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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 2023

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 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	146,317	142,058
Cost of sales		(86,023)	(88,788)
Gross profit		60,294	53,270
Other income, gains and losses, net	4	(10,167)	(10,096)
Selling and distribution expenses		(27,874)	(28,542)
General and administrative expenses		(37,529)	(38,330)
Finance costs	6	(8,993)	(7,297)
Impairment loss under expected credit loss model		(107,469)	(24,784)
Impairment loss on right-of-use assets		(321)	(622)
Loss before income tax	5	(132,059)	(56,401)
Income tax (expense)/credit	7	(2,499)	2,127
Loss for the year		(134,558)	(54,274)

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Other comprehensive income/(loss), net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<u>307</u>	<u>(141)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>307</u>	<u>(141)</u>
Total comprehensive loss for the year		<u>(134,251)</u>	<u>(54,415)</u>
Loss for the year attributable to owners of the Company		<u>(134,558)</u>	<u>(54,274)</u>
Total comprehensive loss attributable to owners of the Company		<u>(134,251)</u>	<u>(54,415)</u>
Loss per share attributable to owners of the Company			
— Basic and diluted	9	<u>(17.46)</u> <u>cents</u>	<u>(7.04)</u> <u>cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		482	676
Right-of-use assets		7,502	6,077
Financial assets at fair value through profit or loss		559	1,143
Deferred tax assets		–	2,697
Loan receivables	<i>10</i>	1,472	2,049
		10,015	12,642
Current assets			
Inventories		56,023	55,121
Trade and other receivables, deposits and prepayments	<i>11</i>	13,727	14,721
Loan receivables	<i>10</i>	15,623	132,002
Tax recoverable		–	153
Financial assets at fair value through profit or loss		39,861	56,170
Cash and cash equivalents		14,421	16,850
		139,655	275,017
Current liabilities			
Trade and other payables and accrued charges	<i>12</i>	33,427	35,965
Lease liabilities		5,790	4,752
Borrowings		28,722	31,264
Tax payable		2,775	2,775
Convertible loan notes		72,239	–
		142,953	74,756
Net current (liabilities)/assets		(3,298)	200,261
Total assets less current liabilities		6,717	212,903

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	2,149	2,843
Convertible loan notes	–	71,043
Deferred tax liabilities	170	368
	<u>2,319</u>	<u>74,254</u>
Net assets	<u>4,398</u>	<u>138,649</u>
EQUITY		
Share capital	7,705	7,705
Reserves	(3,307)	130,944
Total equity	<u>4,398</u>	<u>138,649</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. ORGANISATION AND OPERATIONS

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

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

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.

Going concern

During the year ended 31 December 2023, the Group incurred a net loss of approximately HK\$134,558,000 for the year ended 31 December 2023 and, as of that date, the Group had net current liabilities of approximately HK\$3,298,000.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity, operating performance of the Group, and are of the opinion that the cash flow generated from operating activities of the Group will be able to meet the funding needs of operations and repay the outstanding interest bearing borrowings and liabilities. In order to improve the Group’s financial position, the directors of the Company have been implementing various measures as follows:

- i. taking active measures to collect loan receivables to improve operating cash flows and its financial position;
- ii. in the process of negotiating with the lender to renew and extend the existing convertible loan notes with outstanding principal amount of approximately HK\$72,300,000 upon its maturity on 10 October 2024. In the opinion of directors, the renewal of the convertible loan notes with the lender is probable;
- iii. reviewing its investments and actively considering to realise certain financial assets at fair value through profit or loss, in order to enhance the cash flow position of the Group whenever it is necessary; and
- iv. implementing an active cost-saving measures to control administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group.

The directors of the Company have carried out detail review on the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan finance which may impact the operations of the Group during the next twelve-month period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2023 on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

(a) New and 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 2023 for the preparation of the 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

In addition, the Group applied the agenda decision(s) of the Committee of the International Accounting Standards Board (the “Committee”).

