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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 2020

#### 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 2020 together with the comparative figures for the period from 1 April 2019 to 31 December 2019 as follows:

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

*For the year ended 31 December 2020*

		Year ended 31 December 2020 HK\$'000	Period from 1 April 2019 to 31 December 2019 HK\$'000
	Notes		
<b>Continuing operations</b>			
Revenue	4	137,853	107,907
Cost of sales		<u>(76,797)</u>	<u>(58,364)</u>
Gross profit		61,056	49,543
Other income, gains and losses, net	5	1,253	(71,956)
Selling and distribution expenses		(30,030)	(30,834)
General and administrative expenses		(34,642)	(30,963)
Finance costs	7	(18,847)	(17,662)
Impairment loss under expected credit loss model		(48,692)	(5,593)
Impairment loss on property, plant and equipment		(166)	–
Impairment loss on right-of-use assets		(2,861)	(5,778)
Impairment loss on goodwill		–	(614)
Impairment loss on intangible assets		–	<u>(5,094)</u>
Loss before income tax from continuing operations	6(a)	(72,929)	(118,951)
Income tax credit/(expense)	8	<u>3,648</u>	<u>(1,265)</u>

	<b>Year ended 31 December 2020</b>	Period from 1 April 2019 to 31 December 2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year/period from continuing operations	<b>(69,281)</b>	(120,216)
<b>Discontinued operation</b>		
Profit/(loss) for the year/period from discontinued operation	<i>6(b)</i> <b>44,059</b>	(6,658)
Loss for the year/period	<b>(25,222)</b>	(126,874)
<b>Other comprehensive (loss)/income, net of tax</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	<b>20</b>	(1,876)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	<b>(188)</b>	35,091
Other comprehensive (loss)/income for the year/period, net of tax	<b>(168)</b>	33,215
<b>Total comprehensive loss for the year/period</b>	<b>(25,390)</b>	(93,659)
(Loss)/profit for the year/period attributable to:		
Owners of the Company		
— from continuing operations	<b>(69,281)</b>	(117,687)
— from discontinued operation	<b>44,059</b>	(6,658)
Loss for the year/period attributable to owners of the Company	<b>(25,222)</b>	(124,345)
Non-controlling interests		
— from continuing operations	—	(2,529)
— from discontinued operation	—	—
Loss for the year/period attributable to non-controlling interests	—	(2,529)
	<b>(25,222)</b>	(126,874)

		<b>Year ended 31 December 2020</b>	Period from 1 April 2019 to 31 December 2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Total comprehensive (loss)/income for the year/period attributable to:			
Owners of the Company		(25,390)	(99,853)
Non-controlling interests		—	6,194
		<u>(25,390)</u>	<u>(93,659)</u>
Total comprehensive (loss)/income attributable to owners of the Company:			
— from continuing operations		(69,261)	(93,195)
— from discontinued operation		43,871	(6,658)
		<u>(25,390)</u>	<u>(99,853)</u>
			(restated)
Loss per share attributable to owners of the Company from continuing and discontinued operations			
— Basic and diluted	10	<u>(3.25) cents</u>	<u>(15.34) cents</u>
Loss per share attributable to owners of the Company from continuing operations			
— Basic and diluted	10	<u>(8.94) cents</u>	<u>(14.52) cents</u>
Earnings/(loss) per share attributable to owners of the Company from discontinued operation			
— Basic and diluted	10	<u>5.69 cents</u>	<u>(0.82) cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>395</b>	4,903
Right-of-use assets		<b>3,100</b>	12,074
Goodwill		–	–
Intangible assets		–	–
Financial assets at fair value through profit or loss		<b>2,611</b>	18,306
Deferred tax assets		<b>3,608</b>	3,569
Loan receivables	<i>11</i>	<b>135,978</b>	15,000
		<u><b>145,692</b></u>	<u>53,852</u>
<b>Current assets</b>			
Inventories		<b>47,964</b>	68,939
Trade and other receivables, deposits and prepayments	<i>12</i>	<b>13,569</b>	51,259
Loan receivables	<i>11</i>	<b>87,136</b>	248,831
Financial assets at fair value through profit or loss		<b>105,088</b>	120,275
Tax recoverable		–	9
Pledged bank deposits		–	8,190
Cash and cash equivalents		<b>34,829</b>	47,072
		<u><b>288,586</b></u>	<u>544,575</u>
<b>Current liabilities</b>			
Trade and other payables and accrued charges	<i>13</i>	<b>20,325</b>	117,663
Lease liabilities		<b>6,175</b>	12,034
Borrowings		<b>20,000</b>	18,685
Tax payable		<b>3,847</b>	5,158
Convertible loan notes		–	110,038
		<u><b>50,347</b></u>	<u>263,578</u>
<b>Net current assets</b>		<u><b>238,239</b></u>	<u>280,997</u>
<b>Total assets less current liabilities</b>		<u><b>383,931</b></u>	<u>334,849</u>

