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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)

ISSUE OF BOND WITH CONDITIONAL CONVERSION RIGHTS UNDER THE SPECIFIC MANDATE

THE SUBSCRIPTION AGREEMENT

On 8 October 2018 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the Bond in an aggregate principal amount of HK\$120 million.

The Bond will initially be a straight bond, but subject to the satisfaction of the CB Conditions Precedent on or before the CB Long Stop Date to automatically become a convertible bond.

The Conversion Rights are subject to the CB Conditions Precedent. If any of the CB Conditions Precedent are not satisfied by the CB Long Stop Date, the Bond shall unconditionally become a straight bond and all terms and conditions under the instrument constituting the Bond relating to any Conversion Rights shall be deemed never have become operational.

If the CB Conditions Precedent are satisfied on or before the CB Long Stop Date, the Conversion Rights attached to the Bond shall become unconditional and irrevocable, and any failure by the Company to produce evidence to the Subscriber under the terms of the Subscription Agreement shall not affect the Conversion Rights.

As at the date of this announcement, the Company has an aggregate of 8,521,308,360 Shares in issue. Assuming (i) no other change in the existing shareholding of the Company; (ii) the CB Conditions Precedent having been satisfied on or before the CB Long Stop Date; and (iii) full conversion of the Bond, based on the initial Conversion Price of HK\$0.1 per Conversion Share, a maximum of 1,200,000,000 Conversion Shares will be issued, representing (i) approximately 14.08% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

No application will be made for the listing of the Bond on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

USE OF PROCEEDS

The estimated gross proceeds and net proceeds from the issue of the Bond (after deducting all related expenses) will be amounted to approximately HK\$120 million and HK\$119.5 million respectively. The Company intends to apply the net proceeds from the issue of the Bond as to (i) approximately HK\$104.5 million on the money lending business; and (ii) approximately HK\$15.0 million as general working capital and/or future investment opportunities.

EGM

The EGM will be convened and held to consider and, if thought fit, approve the Specific Mandate and the Conversion Rights. A circular containing, among other things, further details of the issue of the Bond and a notice convening the EGM will be despatched to the Shareholders on or before 30 October 2018.

WARNINGS

Completion is subject to the fulfilment of all conditions set out in the paragraph headed “Conditions precedent” below and the issue of the Bond may or may not proceed. In addition, the Conversion Rights are subject to the satisfaction of the CB Conditions Precedent and the Bond may or may not become a convertible bond. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 8 October 2018 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the Bond in an aggregate principal amount of HK\$120 million. Details of the terms of the Subscription Agreement and the Bond are summarised below:

THE SUBSCRIPTION AGREEMENT

Date: 8 October 2018 (after trading hours of the Stock Exchange)

Issuer: the Company

Subscriber: Heng Tai Finance Limited

To the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of treasury services.

Issue and subscription of the Bond

Subject to the fulfilment of the conditions precedent of the Subscription Agreement as set out below, the Company shall issue and the Subscriber shall subscribe for the Bond in an aggregate principal amount of HK\$120 million and the said amount shall be satisfied in cash.

Conditions Precedent

Completion of the Subscription Agreement shall be conditional upon:

- (a) the publication of this announcement by the Company and an announcement by the parent company of the Subscriber in relation to the Subscription Agreement and the issue and subscription of the Bond;
- (b) the representations, warranties and undertakings of the Company contained in the Subscription Agreement remaining true, accurate and complete in all material respects and not misleading in any material respect; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber (including approval by the shareholders of the Company and/or the Subscriber, if necessary) in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained other than the CB Conditions Precedent.

If the above conditions precedent are not fulfilled on or before 16 October 2018 (or such other date as may be agreed by the Company and the Subscriber in writing), the Subscription Agreement (save and except the clauses regarding notice, costs and expenses, confidentiality and governing law) shall lapse and become null and void and the parties shall be released from all obligations hereunder (save and except the aforesaid clauses), save for any liability arising out of any antecedent breaches thereof.