Except as described below, the application of the new and amendments to HKFRSs and the Committee’s agenda decision(s) 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.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund — Long Service Payment offsetting mechanism in Hong Kong

In June 2022, the Government of the Hong Kong Special Administrative Region (“Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“Amendment Ordinance”), which will come into effect from 1 May 2025 (“Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

(b) Amendments to HKFRSs and interpretation in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ¹

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors anticipate that the application of all amendments to HKFRSs and interpretation 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Trading of		
— Chinese health products	<u>129,523</u>	<u>128,375</u>
Revenue from other sources:		
— Money lending business	10,656	14,628
— Investment in financial instruments	<u>6,138</u>	<u>(945)</u>
	<u>16,794</u>	<u>13,683</u>
	<u>146,317</u>	<u>142,058</u>
Disaggregation of revenue from contracts with customers		
Timing of revenue recognition from contracts with customers		
— At a point in time	<u>129,523</u>	<u>128,375</u>
Sales channels		
— Retail	80,604	73,723
— Wholesale	2,809	1,010
— Direct sales event	34,285	41,170
— Internet	<u>11,825</u>	<u>12,472</u>
Total	<u>129,523</u>	<u>128,375</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.

(a) **Segment revenue and results**

Year ended 31 December 2023

	Chinese health products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Investment in financial instruments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue to external customers	<u>129,523</u>	<u>10,656</u>	<u>6,138</u>	<u>146,317</u>
Segment profit/(loss) before income tax	<u>3,192</u>	<u>(115,859)</u>	<u>(5,576)</u>	<u>(118,243)</u>

Year ended 31 December 2022

	Chinese health products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Investment in financial instruments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue to external customers	<u>128,375</u>	<u>14,628</u>	<u>(945)</u>	<u>142,058</u>
Segment profit/(loss) before income tax	<u>1,888</u>	<u>(30,023)</u>	<u>(17,748)</u>	<u>(45,883)</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reportable segment loss	(118,243)	(45,883)
Gain on modification of convertible loan notes	–	2,459
Unallocated finance costs	(5,533)	(4,566)
Unallocated corporate income/(expenses)		
— Government grant	–	72
— Staff costs	(5,362)	(5,256)
— Legal and professional fee	(415)	(1,214)
— Others	(2,506)	(2,013)
Consolidated loss before income tax	<u>(132,059)</u>	<u>(56,401)</u>

(b) **Segment assets and liabilities**

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

	2023	2022
	HK\$'000	HK\$'000
Segment assets		
— Chinese health products	88,690	92,731
— Money lending business	17,647	137,084
— Investment in financial instruments	40,441	57,343
	<hr/>	<hr/>
Segment assets	146,778	287,158
Unallocated corporate assets		
— Cash and cash equivalents	992	350
— Other (<i>Note</i>)	1,900	151
	<hr/>	<hr/>
Consolidated total assets	149,670	287,659
	<hr/> <hr/>	<hr/> <hr/>
	2023	2022
	HK\$'000	HK\$'000
Segment liabilities		
— Chinese health products	50,070	54,712
— Money lending business	1,290	1,290
— Investment in financial instruments	17,883	18,247
	<hr/>	<hr/>
Segment liabilities	69,243	74,249
Unallocated corporate liabilities		
— Convertible loan notes	72,239	71,043
— Others (<i>Note</i>)	3,790	3,718
	<hr/>	<hr/>
Consolidated total liabilities	145,272	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) Other segment information included in segment results or segment assets

Year ended 31 December 2023

	Chinese health products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Investment in financial instruments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest expenses	2,080	–	1,380	5,533	8,993
Depreciation of property, plant and equipment	383	–	–	–	383
Depreciation of right-of-use assets	5,232	–	–	–	5,232
Impairment loss on right-of-use assets	321	–	–	–	321
Impairment loss on loan receivables, net	–	107,469	–	–	107,469
Fair value loss on financial assets at FVTPL, net	–	–	9,760	584	10,344
Employee costs (including directors' remuneration)	20,215	16,842	–	5,361	42,418
Additions to property, plant and equipment	191	–	–	–	191
Additions to right-of-use assets	6,978	–	–	–	6,978
Other segment information regularly provided to CODM:					
Income tax expense/(credit)	–	2,696	–	(197)	2,499

