) Capital reduction

The par value of each of the issued ordinary shares of the Company was reduced from HK\$1.00 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.99 per issued share (the "Capital Reduction"). The credit arising from the Capital Reduction of HK\$763 million were credited to the accumulated losses of the Company.

(2) Share sub-division

Immediately following the Capital Reduction, each of the authorised but unissued shares of par value of HK\$1.00 each will be sub-divided into 100 adjusted shares of par value of HK\$0.01 each.

(3) Share premium reduction

The credit arising from the share premium reduction of HK\$311 million were credited to the accumulated losses of the Company.

Following the Capital Reorganisation, the authorised share capital of the Company was HK\$1,500,000,000 divided into 150,000,000,000 shares, of which 770,480,836 shares have been issued and are fully paid or credited as fully paid.

EMPLOYEES

As at 31 December 2021, the Group had approx. 100 employees and contract workers based in Hong Kong headquarters. The number of employees of the Group varies from time to time depending on operation needs and they are remunerated based on industry practices.

CORPORATE GOVERNANCE CODE

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

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

Save for the deviation from code A.4.1 which are explained below, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2021.

CODE PROVISION A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Although all independent non-executive directors have not been appointed for a specific term, they will all retire at the annual general meeting at least once every three years and will be eligible for re-election in accordance with the CG Code. In the opinion of the Directors, the retirement of each non-executive director at the annual general meeting at least once every three years shall have the same effect of appointing them with a specific term of three years. Therefore, the Directors consider that the deviation from the code provision A.4.1 of the CG Code is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2021. To ensure Directors’ dealings in the securities of the Company (the “Securities”) are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2021.

DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 December 2021 (year ended 31 December 2020: Nil).

AUDIT COMMITTEE

The Audit Committee had reviewed (together with the management) the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT

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

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

Hong Kong, 28 March 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.