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	<b>2,140</b>	6,256
Convertible loan notes	<b>85,500</b>	–
Deferred tax liabilities	–	1,920
	<u><b>87,640</b></u>	<u>8,176</u>
<b>Net assets</b>	<u><b>296,291</b></u>	<u>326,673</u>
<b>EQUITY</b>		
Share capital	<b>770,481</b>	786,546
Reserves	<b>(474,190)</b>	(459,873)
Equity attributable to owners of the Company	<b>296,291</b>	326,673
Non-controlling interests	–	–
<b>Total equity</b>	<u><b>296,291</b></u>	<u>326,673</u>

## 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 Group was also engaged in sale of Own Brand Manufacturing (“OBM”) toys which was discontinued in current year.

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. CHANGE OF FINANCIAL YEAR END DATE

On 2 December 2019, the Company announced to change its financial year end date from 31 March to 31 December in order to have a coterminous year end date with that of its substantial shareholder, which is a Hong Kong listed company domiciled in Bermuda, for a comparable presentation of financial performance and position. Accordingly, the corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a nine-month period from 1 April 2019 to 31 December 2019 and therefore may not be comparable with amounts shown for the current year ended 31 December 2020.

## 3. 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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 2020 for the preparation of the consolidated financial statements:

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

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current 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*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

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

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

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020. The Group has benefited from waiver of lease payments on several leases in Hong Kong. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$2,107,000, which has been recognised as variable lease payments in profit or loss for the current year.

#### **(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 <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

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

#### 4. REVENUE AND SEGMENT REPORTING

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

	<b>Year ended 31 December 2020 HK\$'000</b>	Period from 1 April 2019 to 31 December 2019 HK\$'000
<b>Continuing operations</b>		
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Trading of		
— Chinese health products	<u>111,768</u>	<u>88,827</u>
<b>Revenue from other sources:</b>		
— Money lending business	<u>30,285</u>	21,470
— Investment in financial instruments	<u>(4,200)</u>	<u>(2,390)</u>
	<u>26,085</u>	19,080
	<u>137,853</u>	<u>107,907</u>
<b>Disaggregation of revenue from contracts with customers</b>		
Timing of revenue recognition from contacts with customers		
— At a point in time	<u>111,768</u>	<u>88,827</u>
Sales channels/market or type of customers		
— Retail/individual customers	<u>72,320</u>	61,412
— Wholesale/corporate customers	<u>39,448</u>	<u>27,415</u>
Total	<u>111,768</u>	<u>88,827</u>

During the year ended 31 December 2020 and the period from 1 April 2019 to 31 December 2019, the Group's revenue from trading of Chinese health products is derived from Hong Kong.

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 four 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:

- Consumer electronic products: sale of consumer electronic products
- 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 the current year and prior period. 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 *Non-current Assets Held for Sale and Discontinued Operations* as the OBM toys segment was a separate major line of business of the Group.

The Group disposed of the consumer electronic products segment during period from 1 April 2019 to 31 December 2019 to match its business strategy and improve its financial position. In the opinion of the directors of the Company, the disposal of consumer electronic products segment does not constitute a discontinued operation as it does not represent a separate major line of business of the Group during the prior period.