Year ended 31 December 2022

	Chinese health products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Investment in financial instruments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest expenses	1,316	–	1,415	4,566	7,297
Depreciation of property, plant and equipment	184	–	–	–	184
Depreciation of right-of-use assets	3,120	–	–	–	3,120
Impairment loss on right-of-use assets	622	–	–	–	622
Impairment loss on loan receivables, net	–	24,784	–	–	24,784
Fair value loss on financial assets at FVTPL, net	–	–	15,325	–	15,325
Employee costs (including directors' remuneration)	19,639	16,842	–	5,256	41,737
Additions to property, plant and equipment	631	–	–	–	631
Additions to right-of-use assets	7,535	–	–	–	7,535
Other segment information regularly provided to CODM:					
Income tax (credit)/expense	–	(2,495)	–	368	(2,127)

(d) Geographical information

Information about the Group's revenue 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))	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (Note (ii))	146,317	141,750	7,984	6,753
The People's Republic of China (the "PRC")	–	308	–	–
	<u>146,317</u>	<u>142,058</u>	<u>7,984</u>	<u>6,753</u>

Note:

- (i) Excluding deferred tax assets and financial instruments.
- (ii) Revenue from interest 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 for both years.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Fair value loss on financial assets at FVTPL, net	(10,344)	(15,325)
Gain on modification of convertible loan notes	–	2,459
Loss on written off of property, plant and equipment	–	(1)
Government grants	–	2,593
Rent concession	–	160
Others	177	18
	<u>(10,167)</u>	<u>(10,096)</u>

During the year ended 31 December 2022, included in the government grants recognised are mainly Covid-19 related subsidies of approximately HK\$1,909,000, which relates to Job Support Scheme provided by the Hong Kong government. There are no unfulfilled conditions or contingencies relating to these grants.

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	79,374	81,506
Auditors' remuneration		
— audit services	1,300	1,080
— non-audit services	—	80
	1,300	1,160
Depreciation of property, plant and equipment	383	184
Depreciation of right-of-use assets	5,232	3,120
Employee costs (excluding directors' emoluments)	23,586	21,576
Directors' emoluments	18,832	20,161
Short-term leases expenses	2,268	3,635
	79,374	111,182

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on borrowings	2,737	2,242
Interest on lease liabilities	722	489
Interest on convertible loan notes	5,534	4,566
	8,993	7,297

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 the PRC for both years.

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

	2023	2022
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
— Over-provision in respect of prior years	—	(940)
Deferred tax	<u>2,499</u>	<u>(1,187)</u>
Income tax expense/(credit)	<u><u>2,499</u></u>	<u><u>(2,127)</u></u>

8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 December 2023 (2022: Nil).

9. LOSS PER SHARE

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

	2023	2022
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company used in the basic and diluted loss per share calculations	<u>(134,558)</u>	<u>(54,274)</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>770,480,836</u></u>	<u><u>770,480,836</u></u>

The computation of diluted loss 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.

10. LOAN RECEIVABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan receivables arising from money lending business	311,313	320,800
Less: allowance for ECL	<u>(294,218)</u>	<u>(186,749)</u>
	<u>17,095</u>	<u>134,051</u>

As at 31 December 2023 and 2022, loan receivables are unsecured, interest-bearing at fixed rates ranging from 8%–13% per annum.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	15,623	132,002
Over 1 year	<u>1,472</u>	<u>2,049</u>
	<u>17,095</u>	<u>134,051</u>

During the year ended 31 December 2023, impairment loss of HK\$107,469,000 was recognised in respect of loan receivables (2022: HK\$24,784,000).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	6,137	6,420
Less: allowance for ECL	<u>(616)</u>	<u>(616)</u>
	5,521	5,804
Deposits and other receivables	4,880	5,714
Prepayments	<u>3,326</u>	<u>3,203</u>
	<u>13,727</u>	<u>14,721</u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	5,517	5,800
91–180 days	4	4
	<u>5,521</u>	<u>5,804</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 (2022: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

- (b) During the year ended 31 December 2023, no impairment loss was recognised in respect of trade receivables (2022: nil).

