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CHINA HEALTHWISE HOLDINGS LIMITED

中國智能健康控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 348)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

On 27 October 2019, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Disposal Company, at a consideration of HK\$1.

Completion is subject to fulfilment and/or waiver (as the case may be) of the conditions precedent as set out in the sub-section headed “Conditions precedent” below. Upon Completion, the Company will cease to own any interests in the Disposal Company. Each member of the Disposal Group will cease to be a subsidiary of the Company and their results, assets and liabilities will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

WARNING

Shareholders and potential investors should note that Completion is subject to fulfilment and/or waiver (as the case may be) of the conditions under the SPA. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and if there is any doubt about their positions, they should consult their professional advisers.

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THE SPA

The principle terms of the SPA are set out as follows:

Date: 27 October 2019

Parties

Vendor: Future Empire Limited

Purchaser: Mr. Lau Ngai Chun

Consideration

Subject to the terms and conditions of the SPA, the consideration payable to the Vendor by the Purchaser shall be HK\$1 and shall be payable by the Purchaser to the Vendor (or its nominee) upon Completion.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the net liabilities of the Disposal Group as at 31 July 2019; and (ii) the loss-making position of the Disposal Group in recent financial periods.

The Directors (including the independent non-executive Directors) are of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Purchaser as at Completion:

- (a) the publication of this announcement by the Company in relation to the SPA and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;
- (b) no material adverse changes (or effects) occurred on the Disposal Group prior to Completion.

The parties to the SPA shall use all reasonable endeavours to procure satisfaction of the above conditions by no later than 5:00 p.m. on the Long Stop Date. The above conditions are incapable of being waived by the Vendor or the Purchaser save and except condition (b) which the Purchaser shall be entitled to waive in its absolute discretion.

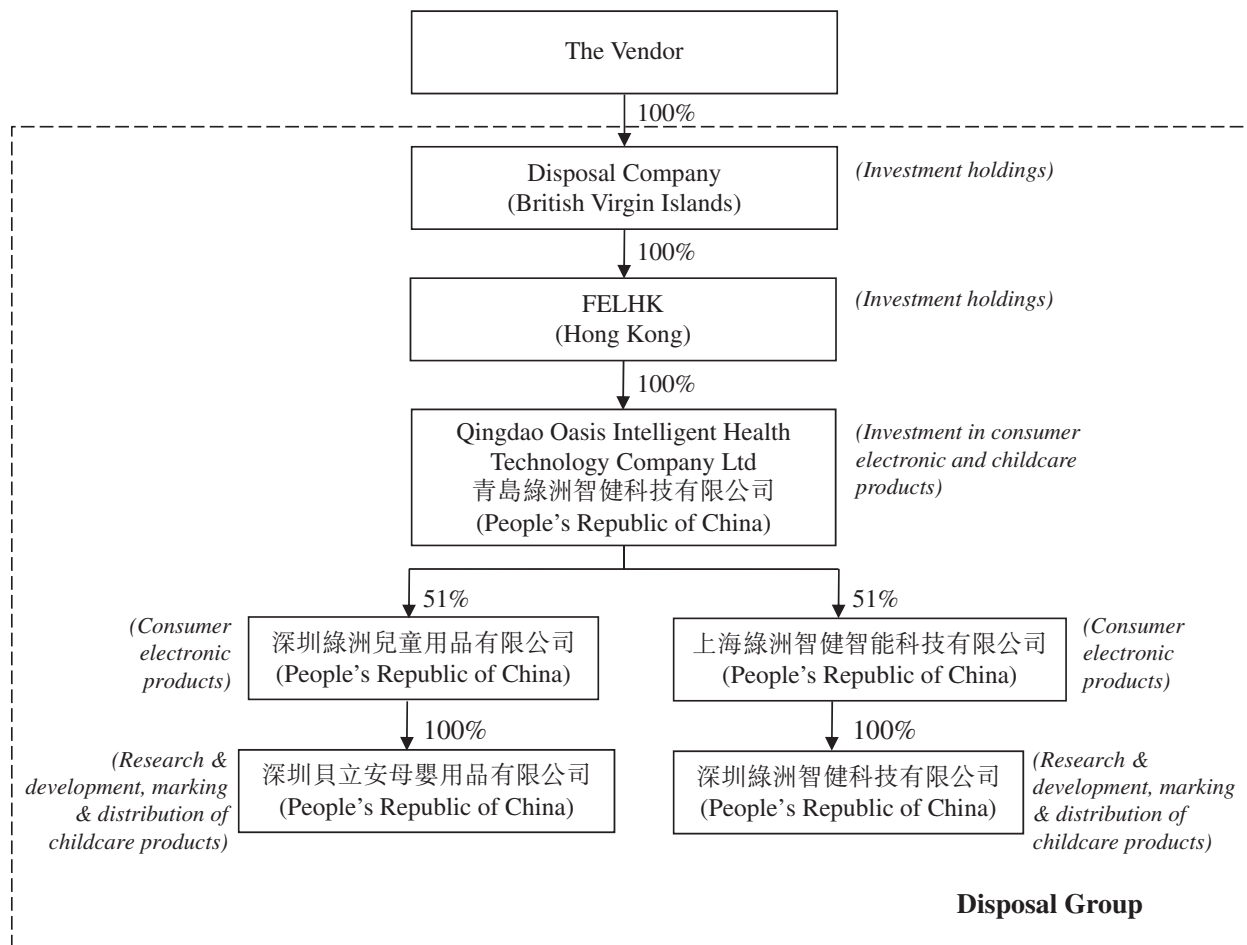
If any of the above conditions of the SPA have not been satisfied or waived (as the case may be) on or before 5:00 p.m. on the Long Stop Date, the SPA shall cease and determine (save and except the clauses regarding confidentiality which shall continue to have full force and effect) and none of the parties shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms of the SPA.