**(a) Segment revenue and results**

**Year ended 31 December 2020**

*Continuing operations*

	<b>Chinese health products <i>HK\$'000</i></b>	<b>Money lending business <i>HK\$'000</i></b>	<b>Investment in financial instruments <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
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>

For the period from 1 April 2019 to 31 December 2019

*Continuing operations*

	Chinese health products <i>HK\$'000</i>	Consumer electronic products <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Investment in financial instruments <i>HK\$'000</i>	Others <i>HK\$'000</i> <i>(Note)</i>	Total <i>HK\$'000</i>
Revenue to external customers	<u>88,827</u>	<u>–</u>	<u>21,470</u>	<u>(2,390)</u>	<u>–</u>	<u>107,907</u>
Segment (loss)/profit before income tax	<u>(18,421)</u>	<u>(22,199)</u>	<u>2,015</u>	<u>(60,791)</u>	<u>3,713</u>	<u>(95,683)</u>

*Note:*

Others reported above represents revenue and results generated by the sale of commercial kitchen products.

	<b>Year ended 31 December 2020 <i>HK\$'000</i></b>	Period from 1 April 2019 to 31 December 2019 <i>HK\$'000</i>
<i>Continuing operations</i>		
Reportable segment loss	<b>(44,764)</b>	(95,683)
Unallocated interest income	–	3
Loss on partial redemption of convertible loan notes	<b>(1,248)</b>	–
Unallocated finance costs	<b>(16,386)</b>	(16,639)
Unallocated corporate (expenses)/income		
— Government grant	<b>216</b>	–
— Staff costs	<b>(7,239)</b>	(8,039)
— Legal and professional fee	<b>(643)</b>	(479)
— Others	<b>(2,865)</b>	1,886
Consolidated loss before income tax	<u><b>(72,929)</b></u>	<u>(118,951)</u>

**(b) Segment assets and liabilities**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Segment assets</b>		
Continuing operations		
— Chinese health products	82,658	103,107
— Money lending business	234,145	281,299
— Investment in financial instruments	109,630	138,811
	<u>426,433</u>	<u>523,217</u>
Discontinued operation		
— OBM toys	—	68,346
	<u>—</u>	<u>68,346</u>
Segment assets	426,433	591,563
Unallocated corporate assets		
— Cash and cash equivalents	7,500	6,346
— Other ( <i>Note</i> )	345	518
	<u>7,845</u>	<u>6,864</u>
Consolidated total assets	<u>434,278</u>	<u>598,427</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Segment liabilities</b>		
Continuing operations		
— Chinese health products	22,972	37,266
— Money lending business	2,295	5,494
— Investment in financial instruments	21,606	—
	<u>46,873</u>	<u>42,760</u>
Discontinued operation		
— OBM toys	—	112,217
	<u>—</u>	<u>112,217</u>
Segment liabilities	46,873	154,977
Unallocated corporate liabilities		
— Convertible loan notes	85,500	110,038
— Others ( <i>Note</i> )	5,614	6,739
	<u>91,114</u>	<u>116,777</u>
Consolidated total liabilities	<u>137,987</u>	<u>271,754</u>

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

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

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 fair value through profit or loss (“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)

For the period from 1 April 2019 to 31 December 2019

	Continuing operations						Total HK\$'000
	Chinese health products HK\$'000	Consumer electronic products HK\$'000	Money lending business HK\$'000	Investment in financial instruments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Bank interest income	–	–	(164)	–	–	(3)	(167)
Interest expenses	834	–	189	–	–	16,639	17,662
Depreciation of property, plant and equipment	490	–	–	–	–	–	490
Depreciation of right-of-use assets	7,859	–	1,466	–	–	–	9,325
Impairment loss on right-of-use assets	5,778	–	–	–	–	–	5,778
Impairment loss on loan receivables, net	–	–	5,593	–	–	–	5,593
Loss on disposal of subsidiaries, net	–	–	–	–	–	13,991	13,991
Fair value loss on financial assets at FVTPL, net	–	–	–	58,094	–	–	58,094
Impairment loss on intangible assets	5,094	–	–	–	–	–	5,094
Impairment loss on goodwill	614	–	–	–	–	–	614
Employee costs (including directors' remuneration)	15,926	–	8,416	–	–	8,039	32,381
Additions to property, plant and equipment	374	–	–	–	–	–	374
Additions to right-of-use assets	11,286	–	–	–	–	–	11,286
Other segment information regularly provided to CODM:							
Income tax (credit)/expense	(840)	–	1,177	–	–	928	1,265