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	23,268	23,770
Other payables and accrued charges	10,159	12,195
	<u>33,427</u>	<u>35,965</u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	23,129	23,631
91–180 days	–	–
181–365 days	–	–
Over 365 days	139	139
	<u>23,268</u>	<u>23,770</u>

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The section below set out an extract of the independent auditors' report regarding the consolidated financial statements of the Group for the year ended 31 December 2023.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$134,558,000 for the year ended 31 December 2023 and, as of that date, the Group had net current liabilities of HK\$3,298,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2023 (the “Reporting Year” or “FY23”). For the Reporting Year, the Group's turnover increased by approximately (“approx.”) 3% to approx. HK\$146 million, compared with approx. HK\$142 million for the year ended 31 December 2022 (the “FY22” or “Corresponding Year”).

Gross profit margin for the Reporting Year was approx. 41% compared to approx. 37% in the Corresponding Year. Overall, loss attributable to owners of the Company was approx. HK\$135 million compared with HK\$54 million in the Corresponding Year. The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (FY22: Nil).

BUSINESS REVIEW

During the Reporting Year, revenue increased due to the net effect of (1) the increase in revenue from the investment in financial instrument segment from loss of approx. HK\$1 million in FY22 to gain of approx. HK\$6 million in the Reporting Year; (2) the increase in revenue from the Chinese health product segment from approx. HK\$128 million in FY22 to approx. HK\$130 million in the Reporting Year; and (3) the decrease in revenue from the money lending segment from approx. HK\$15 million in FY22 to approx. HK\$11 million in the Reporting Year.

The Group recorded an increase in loss for the year ended 31 December 2023 as compared to the year ended 31 December 2022. The increase in loss was mainly due to an increase in the impairment loss recognised during the year in respect of loan receivables from approx. HK\$25 million in FY22 to approx. HK\$107 million in FY23.

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\$130 million (FY22: HK\$128 million) and segment profit of approx. HK\$3 million (FY22: HK\$2 million). As at 31 December 2023, there were 10 (31 December 2022: 10) retail shops of Nam Pei Hong.

The increase in revenue contributed by the Chinese Health Products during the Reporting Year was mainly attributable by the Consumption Vouchers Scheme launched by the Hong Kong Government and the ease of travel restrictions in early 2023 which stimulate spendings from the customers.

Money Lending

During the Reporting Year, the Group's money lending business generated interest income on loans amounting to approx. HK\$11 million (FY22: HK\$15 million), and reported a segment loss (before taxation) of approx. HK\$116 million (FY22: HK\$30 million). The decrease in interest income was mainly because of the increase in loan receivables being classified to stage 3 (credit-impaired) in the Reporting Year which ceased to generate interest income during the Reporting Year. The increase in segment loss was mainly attributable to an approx. HK\$82 million increase in allowance for ECL provided during FY23. The increase in allowance for ECL was mainly due to the fact that loan receivables with aggregate principal of HK\$124 million were re-classified to stage 3 (credit-impaired), which usually generates a high allowance for ECL, during the year.

During FY23, the Group granted 1 new loan with principal amount of approx. HK\$9 million to 1 customer and extended the final repayment date of 1 loan to 1 customer with principal amount of approx. HK\$7 million. The Group's customers made drawings in the aggregate principal amount of approx. HK\$13 million from the existing and new loans and repaid approx. HK\$16 million to the Group.