Subject to the fulfilment of the above conditions precedent, the Completion shall take place on or before the second (2nd) Business Day following the date on which the conditions precedent are fulfilled (or such later date as the Company and the Subscriber may agree in writing).

PRINCIPAL TERMS OF THE BOND

The Bond will initially be a straight bond, but subject to the satisfaction of the CB Conditions Precedent on or before the CB Long Stop Date to automatically become a convertible bond. Details of the principal terms of the Bond are set out as follows:

Principal amount

HK\$120 million

Issue price

100% of the principal amount of the Bond

Interest

The Bond shall bear interest from and including the date of its issue at the following rate of interests on the outstanding principal amount thereof:

- (a) 6% per annum if the CB Conditions Precedent are fulfilled; or
- (b) 8% per annum if the CB Conditions Precedent are not fulfilled.

Maturity date

The date falling on the second (2nd) anniversary of the date of issue of the Bond

Conversion Rights

The Conversion Rights are subject to the following CB Conditions Precedent, which the Company has undertaken under the Subscription Agreement to use its best endeavour to fulfil:

- (a) the passing by the Shareholders at the EGM of the necessary resolutions to approve the Specific Mandate and the Conversion Rights;
- (b) the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Conversion Shares; and
- (c) all other necessary consents and approvals required to be obtained on the part of the Company in respect of the Specific Mandate and the Conversion Rights having been obtained.

If any of the above CB Conditions Precedent are not satisfied by the CB Long Stop Date, the Bond shall unconditionally become a straight bond and all terms and conditions under the instrument constituting the Bond relating to any Conversion Rights shall be deemed never have become operational.

If the above CB Conditions Precedent are satisfied on or before the CB Long Stop Date, the Conversion Rights attached to the Bond shall become unconditional and irrevocable, and any failure by the Company to produce evidence to the Subscriber under the terms of the Subscription Agreement shall not affect the Conversion Rights.

Conversion Price

HK\$0.1 per Conversion Share, which shall be subject to adjustment provided in the Bond. The Conversion Price presents:

- (i) a premium of approximately 69.49% to the closing price per Share of HK\$0.059 as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 67.22% to the average closing price per Share of HK\$0.0598 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Subscriber after considering the current market sentiment, the recent market prices and performance of the Shares, the historical financial performance and the business prospects of the Group.

Adjustments to the Conversion Price

The initial Conversion Price shall be, from time to time, subject to adjustment upon occurrence of any of the following events:

- (i) consolidation or sub-division of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) offer of new Shares for subscription by way of a rights issue, an open offer or a grant of options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price at the date of the announcement of the terms of such offer or grant per Share to Shareholders;
- (v) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share receivable is less than 90% of the market price at the date of the announcement of the terms of issue of such securities, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable per Share initially is less than 90% of such market price at the date of announcement of the terms of such issue;
- (vi) issue of Shares being made wholly for cash at a price less than 90% of the market price per Share at the date of announcement of the terms of such issue; and
- (vii) issue of Shares for the acquisition of asset at a total effective consideration per new Share receivable is less than 90% of the market price at the date of the announcement of the terms of such issue.

Any adjustment to the Conversion Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced would be less than one-tenth of cent and any adjustment which would otherwise then be required shall not be carried forward.

The Company shall take all necessary action prior to carrying out any action that may render the Conversion Price being adjusted so that on conversion the Conversion Shares shall fall to be issued at a discount to their nominal value, failing which the Company shall compensate the Bondholder all losses as a result thereto including but not limited to such amount that the Bondholder would be entitled under the adjustment but was being prevented and all costs and expenses.

If any adjustment to be made will render the total number of the Conversion Shares exceeding the Specific Mandate, the Bondholder shall be entitled to convert up to the maximum number of the Conversion Shares and the remaining portion of the principal amount shall be redeemed on the Maturity Date on a dollar-to-dollar basis together with accrued interests.