**(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:

	<u>Revenue</u>		<u>Non-current assets (Note (i))</u>	
	<b>Year ended 31 December 2020 HK\$'000</b>	Period from 1 April 2019 to 31 December 2019 HK\$'000	<b>2020 HK\$'000</b>	2019 HK\$'000
United States of America and Canada	–	–	–	679
Hong Kong (Note (ii))	<u>137,853</u>	<u>107,907</u>	<u>3,495</u>	<u>16,298</u>
	<u>137,853</u>	<u>107,907</u>	<u>3,495</u>	<u>16,977</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:**

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group from continuing and discontinued operations are disclosed as follows:

	<b>Year ended 31 December 2020 HK\$'000</b>	Period from 1 April 2019 to 31 December 2019 HK\$'000
Customer A <sup>1</sup>	N/A <sup>2</sup>	53,846
Customer B <sup>1</sup>	<u>N/A<sup>2</sup></u>	<u>32,213</u>

<sup>1</sup> Included in the OBM toys segment which was discontinued during the year ended 31 December 2020.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group from continuing and discontinued operations.

Except disclosed above, no other external customer contributed 10% or more to the Group's revenue from continuing and discontinued operations for both periods.

## 5. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December 2020 <i>HK\$'000</i>	Period from 1 April 2019 to 31 December 2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
Bank interest income	8	167
Fair value loss on financial assets at FVTPL, net	(5,409)	(58,094)
Loss on disposal of subsidiaries, net	–	(13,991)
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	2,107	–
Others	201	(38)
	<u>1,253</u>	<u>(71,956)</u>

## 6. LOSS FOR THE YEAR/PERIOD

### (a) Continuing operations

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

	Year ended 31 December 2020 <i>HK\$'000</i>	Period from 1 April 2019 to 31 December 2019 <i>HK\$'000</i>
Cost of inventories sold	69,127	55,718
Auditors' remuneration		
— audit services	1,400	1,900
— non-audit services	129	252
	1,529	2,152
Depreciation of property, plant and equipment	394	490
Depreciation of right-of-use assets	8,354	9,325
Employee costs (excluding directors' emoluments)	22,624	21,851
Directors' emoluments	14,515	10,530
Short-term leases expenses	2,141	4,619

### (b) Discontinued operation

On 19 August 2020, the Group entered into sale and purchase agreements to dispose 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 loss for the period from the discontinued OBM toys business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the OBM toys business as a discontinued operation.

	<b>Period from 1 January 2020 to 30 October 2020 HK\$'000</b>	Period from 1 April 2019 to 31 December 2019 HK\$'000
Revenue	<b>140,073</b>	202,062
Cost of sales	<b>(110,448)</b>	(164,037)
	<hr/>	<hr/>
Gross profit	<b>29,625</b>	38,025
Other revenue, gains and losses, net	<b>619</b>	(2,094)
Selling and distribution expenses	<b>(16,623)</b>	(27,928)
General and administrative expenses	<b>(12,708)</b>	(11,383)
Finance costs	<b>(1,100)</b>	(1,393)
Impairment loss under expected credit loss model	<b>–</b>	(2,603)
	<hr/>	<hr/>
Loss before gain on disposal of operation and income tax	<b>(187)</b>	(7,376)
Gain on disposal of operation	<b>46,227</b>	–
	<hr/>	<hr/>
Profit/(loss) before income tax from discontinued operation	<b>46,040</b>	(7,376)
Income tax (expense)/credit	<b>(1,981)</b>	718
	<hr/>	<hr/>
Profit/(loss) for the period from discontinued operation	<b>44,059</b>	(6,658)
	<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) for the period from discontinued operation has been arrived at after charging:		
Cost of inventories sold	<b>110,448</b>	164,037
Auditors' remuneration	<b>81</b>	593
Depreciation of property, plant and equipment	<b>1,163</b>	797
Depreciation of right-of-use assets	<b>676</b>	375
Employee costs	<b>5,960</b>	6,017
Research and development costs (included in general and administrative expense)	<b>2,943</b>	2,250
	<hr/> <hr/>	<hr/> <hr/>
Cashflow of the discontinued operation for the period were as follows:		
Net operating cash (outflow)/inflow	<b>(13,152)</b>	2,856
Net investing cash inflow/(outflow)	<b>3,867</b>	(11,087)
Net financing cash inflow	<b>10,501</b>	5,233
	<hr/>	<hr/>
Total cash inflow/(outflow)	<b>1,216</b>	(2,998)
	<hr/> <hr/>	<hr/> <hr/>