At 31 December 2023, eleven (2022: eleven) loans remained outstanding, in which (i) three (2022: seven) loan receivables with the aggregate gross balance of approx. HK\$17 million (2022: HK\$118 million) were classified under stage 1 (initial recognition), (ii) nil (2022: one) loan receivable with nil (2022: HK\$33 million) gross balance was classified under stage 2 (significant increase in credit risk) and (iii) eight (2022: three) loan receivables with the aggregate gross balance of approx. HK\$294 million (2022: HK\$170 million) were classified under stage 3 (credit-impaired). During the year ended 31 December 2023, one loan receivable with gross principal balance of approx. HK\$31 million were re-classified from stage 2 (significant increase in credit risk) to stage 3 (credit-impaired) as the customer failed to settle the principal and interest in the Reporting Year. In addition, four loan receivables with the aggregate gross balance of approx. HK\$96 million were reclassified from stage 1 (initial recognition) to stage 3 (credit-impaired) as the customers failed to settle the principals and interests in 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 approx. HK\$294 million (2022: HK\$187 million) allowance for ECL on loan receivables was made, an approx. HK\$107 million (2022: HK\$25 million) increase compared to that for FY22. Of the total allowance for ECL, approx. HK\$1 million (2022: HK\$5 million) was recognised for loan receivables classified under stage 1 (initial recognition), nil (2022: HK\$12 million) was recognised for loan receivables classified under stage 2 (significant increase in credit risk) and approx. HK\$293 million (2022: HK\$170 million) was recognised for loan receivables classified under stage 3 (credit-impaired).

At 31 December 2023, the Group's loan receivables, together with accrued interest receivables (after accumulated allowance for ECL), amounted to approx. HK\$17 million (31 December 2022: approx. HK\$134 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 approx. HK\$6 million (FY22: net loss of HK\$1 million), and reported a segment loss before taxation of approx. HK\$6 million (FY22: HK\$18 million) mainly including (i) a loss of approx. HK\$10 million (FY22: HK\$15 million) arising on change in fair value of financial assets at fair value through profit or loss; and (ii) a realised gain of approx. HK\$6 million (FY22: realised loss of HK\$1 million) by disposal of certain listed equities.

Movements in the listed and unlisted equities held by the Group during the year ended 31 December 2023 and 2022 are as follows:

	Audited 31 December 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
At beginning of year	57,313	59,304
Acquisitions	5,104	16,768
Loss arising on change in fair value	(10,344)	(15,325)
Disposals	(11,653)	(3,434)
	<hr/> 40,420 <hr/>	<hr/> 57,313 <hr/>
At end of year		

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2023 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of	Number of	Fair value at	Fair value as	Fair value gain/
		shares at	shares held at	31 December	consolidated	(loss)
		31 December	31 December	31 December	total assets	recognised
		2023	2023	2023	of the Group	during the year
		HK\$'000	'000	HK\$'000	at 31 December	ended
					2023	31 December
						2023
		HK\$'000	'000	HK\$'000		HK\$'000
Huanxi Media Group Limited (stock code: 1003) (Huanxi Media Group Limited)	Media and entertainment related businesses, including development and investment in film and TV programmes rights, as well as operation of an online video platform.	36,482	22,660	15,182	10%	(9,744)
Ocean Line Port Development Limited (stock code: 8502)	An inland terminal operator in the PRC and is principally engaged in the provision of port logistic services (including uploading and unloading of cargoes, bulk cargo handling services, container handling, storage and other services).	8,400	31,588	10,898	7%	2,894
Yunfeng Financial Group Limited (stock code: 376)	Life insurance and other financial businesses including subscription fees and management fees for products launched, platform fees for distribution of third-parties products, administration fee for employees stock ownership plan management services and brokerage commission income etc..	36,486	7,526	7,526	5%	(602)

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2022 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares	Number of	Fair value at	Fair value	Fair value loss
		at 31 December	shares held at	31 December	as compared to	recognised
		2022	31 December	31 December	the consolidated	during the year
		2022	2022	2022	total assets	ended
		2022	2022	2022	of the Group	31 December
		2022	2022	2022	at 31 December	2022
		HK\$'000	'000	HK\$'000		HK\$'000
Huanxi Media Group Limited (stock code: 1003) (Huanxi Media Group Limited)	Media and entertainment related businesses, including development and investment in film and TV programmes rights, as well as operation of an online video platform.	36,923	22,960	25,256	9%	(7,091)

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 for approx. 3% from approx. HK\$142 million for the year ended 31 December 2022 to approx. HK\$146 million for the year ended 31 December 2023. The increase was due to the net effect of (1) the increase in revenue from the investment in financial instrument segment from loss of approx. HK\$1 million in FY22 to gain of approx. HK\$6 million in the Reporting Year; (2) the increase in revenue from sales of the Chinese health product segment from approx. HK\$128 million in FY22 to approx. HK\$130 million in the Reporting Year; and (3) the decrease in revenue from the money lending segment from approx. HK\$15 million in FY22 to approx. HK\$11 million in the Reporting Year.

