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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE DISPOSAL COMPANIES AND THE SALE LOAN**

THE DISPOSAL

On 14 December 2018 (after trading hours of the Stock Exchange), 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 (a) the Sale Shares A, representing the entire issued share capital of Disposal Company A; (b) the Sale Shares B, representing the entire issued share capital of Disposal Company B; and (c) the Sale Shares C, representing the entire issued share capital of Disposal Company C, at an aggregate consideration of HK\$1. Pursuant to the SPA, the Vendor shall procure the Company to assign the Sale Loan, representing the loan due to the Company by L C Technology Limited, the wholly-owned subsidiary of Disposal Company B, to the Purchaser on Completion.

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 Companies. 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 Company.

LISTING RULES IMPLICATIONS

As more than 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.

The Purchaser is an investment holding company and is wholly owned by Brisk Mark Holdings Limited, which in turn is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai. Since Mr. Leung, Kenneth Yuk Wai and Mr. Leung Chung Ming is a son and a brother of Mr. Leung Lun respectively, who is a director of several subsidiaries of the Group and the Disposal Group, the Purchaser is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

None of the Directors had any material interest in the SPA and hence none of them was required to abstain from voting on the resolution approving the SPA and the transactions contemplated thereunder. In addition, the Directors (including all the independent non-executive Directors) have confirmed that the terms of the SPA are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Disposal is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 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.

THE DISPOSAL

On 14 December 2018 (after trading hours of the Stock Exchange), 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 (a) the Sale Shares A, representing the entire issued share capital of Disposal Company A; (b) the Sale Shares B, representing the entire issued share capital of Disposal Company B; and (c) the Sale Shares C, representing the entire issued share capital of Disposal Company C, at an aggregate consideration of HK\$1. Pursuant to the SPA, the Vendor shall procure the Company to assign the Sale Loan, representing the loan due to the Company by L C Technology Limited, the wholly-owned subsidiary of Disposal Company B, to the Purchaser on Completion.

THE SPA

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

Date: 14 December 2018 (after trading hours of the Stock Exchange)

Parties:

- (i) Vendor: LC Global Holdings Corporation
- (ii) Purchaser: Shrewd Global Investments Limited

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 30 September 2018; 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 Chapters 14 and 14A of the Listing Rules;
- (b) the release of the corporate guarantees given by the Company under the Loan Facilities or evidence that the same will be released upon Completion;
- (c) the Vendor and Purchaser obtained all necessary consents for the transactions contemplated under the SPA; and
- (d) 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 Longstop Date. The above conditions are incapable of being waived by the Vendor or the Purchaser save and except condition (d) which the Purchaser shall be entitled to waive in its absolute discretion.