## 7. FINANCE COSTS

	Year ended 31 December 2020 <i>HK\$'000</i>	Period from 1 April 2019 to 31 December 2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interests on borrowings	1,605	3
Interest on lease liabilities	856	1,023
Interest on convertible loan notes	16,386	16,636
	<u>18,847</u>	<u>17,662</u>

## 8. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax is calculated at 8.25% on the estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of the estimated assessable profits over HK\$2,000,000. No Hong Kong Profits Tax was provided for the Company's subsidiaries in Hong Kong for the current year and prior period 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 People's Republic of China ("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 periods.

No enterprise income tax has been provided as the Company's subsidiary in the PRC did not derive any assessable profits from PRC for the current year and prior period.

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

	Year ended 31 December 2020 <i>HK\$'000</i>	Period from 1 April 2019 to 31 December 2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
Hong Kong Profits Tax		
— Current tax	—	1,101
— (Over)/under provision in respect of prior years	(18)	3,832
Deferred tax	(3,630)	(3,668)
	<u>(3,648)</u>	<u>1,265</u>
Income tax (credit)/expense	<u>(3,648)</u>	<u>1,265</u>

## 9. DIVIDENDS

The directors do not recommend any dividend in respect of the year end 31 December 2020 (period from 1 April 2019 to 31 December 2019: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

	<b>Year ended 31 December 2020 HK cents</b>	Period from 1 April 2019 to 31 December 2019 HK cents (restated)
<b>Continuing and discontinued operations</b>		
Basis and diluted loss per share ( <i>Note</i> )	<u>(3.25)</u>	<u>(15.34)</u>
<b>Continuing operations</b>		
Basic and diluted loss per share ( <i>Note</i> )	<u>(8.94)</u>	<u>(14.52)</u>
<b>Discontinued operation</b>		
Basic and diluted earnings/(loss) per share ( <i>Note</i> )	<u>5.69</u>	<u>(0.82)</u>

*Note:* No adjustment is made in arriving at diluted earnings/loss per share for the year ended 31 December 2020 and the period from 1 April 2019 to 31 December 2019 as the effect of all potential ordinary shares from convertible loan notes outstanding is anti-dilutive.

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

	<b>Year ended 31 December 2020 HK\$'000</b>	Period from 1 April 2019 to 31 December 2019 HK\$'000
Loss for the year/period attributable to owners of the Company from continuing operations, used in the basic and diluted loss per share calculations	<u>(69,281)</u>	<u>(117,687)</u>
Profit/(loss) for the year/period attributable to owners of the Company from discontinued operation, used in the basic and diluted earnings/loss per share calculations	<u>44,059</u>	<u>(6,658)</u>
	<b>Year ended 31 December 2020</b>	Period from 1 April 2019 to 31 December 2019 (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/loss per share	<u>774,981,861</u>	<u>810,795,454</u>

The weighted average number of ordinary shares for the purpose of basic earnings/loss per share has been adjusted for the share consolidation effective on 25 September 2020. Comparative figure have also been adjusted on the assumption that the share consolidation had been effective in the prior period.

## 11. LOAN RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loan receivables arising from money lending business	282,473	274,533
Less: allowance for expected credit loss	<u>(59,359)</u>	<u>(10,702)</u>
	<u><b>223,114</b></u>	<u><b>263,831</b></u>

As at 31 December 2020 and 2019, the 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	87,136	248,831
Over 1 year	<u>135,978</u>	<u>15,000</u>
	<u><b>223,114</b></u>	<u><b>263,831</b></u>

During the year ended 31 December 2020, impairment loss of HK\$48,657,000 was recognised in respect of loan receivables (period from 1 April 2019 to 31 December 2019: HK\$5,593,000).