Cost of goods sold ("COGS") decreased by approx. 3% compared to FY22. The decrease was mainly attributable to the adjustment of product mix of the Chinese health product segment to increase the gross profit ratio. The COGS were approx. HK\$86 million in FY23 compared with approx. HK\$89 million in FY22.

The gross profit increased to approx. HK\$60 million for the Reporting Year versus approx. HK\$53 million in FY22. Gross profit margin increased to approx. 41% (FY22: 37%) mainly due to the realised gain of approx. HK\$6 million (FY2022: loss of HK\$1 million) from the investment in financial instrument segment for the Reporting Year.

Other income, gains and losses, net for the year ended 31 December 2023 amounted to a loss of approx. HK\$10 million (FY22: HK\$10 million). Other income, gains and losses, net mainly included (1) fair value loss on financial assets at fair value through profit or loss of approx. HK\$10 million (FY22: HK\$15 million); and (2) government grants of approx. HK\$3 million in FY22.

Selling and distribution expenses for the year ended 31 December 2023 decreased to approx. HK\$28 million, representing a decrease of approx. 3% against approx. HK\$29 million in the Corresponding Year. The decrease in selling and distribution expenses was mainly due to the cost-saving measures implemented in the Reporting Year.

General and Administrative expenses for the year ended 31 December 2023 amounted to approx. HK\$38 million (FY22: HK\$38 million).

Finance costs incurred mainly for convertible loan notes and other borrowings during the Reporting Year was approx. HK\$9 million as compared with approx. HK\$7 million in FY22.

Impairment loss under the expected credit loss model provided for the year increased to approx. HK\$107 million for the Reporting Year versus approx. HK\$25 million in FY22. 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 5 loan receivables were re-classified to stage 3 (credit-impaired), which usually generates a high allowance for ECL, during the year.

All in all, the Group recorded a loss attributable to shareholders of approx. HK\$135 million in the Reporting Year compared with approx. HK\$54 million in FY22.

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 ganoderma 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 FY23, 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 FY23, our marketing campaign successfully attracted certain charitable organisations and institutional customers to order products such as healthy tea bags, nutrition 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 coming year to expand our customer base.

Money Lending

The Group's loan receivables together with accrued interest receivables decreased to approx. HK\$17 million (31 December 2022: approx. HK\$134 million). Given the easing of travel restrictions in 2023 and the various measures to attract tourists to visit Hong Kong, Hong Kong is expected to have a positive impact and economic recovery in 2024. However, the Group expects the business environment for money lending to be challenging and difficult because the Hong Kong Dollar interest rate is still expected to remain in a relatively high level in 2024. 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 2023, the Group's cash and bank balances were approx. HK\$14 million (31 December 2022: HK\$17 million). The Group's total borrowings and convertible loan notes were approx. HK\$29 million (31 December 2022: HK\$31 million) and approx. HK\$72 million (31 December 2022: approx. HK\$71 million), respectively. The convertible loan notes will be mature on 10 October 2024. Gearing ratio, calculated as the total borrowings and convertible loan notes divided by shareholders' equity was approx. 25.25 as at 31 December 2023 (31 December 2022: 0.73). As at 31 December 2023, the Group recorded total current assets of approx. HK\$140 million (31 December 2022: HK\$275 million) and total current liabilities of approx. HK\$143 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. 0.98 (31 December 2022: 3.67). The Group recorded a decrease in shareholders' fund from approx. HK\$139 million as at 31 December 2022 to a net asset position of approx. HK\$4 million as at 31 December 2023. The decrease was mainly due to the operating loss of the Group during the Reporting Year.

EMPLOYEES

As at 31 December 2023, 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 C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2023.

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 C3 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 2023. 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 2023.

DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 December 2023 (year ended 31 December 2022: 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 2023.

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, 26 March 2024

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.