COMPLETION

Completion shall take place on the day of which the fulfilment and/or waiver (as the case may be) of the last of the conditions precedent in the SPA or such other date as the Vendor and the Purchaser may agree in writing.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by the Vendor as at the date of this announcement and immediately prior to Completion as illustrated below:



The Disposal Group is principally engaged in the sale of consumer electronic products business of the Group. Set out below are the unaudited consolidated financial information of the Disposal Group for the two years ended 31 March 2018 and 2019:

	For the year ended 31 March 2018	For the year ended 31 March 2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Turnover	291,683	41,811
Loss before taxation	27,038	15,785
Loss after taxation	27,038	15,785

As at 31 July 2019, the unaudited consolidated net liabilities of the Disposal Group was approximately HK\$49.7 million.

INFORMATION ON THE PURCHASER

The Purchaser is an individual who is a merchant. To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the Purchaser is an Independent Third Party.

INFORMATION ON THE GROUP AND THE VENDOR

The Company is an investment holding company and the Group is principally engaged in sale of toys, consumer electronic products and Chinese health products, money lending business and investment in financial instruments.

The Vendor is an investment holding company.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to own any interests in the Disposal Company. Each member of the Disposal Group will cease to be a subsidiary of the Company and their results, assets and liabilities will no longer be consolidated into the financial statements of the Group.

The Group expects to record a loss of approximately HK\$18.9 million (subject to audit) from the Disposal. Such loss from the Disposal is calculated based on the consideration of HK\$1 plus the unaudited consolidated net liabilities of the Disposal Group of approximately HK\$49.7 million as at 31 July 2019, minus (1) the non-controlling interests of the Disposal Group of approximately HK\$48.3 million; and (2) the cumulative exchange differences of approximately HK\$20.3 million in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries.

The aforementioned cumulative exchange differences of approximately HK\$20.3 million relating to the Disposal Group had been previously recognised in other comprehensive income and recorded in the exchange fluctuation reserve, and such exchange differences are being reclassified to profit or loss upon the disposal of the Disposal Group in accordance with Hong Kong Accounting Standard 21 The Effects of Changes in Foreign Exchange Rates. Excluding the reclassification of such cumulative exchange differences, the Group would have recorded a gain from the Disposal of approximately HK\$1.4 million.

The net assets of the Group is expected to increase by approximately HK\$49.7 million after the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the annual report of the Company for the year ended 31 March 2019, the consumer electronic products business segment of the Group recorded a continuing segment loss before income tax of approximately HK\$27.0 million and HK\$15.8 million for the two years ended 31 March 2018 and 2019, respectively. The revenue of the consumer electronic products business segment dropped significantly from approximately HK\$291.7 million for the year ended 31 March 2018 to approximately HK\$41.8 million for the year ended 31 March 2019, representing a decrease of approximately 85.7%. Such decrease and continuing loss was mainly attributable to the expiry of the supply contract with Haier in December 2017.

Given the continuous loss-making position of the Disposal Group with net liabilities in recent financial periods, and the difficulties and uncertainties faced by the consumer electronic products business, the Company considers that the Disposal will enable the Group to improve its financial position and eliminate any uncertainty arising from the consumer electronic products business with an aim to stabilising the future financial performance of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the SPA (including the consideration) are on normal commercial terms, and fair and reasonable, and that the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	China Healthwise Holdings Limited (中國智能健康控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 348)
“Completion”	Completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share by the Vendor to the Purchaser pursuant to the terms and conditions of the SPA
“Disposal Company”	Keytime Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor immediately prior to Completion
“Disposal Group”	the Disposal Company and its subsidiaries
“FELHK”	Future Empire Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Disposal Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	30 November 2019 (or such other date as may be agreed by the parties to the SPA in writing)
“Purchaser”	Mr. Lau Ngai Chun, an individual who is a merchant
“Sale Share”	1 share of par value of US\$1 each in the share capital of the Disposal Company, representing the entire issued share capital of the Disposal Company, which are beneficially owned by the Vendor immediately prior to Completion
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the conditional sale and purchase agreement entered into between the Vendor and the Purchaser dated 27 October 2019 in relation to the sale and purchase of the Sale Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Future Empire Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 27 October 2019

As at the date of this announcement, the executive Directors are Mr. Lei Hong Wai (Chairman), Mr. Leung Alex (Vice Chairman), Ms. Lo Ming Wan, Mr. Tse Chi Keung and Mr. Yuan Huixia; the non-executive Director is Mr. Diao Yunfeng; and the independent non-executive Directors are Mr. Lai Hok Lim, Mr. Lien Wai Hung and Mr. Wong Tak Chuen.