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	7,365	44,624
Less: allowance for expected credit loss	<u>(616)</u>	<u>(5,130)</u>
	<b>6,749</b>	39,494
Deposits and other receivables	5,259	7,332
Prepayments	<u>1,561</u>	<u>4,433</u>
	<u><b>13,569</b></u>	<u><b>51,259</b></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	6,071	37,412
91–180 days	678	1,089
181–365 days	–	695
Over 365 days	–	298
	<u>6,749</u>	<u>39,494</u>

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade terms include letter of credit, deposits before shipments and credit period ranging from 30 to 90 days (2019: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

- (b) As at 31 December 2019, trade receivables of HK\$27,689,000 and other receivables, deposits and prepayments of HK\$9,110,000 respectively were pledged to secure designated banking facility and borrowing.
- (c) During the year ended 31 December 2020, impairment loss of HK\$35,000 was recognised in respect of trade receivables (period from 1 April 2019 to 31 December 2019: HK\$2,603,000).

### 13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	10,700	97,699
Other payables and accrued charges	9,625	19,964
	<u>20,325</u>	<u>117,663</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	2,555	37,888
91–180 days	8,006	3,409
181–365 days	–	4,931
Over 365 days	139	51,471
	<u>10,700</u>	<u>97,699</u>

### 14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation and the disclosure requirements in respect of the discontinued operation set out in note 6(b).

## **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 Board announced on 2 December 2019 that the financial year end date of the Group had been changed from 31 March to 31 December.

The above change was to align with the financial year end date of the Company's substantial shareholder which have a significant influence over the Company and whose accounts are to be closed at the financial year end date of 31 December. The Board considers that this change will minimise the resources, such as audit fee, applied for the preparation of the audited consolidated financial statements of the Group arising from the difference in the financial year end dates of the Company and its above mentioned substantial shareholder.

The Company hereby announces its annual results for the year ended 31 December 2020 (the "Reporting Year" or "FY20"). For the Reporting Year, the Group's turnover from continuing operation increased by approximately ("approx.") 28% to approx. HK\$138 million, compared with approx. HK\$108 million for the nine months period from 1 April 2019 to 31 December 2019 (the "FP19" or "Corresponding Period").

Gross profit margin from continuing operations for the Reporting Year was approx. 44% compared to approx. 46% in the Corresponding Period. Overall, loss attributable to owners of the Company was approx. HK\$25 million compared with HK\$124 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (FP19: Nil).

## **BUSINESS REVIEW**

During the Reporting Year, revenue from continuing operation increased due to (1) the increase in revenue from the Chinese health product segment from HK\$89 million in FP19 to HK\$112 million in the Reporting Year; and (2) the increase in revenue from the money lending segment from HK\$21 million in FP19 to HK\$30 million in the Reporting Year.

The Group recorded a decrease in loss for the year ended 31 December 2020 as compared to the Corresponding Period. The decrease in loss was mainly due to (i) the decrease in fair value loss on financial instruments from HK\$58 million in FP19 to HK\$5 million in the Reporting Year; and (ii) gain on disposal of subsidiaries engaged in the OBM Toys business of HK\$46 million.

## **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\$112 million (FP19: HK\$89 million) and segment loss of approx. HK\$1 million including the impairment losses of non-current assets of approx. HK\$3 million (FP19: HK\$18 million (including the impairment losses of non-current assets of approx. HK\$11 million)). As at 31 December 2020, there were 10 (31 December 2019: 11) 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\$30 million (FP19: HK\$21 million), and reported a segment loss (before taxation) of approximately HK\$33 million (FP19: segment profit (before taxation) HK\$2 million). The average monthly outstanding balance of loans receivables was approximately HK\$280 million (FP19: HK\$247 million). During the Reporting Year, the Group granted new loans in the aggregate principal amount of approximately HK\$27 million to 3 customers. The Group’s customers made drawings in the aggregate principal amount of HK\$271 million from the existing and new loans, and repaid HK\$25 million to the Group.

During the Reporting Year, a customer failed to repay a loan with outstanding principal amounts of HK\$64 million together with the accrued interest thereon according to the loan agreement. The Group has commenced legal proceedings against the customer to recover the outstanding principal and interests thereon. Up to the date of this announcement, the date of the first hearing is yet to be determined.