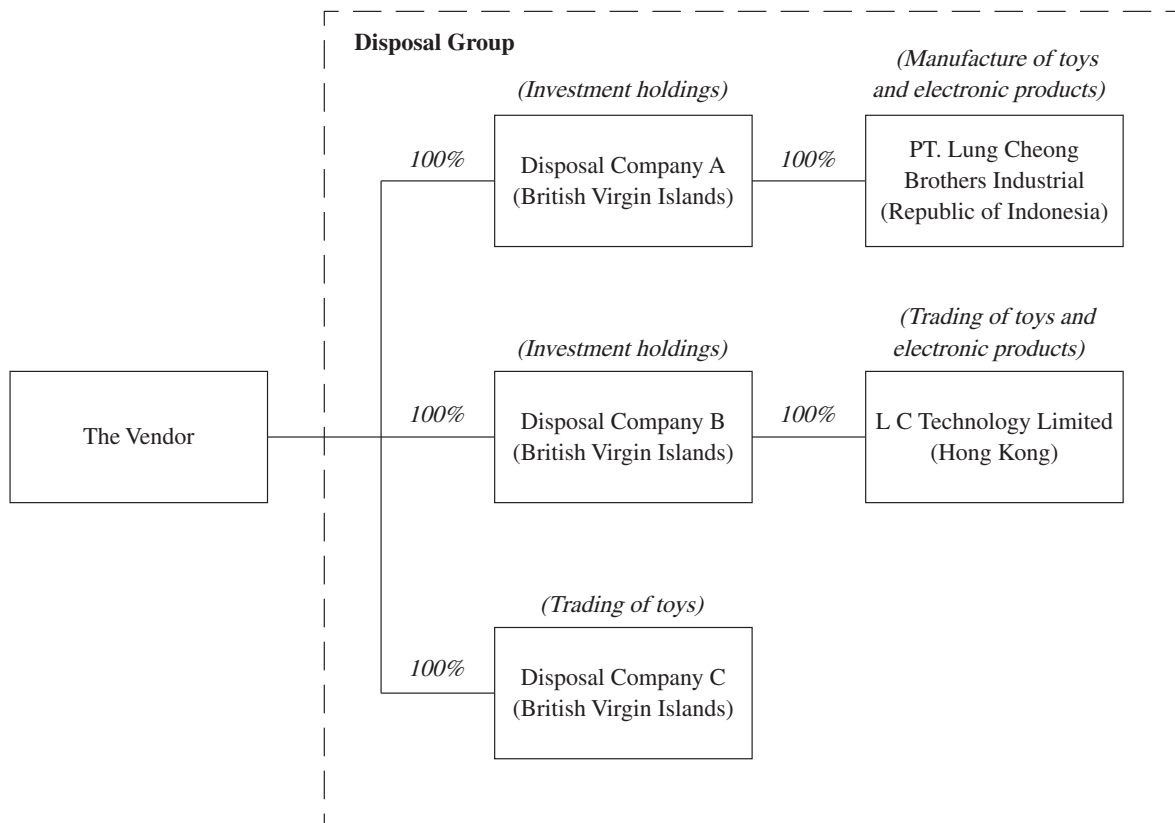
If any of the above conditions of the SPA have not been satisfied or waived (as the case may be) on or before 5:00 p.m. on the Longstop Date, the SPA shall cease and determine (save and except the clauses regarding confidentiality which shall continue to have full force and effect) and none of the parties 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 third Business Day after 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

Each of the Disposal Companies 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 original equipment manufacturing (“OEM”) toy business of the Group, and owns and operates an OEM electronic and plastic toy factory in Indonesia. Set out below are the unaudited combined financial information of the Disposal Group for the two years ended 31 March 2017 and 2018 prepared under the generally accepted accounting principles of Hong Kong:

	For the year ended 31 March 2017	For the year ended 31 March 2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	118,504	121,358
Loss before taxation	(59,520)	(81,289)
Loss after taxation	(57,453)	(83,536)

As at 30 September 2018, the unaudited combined net liabilities of the Disposal Group was approximately HK\$18.8 million.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company and is wholly owned by Brisk Mark Holdings Limited, which in turn is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai.

Since Mr. Leung, Kenneth Yuk Wai and Mr. Leung Chung Ming is a son and a brother of Mr. Leung Lun respectively, who is a director of several subsidiaries of the Group and the Disposal Group, the Purchaser is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP AND THE VENDOR

The Company is an investment holding company and the Group is principally engaged in development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products, sales of 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 each of the Disposal Companies. 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 Company.

The Group expects to record a loss of approximately HK\$14.0 million (subject to audit) from the Disposal. Such loss from the Disposal is calculated based on the consideration of HK\$1 plus the unaudited combined net liabilities of the Disposal Group of approximately HK\$18.8 million as at 30 September 2018, minus (i) the cumulative exchange differences of approximately HK\$32.6 million in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries; and (ii) the estimated transaction costs of approximately HK\$0.2 million.

The aforementioned cumulative exchange differences of approximately HK\$32.6 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\$18.6 million. And accordingly, the net assets of the Group is expected to increase by approximately HK\$18.6 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 2018, the OEM toy business segment of the Group recorded an increase in segment loss before income tax, from approximately HK\$59.5 million for the year ended 31 March 2017 to approximately HK\$81.3 million for the year ended 31 March 2018, representing an increase in loss of approximately 36.6%, despite an increase in revenue of approximately 2.4% for the same period. Such deterioration was mainly attributable to the increased labor and staff costs as well as depreciation of fixed assets, which led to an overall lower gross margin in such business segment. In addition, due to certain production issues, the Group continued incurring additional reworking, excessive retesting and major quality improvements at the Indonesian factory of the Disposal Group which further impact the profitability of the Disposal Group. As disclosed in the interim report of the Company for the six months ended 30 September 2018, the revenue of the OEM toy business segment dropped from approximately HK\$71.0 million for the six months ended 30 September 2017 to approximately HK\$46.4 million for the six months ended 30 September 2018, representing a decrease of approximately 34.6%. Such decrease was mainly due to bidded OEM projects not selling well in the market and the tough OEM market condition. The performance of the segment was further worsened by the aforesaid costs, resulting in a similar level of segment loss of approximately HK\$20.4 million for the six months ended 30 September 2018 as compared with that of approximately HK\$20.1 million for the six months ended 30 September 2017.