Conversion Shares

Based on the initial Conversion Price of HK\$0.1, a maximum number of 1,200,000,000 Conversion Shares may fall to be allotted and issued upon exercise of the Conversion Rights in full, which represent:

- (i) approximately 14.08% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 12.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise of the Conversion Right in full (assuming that there is no other change in the existing shareholding of the Company).

The Conversion Shares shall be allotted and issued under the Specific Mandate to be sought at the EGM.

Ranking of the Conversion Shares

The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue.

Conversion Period

Subject to the satisfaction of the CB Conditions Precedent on or before the CB Long Stop Date, the Bondholder shall be entitled to exercise the Conversion Rights during the Conversion Period, i.e. from the date of issue of the Bond up to 4:00 p.m. (Hong Kong time) immediately prior to and exclusive of the Maturity Date.

Redemption

The Company may at any time before the Maturity Date by serving at least seven (7) days' prior written notice to the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Bond (in whole or in part) at par together with accrued interests provided always that no conversion notice has been served by the Bondholder on or prior to the date the redemption notice is served by the Company to the Bondholder(s). If a conversion notice is served on the same date as a redemption notice is served by the Company, the Bondholder's conversion notice will deem to take priority.

If an event of default has occurred, each Bondholder may require the Company to redeem all or a portion of its Bond, and the Company shall, in addition to and without prejudice to any of its other payment obligations under the instrument constituting the Bond, pay to such Bondholder an additional amount of interest as default interest which shall be payable monthly in cash, such that a total interest rate of 10% per annum shall accrue on the aggregate unpaid principal, interest and/or other amounts owed by the Company to such Bondholder from the relevant due date of such unpaid amount until the date on which has been fully paid by the Company to such Bondholder.

Transferability

Unless the Bondholder(s) transfers the Bond to its subsidiaries or a holding company of the Bondholder(s), the Bondholder(s) may only assign or transfer the Bond to the transferee (other than a connected person (as defined in the Listing Rules) of the Company who/which could not be a transferee) subject to the written consent of the Company. The Bond may be assigned or transferred in whole or in part (in whole multiples of HK\$5 million) of its outstanding principal amount upon the payment in full and the Company shall facilitate any such assignment or transfer of the Bond, including making any necessary applications to the Stock Exchange for the said approval (if required).

Status of the Bond

The Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bond shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Voting

The Bondholder(s) shall not be entitled to attend or vote at any meetings of the Company by reason only it being the Bondholder(s).

Listing

No application will be made to the Listing Committee for the listing of the Bond on the Stock Exchange or any other stock exchange.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

REASONS FOR THE ISSUE OF THE BOND AND USE OF PROCEEDS

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

The estimated gross proceeds and net proceeds from the issue of the Bond (after deducting all related expenses) will be amounted to approximately HK\$120 million and HK\$119.5 million respectively. The net price of each Conversion Share to be issued is approximately HK\$0.0996.

The Company intends to apply the net proceeds from the issue of the Bond as to (i) approximately HK\$104.5 million on the money lending business; and (ii) approximately HK\$15.0 million as general working capital and/or future investment opportunities.

The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Set out below are the equity fund raising activities of the Company in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
21 March 2018	Placing of 1,420,000,000 new Shares at a placing price HK\$0.11 per Share	Approximately HK\$150 million	(i) approximately HK\$120 million was intended to be used on money lending business; and (ii) approximately HK\$30 million was intended to be used as general working capital and/or future investment opportunities	All net proceeds were used up as intended

Save as disclosed above, the Company had not carried out any other equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Subject to the satisfaction of the CB Conditions Precedent on or before the CB Long Stop Date, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the Bond at the initial Conversion Price pursuant to the Subscription Agreement (assuming that there is no other change in the existing shareholding of the Company) are set out as follows:

	As at the date of this announcement		Immediately upon full conversion of the Bond at the initial Conversion Price pursuant to the Subscription Agreement (assuming that there is no other change in the existing shareholding of the Company)	
	<i>Number of Shares held</i>	<i>Approximate % of total Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of total Shares in issue</i>
Lung Cheong Investment Limited (Note 2)	775,332,240	9.10	775,332,240	7.98
Eternity Finance Group Limited (Note 1)	708,396,000	8.31	708,396,000	7.29
Public Shareholders	7,037,580,120	82.59	7,037,580,120	72.39
Subscriber	–	–	1,200,000,000	12.34
	<u>8,521,308,360</u>	<u>100.00</u>	<u>9,721,308,360</u>	<u>100.00</u>

Notes:

1. Lung Cheong Investment Limited is wholly-owned by Rare Diamond Limited. Rare Diamond Limited is beneficially owned as to 70% by Mr. Leung Lun, M.H. and 30% by Mr. Leung Chung Ming, who is the brother of Mr. Leung Lun, M.H.
2. Eternity Finance Group Limited is wholly-owned by Riche (BVI) Limited, which in turn, is wholly-owned by Eternity Investment Limited.

EGM

The EGM will be convened and held to consider and, if thought fit, approve the Specific Mandate and the Conversion Rights. A circular containing, among other things, further details of the issue of the Bond and a notice convening the EGM will be despatched to the Shareholders on or before 30 October 2018.

WARNING

Completion is subject to the fulfilment of all conditions precedent and the issue of the Bond may or may not proceed. In addition, the Conversion Rights are subject to the satisfaction of the CB Conditions Precedent and the Bond may or may not become a convertible bond. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Bond”	initially a straight bond, but subject to the satisfaction of the CB Conditions Precedent on or before the CB Long Stop Date to automatically become a convertible bond, in an aggregate principal amount of HK\$120 million to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Bondholder(s)”	holder(s) of the Bond and in whose name such Bond is for the time being registered in the register of bondholder(s) kept by the Company
“Business Day”	a day (other than a Saturday, Sunday or public holidays or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“CB Conditions Precedent”	the conditions precedent in relation to the Conversion Rights attached to the Bond
“CB Long Stop Date”	60 days following the date of the Subscription Agreement, or such other date to be agreed between the Company and the Subscriber in writing
“Company”	China Healthwise Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange under stock code: 348
“Completion”	completion of the issue of the Bond by the Company to the Subscriber as contemplated under the Subscription Agreement

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Conversion Period”	subject to the satisfaction of the CB Conditions Precedent, the period commencing 60 days following the date of issue of the Bond up to 4:00 pm (Hong Kong time) immediately prior to and exclusive of the Maturity Date
“Conversion Rights”	subject to the satisfaction of the CB Conditions Precedent, the conditional rights attached to the Bond to convert the principal amount (or any part(s) thereof) of the Bond into Conversion Shares at the Conversion Price during the Conversion Period, subject to the conditions of the Bond
“Conversion Price”	HK\$0.1, being the initial conversion price per Share at which the Bond may be converted into Conversion Shares, subject to the terms and conditions of the Bond, and subject to adjustments (if any)
“Conversion Share(s)”	the Share(s) which may fall to be allotted and issued upon exercise of the Conversion Rights, subject to the terms and conditions of the Bond
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider and, if thought fit, to approve the Specific Mandate and the Conversion Rights
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	8 October 2018, being the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the second (2 nd) anniversary of the date of issue of the Bond
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company

“Shareholder(s)”	the holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Conversion Shares to be granted to the Directors by the Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Heng Tai Finance Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Heng Tai Consumables Group Limited (a company incorporated in the Cayman Island and the shares of which are listed on the Main Board of the Stock Exchange under stock code: 197)
“Subscription Agreement”	the conditional subscription agreement dated 8 October 2018 and entered into between the Company and the Subscriber in relation to the issue of the Bond by the Company to the Subscriber in an aggregate principal amount of HK\$120 million
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 8 October 2018

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