At the end of the Reporting Year, the directors assessed the collectability of the loans receivable. An allowance for expected credit losses on loans receivable of approximately HK\$59 million (31 December 2019: HK\$11 million) was recognised based on a valuation prepared by an independent professional valuer. Such allowance for expected credit losses was made in accordance with the impairment model of HKFRS 9 Financial Instruments and had no effect on the Group’s cashflow.

## **Investment in Financial Instruments**

During the Reporting Year, the Group’s investment in financial instruments business generated dividend income and realised loss on sale of financial instruments amounting to net loss of approximately HK\$4 million (FP19: HK\$2 million), and reported a segment loss of approximately HK\$11 million (FP19: HK\$61 million) including (i) a loss of approximately HK\$5 million (FP19: HK\$58 million) arising on change in fair value of financial assets at fair value through profit or loss; and (ii) a realised loss of approximately HK\$6 million (FP19: HK\$3 million) by disposal of certain listed equities.

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

	<b>Audited 31 December 2020 HK\$'000</b>	Audited 31 December 2019 HK\$'000
At beginning of period/year	<b>138,581</b>	228,022
Acquisitions	<b>10,861</b>	710
Loss arising on change in fair value	<b>(5,409)</b>	(58,094)
Disposals	<b>(36,334)</b>	(32,057)
	<u><b>107,699</b></u>	<u>138,581</u>

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 HK\$'000	Number of shares held at 31 December 2020 '000	Fair value at 31 December 2020 HK\$'000	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 HK\$'000
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)

Details of certain significant Hong Kong listed equities held by the Group at 31 December 2019 are as follows:

Name of Hong Kong listed equities	Principal activities	Cost of shares at 31 December 2019 HK\$'000	Number of shares held at 31 December 2019 '000	Fair value at 31 December 2019 HK\$'000	Fair value as compared to the consolidated total assets of the Group at 31 December 2019	Fair value gain/(loss) recognised during the nine months ended 31 December 2019 HK\$'000
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 investment in energy- related and other industry and business	44,000	40,000	40,400	7%	(5,200)
Global Mastermind Capital Limited (stock code: 905)	Investment in listed and unlisted companies in Hong Kong and in the PRC	87,975	195,500	17,595	3%	(21,310)
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	26,868	4%	(8,880)
		<u>36,486</u>	<u>7,526</u>	<u>26,868</u>	<u>4%</u>	<u>(8,880)</u>

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.

### **OBM Toys**

Given the continuous loss-making position of the Own Brand Manufacturing ("OBM") toys segment with net liabilities in recent financial periods, and the uncertainties faced by the OBM toys business, the Company has disposed of this segment on 30 October 2020. It is considered that such disposal will enable the Group to improve its financial position and eliminate any uncertainty arising from the OBM toys business with an aim to stabilising the future financial performance of the Group. Details of which are set out in the Company's announcements dated 19 August 2020 and 30 October 2020.



## FINANCIAL REVIEW

During the Reporting Year, the Group recorded an increase in revenue from continuing operations for approx. 28% from approx. HK\$108 million for the nine months from 1 April 2019 to 31 December 2019 to approx. HK\$138 million for the year ended 31 December 2020. The increase was due to (1) the increase in revenue from sales the Chinese health product segment from HK\$89 million in FP19 to HK\$112 million in the Reporting Year; and (2) the increase in revenue from the money lending segment from HK\$21 million in FP19 to HK\$30 million in the Reporting Year.

Cost of goods sold (“COGS”) from continuing operations increased by approx. 33% compared to FP19. The increase was attributable to the corresponding increase in revenue as mentioned above during the Reporting Year. The COGS from continuing operations were approx. HK\$77 million in FY20 compared with approx. HK\$58 million in FP19.

The gross profit from continuing operations increased to approx. HK\$61 million for the Reporting Year versus approx. HK\$50 million in FP19. Gross profit margin decreased to approx. 44% (FP19: 46%) for the Reporting Year.

Other income, gains and losses, net from continuing operations for the year ended 31 December 2020 amounted to a gain of approx. HK\$1 million, (FP19: loss of HK\$72 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\$5 million (FP19: HK\$58 million); (2) government grants of HK\$6 million (FP19: Nil); and (3) loss on disposal of subsidiaries of HK\$14 million in FP19.