Regarding the prospect of this business segment, the Company has been aware that its major OEM customers' sales were affected by the liquidation of a major toy retail chain stores in North America and a few other countries. Meanwhile, the Indonesian factory of the Disposal Group will face the annual increase in minimum salaries and fluctuation of the local currency, and will be further burdened by uncertainties created by ongoing international trade disputes as well as the coming presidential election in Indonesia, expected to be held in the first half of 2019.

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 Indonesian factory of the Disposal Group, the Company considers that the Disposal will enable the Group to improve its financial position and eliminate any uncertainty arising from the OEM toy business with an aim to stabilising the future financial performance of the Group.

The management of the Company has made enquiries for interested purchasers for the past few months, in particular through agencies which are Independent Third Parties based in Hong Kong, Indonesia and Singapore respectively. However, they failed to identify any party who was interested in the Disposal Group. Aware of the intention of the Group to dispose of the Disposal Companies, Mr. Leung Lun, a director of several subsidiaries in the Disposal Group, and his family member have expressed interests in purchasing them. Having considered that there are no counter offer available, the Company proceeded to negotiate with the Purchaser on the terms of the SPA regarding the Disposal.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the SPA (including the aggregate 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.

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DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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
“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 Disposal
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Vendor and assignment of Sale Loan by the Company to the Purchaser pursuant to the terms and conditions of the SPA

“Disposal Company A”	Lung Cheong Asia Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor immediately prior to Completion
“Disposal Company B”	Kid Galaxy 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 Company C”	Lung Cheong Overseas Corporation, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor immediately prior to Completion
“Disposal Companies”	collectively, Disposal Company A, Disposal Company B and Disposal Company C
“Disposal Group”	the Disposal Companies and their subsidiaries (where applicable)
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facilities”	the three loan facilities in the principal amounts of approximately HK\$41.2 million, approximately HK\$26.7 million and approximately HK\$13.3 million respectively obtained by the Disposal Group and with corporate guarantees provided by the Company thereunder
“Longstop Date”	31 January 2019 or such other date as the parties to the SPA may agree in writing

“Purchaser”	Shrewd Global Investments Limited, a company incorporated in the British Virgin Island and is wholly owned by Brisk Mark Holdings Limited, which in turn is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai
“Sale Loan”	all the interests, benefits and rights of and in the interest-free shareholder’s loan owed by L C Technology Limited, the wholly-owned subsidiary of the Disposal Company B, to the Company on Completion, which amounted to approximately HK\$8.6 million as at the date of this announcement
“Sale Shares A”	50,001 shares of par value of US\$1 each in the share capital of Disposal Company A, representing the entire issued share capital of the Disposal Company A, which are beneficially owned by the Vendor immediately prior to Completion
“Sale Shares B”	2 shares of par value of US\$1 each in the share capital of Disposal Company B, representing the entire issued share capital of the Disposal Company B, which are beneficially owned by the Vendor immediately prior to Completion
“Sale Shares C”	50,000 shares of par value of US\$1 each in the share capital of Disposal Company C, representing the entire issued share capital of the Disposal Company C, which are beneficially owned by the Vendor immediately prior to Completion
“Sale Shares”	collectively, Sale Shares A, Sale Shares B and Sale Shares C
“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)
“SPA”	the conditional sale and purchase agreement entered into between the Vendor and the Purchaser dated 14 December 2018 in relation to the sale and purchase of the Sale Shares A, the Sale Shares B, the Sale Shares C and the Sale Loan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	LC Global Holdings Corporation, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by 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, 14 December 2018

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.