Selling and distribution expenses from continuing operations for the year ended 31 December 2020 decreased to approx. HK\$30 million, representing a slight decrease of approx. 3% against approx. HK\$31 million in the Corresponding Period. Despite an addition of 3 operating months in the Reporting Year comparing with FP19, the slight decrease in selling and distribution expenses was mainly due to the decrease in shop rental expenses in the Reporting Year.

General and Administrative expenses from continuing operations for the year ended 31 December 2020 amounted to approx. HK\$35 million, resulting in an increase of approx. 13% as compared with the previous period (FP19: HK\$31 million). Despite an addition of 3 operating months in the Reporting Year comparing with FP19, the general and administrative expenses only increased 13% because of various a slight decrease in the number of employees 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\$19 million as compared with approx. HK\$18 million in FP19.

Impairment loss under the expected credit loss model increased to approx. HK\$49 million for the Reporting Year versus approx. HK\$6 million in FP19. The impairment loss mainly in relation to the loan receivables was recognised based on a valuation prepared by an independent professional valuer. The increase in the impairment loss was mainly due to a borrower failed to repay a loan with outstanding principal amounts of HK\$64 million together with the accrued interest thereon according to the loan agreement in the Reporting Year. The Group has commenced legal proceedings against the borrower to recover the outstanding principal and interests thereon. 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\$25 million in the Reporting Year compared with approx. HK\$124 million in FP19.

## **RESULT OF DISCONTINUED OPERATION**

Profit for the year from discontinued operation in FY20 amounted to HK\$44 million, which represents (1) the results of the OBM toys segment for the period from 1 January 2020 to 30 October 2020, being the date on which the companies in the OBM toys segment ceased to be subsidiaries of the Company; and (2) gain on disposal of the OBM toys segment of HK\$46 million.

## **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.

At this moment, the global pandemic is still ongoing but the arrival of COVID-19 vaccines has brought hope for economic recovery. Nevertheless, the Group will continue to invest in the health care business and to develop its retail business of “Sum Yung” (參茸) dried seafood products and other healthy food products in Hong Kong with an aim to broaden its revenue base especially to the youth generation and middle class consumers. The Group expects the number of tourists to Hong Kong will rebound as soon as the situation in relation to the COVID-19 becomes stable which will have a positive future impact on the retail market of Hong Kong and the Group's performance on Chinese health products.

## **Money Lending**

Despite certain uncertainties in the global economy such as the tightening of US-China trade relationship and 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 slightly to HK\$223 million (31 December 2019: HK\$264 million). The Group expect the business environment for money lending to be difficult given the current outbreak of COVID-19 and the increase in unemployment rate because many economic activities could not be carried out normally. The Group will 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 2020, the Group's cash and bank balances were approx. HK\$35 million (31 December 2019: HK\$55 million). The Group's total borrowings and convertible loan notes were approx. HK\$20 million (31 December 2019: HK\$19 million) and HK\$86 million (31 December 2019: HK\$110 million), respectively. Gearing ratio, calculated as the total borrowings divided by shareholders' equity was approx. 36% as at 31 December 2020 (31 December 2019: 39%). As at 31 December 2020, the Group recorded total current assets of approx. HK\$289 million (31 December 2019: HK\$545 million) and total current liabilities of approx. HK\$50 million (31 December 2019: HK\$264 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 578% (31 December 2019: 206%). The Group recorded a decrease in shareholders' fund from approx. HK\$327 million as at 31 December 2019 to a net asset position of approx. HK\$296 million as at 31 December 2020. The decrease was mainly due to shares repurchased by the Company and the operating loss of the Group during the Reporting Year.

## **EMPLOYEES**

As at 31 December 2020, the Group had approx. 110 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 and code A.6.7 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 2020.

### **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.

### **CODE PROVISION A.6.7**

Under code provision A.6.7 of the CG Code, independent non- executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One Independent Non-executive Director was absent from the Company's extraordinary general meeting held on 23 September 2020 due to other business commitments.

## 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 2020. 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

For the year ended 31 December 2020, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

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

## DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 December 2020 (period from 1 April 2019 to 31 December 2019: 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 2020.

## CHANGE OF AUDITORS

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

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

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.healthwisehk.com](http://www.healthwisehk.com).

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

Hong Kong, 29 March 2021

*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.*