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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)**

### **MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF A WHOLLY-OWNED SUBSIDIARY AND THE SALE LOAN**

#### **THE DISPOSAL**

On 19 August 2020 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Disposal Company at a consideration of HK\$1. Pursuant to the Sale and Purchase Agreement, the Company shall assign the Sale Loan, representing the loan due to the Company by the Disposal Company, 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 Company and cease to engage in OBM (as defined below) toy business. 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 the highest of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Ms. Ngai, being a director of all the companies in the Disposal Group, holds the entire issued share capital of the Purchaser. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Disposal, and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

A circular of the Company containing, amongst other things, details of the Disposal, the notice convening the general meeting together with proxy form, and any other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 9 September 2020.

**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 Sale and Purchase Agreement. 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 19 August 2020 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Disposal Company at a consideration of HK\$1. Pursuant to the Sale and Purchase Agreement, the Company shall assign the Sale Loan, representing the loan due to the Company by the Disposal Company, to the Purchaser on Completion.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

19 August 2020

### **Parties**

Vendor: the Company

Purchaser: the Purchaser

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability.

As at the date of this announcement, Ms. Ngai, being a director of all the companies in the Disposal Group, holds the entire issued share capital of the Purchaser. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level.

### **Assets to be disposed of**

The Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Disposal Company.

The Company shall assign the Sale Loan, representing the loan due to the Company by the Disposal Company, to the Purchaser on Completion.

## **Consideration**

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

The consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to (i) the net liabilities of the Disposal Group as at 30 June 2020; 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 Sale and Purchase Agreement and the transactions contemplated thereunder having been approved by the Shareholders in compliance with the Listing Rules;
- (b) the Company and the Purchaser obtained all necessary licence, consent, approval (including listing approval), authorisation, permission, waiver, order or exemption for the transaction contemplated under the Sale and Purchase Agreement;
- (c) no change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Disposal Group, occurred on the Disposal Group prior to Completion; and
- (d) the Company having remained to be the sole legal and beneficial owner of the Sale Shares and the Sale Loan free from all encumbrances.

If any of the above conditions have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 5:00 p.m. on 18 November 2020 or such other date as the parties to the Sale and Purchase Agreement may agree in writing, the Sale and Purchase Agreement shall cease and determine (save and except clause relating to confidentiality which shall continue to have full force and effect) and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The Purchaser shall be entitled in its absolute discretion to waive the condition (c) above. The other conditions above are incapable of being waived by the Purchaser and the Company.

## COMPLETION

Pursuant to the Sale and Purchase Agreement, Completion shall take place on the third Business Days after the satisfaction and/or waiver (as the case may be) of the last conditions precedent or such other date as the parties may agree in writing.

## INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is an investment holding company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by the Company as at the date of this announcement and immediately prior to Completion.

Kid Galaxy Corporation (“**Kid Galaxy**”), a wholly-owned subsidiary of the Disposal Company, is incorporated in the British Virgin Islands with limited liability.

Kid Galaxy Limited, a wholly-owned subsidiary of Kid Galaxy, is incorporated in Hong Kong with limited liability.

Kid Galaxy Inc., a wholly-owned subsidiary of Kid Galaxy, is incorporated in the United States of America with limited liability.

The Disposal Group is principally engaged in the own brand manufacturing (“**OBM**”) toy business. The OBM toys are mainly sourced from suppliers in Asia according to the Disposal Group’s production requirement and cost and sold in North America and Europe.

Set out below are the financial information of the Disposal Group for the years ended 31 March 2018 and 2019, and for the nine months ended 31 December 2019 prepared under the generally accepted accounting principles of Hong Kong:

	<b>For the nine months ended 31 December 2019 (Audited) HK\$’000</b>	<b>For the year ended 31 March 2019 (Audited) HK\$’000</b>	<b>For the year ended 31 March 2018 (Re-presented) HK\$’000</b>
Revenue	202,062	183,848	124,908
Loss before taxation	7,376	24,926	3,754
Loss after taxation	7,376	24,926	3,754

As at 30 June 2020, the unaudited consolidated net liabilities of the Disposal Group were approximately HK\$56.2 million.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

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

As disclosed in the annual report of the Company for the year ended 31 March 2019, the OBM toy business segment of the Group recorded an increase in segment loss before income tax, from approximately HK\$3.8 million for the year ended 31 March 2018 to approximately HK\$24.9 million for the year ended 31 March 2019, representing an increase in loss of approximately 555.3%, despite an increase in revenue of approximately 47.2% for the same period. As disclosed in the annual report of the Company for the nine months ended 31 December 2019, the OBM toy business segment of the Group recorded segment loss before income tax of approximately HK\$7.4 million for the corresponding period.

Such increase in revenue and decrease in loss before taxation was a result of more orders received from customers of the United States of America in advance of further trade conflicts between the United States of America and the PRC. However, with the outbreak of the COVID-19 pandemic, the orders were significantly reduced in 2020. To maintain the competitiveness of the Disposal Group, further capital investments will be required in continuous product development, engineering, new product moulds plus additional marketing and promotion costs for the new products, which will continue to affect the contribution to the OBM segment's profitability.

Although the Disposal Group has started shifting some of its suppliers from the PRC to Indonesia in 2019, the Disposal Group also rely on the PRC for its manufacturing heavily. Due to the global outbreak of the Coronavirus, the production lines of our suppliers, and thus the sales of the products have been adversely affected. Given that the major customers of the Disposal Group are in the United States of America, the increasing political tension between the United States of America and the PRC also cast doubt on the business of the Disposal Group.

Given the continuous loss-making position of the Disposal Group with net liabilities in recent financial periods, and the uncertainties faced by 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 OBM toy business with an aim to stabilising the future financial performance of the Group.

Aware of the intention of the Group to dispose of the Disposal Group, Ms. Ngai, a director of all the companies in the Disposal Group, has expressed interests in purchasing them. As such, the Company proceeded to negotiate with the Purchaser on the terms of the Sale and Purchase Agreement regarding the Disposal.

Based on the above, the Directors (including the independent non-executive Directors) consider that although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement (including the consideration) are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As none of the Directors has any material interest in the Disposal, no Director was required to abstain from voting on the board resolution approving the Disposal.

## FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to own any interests in each member of the Disposal Group and cease to engage in OBM toy business. 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 gain of approximately HK\$47.6 million (subject to audit) from the Disposal. Such gain 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\$56.2 million as at 30 June 2020, minus the Sale Loan of approximately HK\$8.6 million.

## LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Ms. Ngai, being a director of all the companies in the Disposal Group, holds the entire issued share capital of the Purchaser. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Disposal, and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## GENERAL

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution at the EGM.

A circular of the Company containing, amongst other things, details of the Disposal, the notice convening the general meeting together with proxy form, and any other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 9 September 2020.

**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 Sale and Purchase Agreement. 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.**

## DEFINITIONS

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

“associate(s)”	has the 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 no. 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 in accordance with the terms and conditions of the Sale and Purchase Agreement
“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 Shares by the Company and assignment of Sale Loan by the Company to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	LC Global Holdings Corporation, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company immediately prior to Completion
“Disposal Group”	the Disposal Company and its subsidiaries
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its subsidiaries and not connected with any of the connected persons of the Company or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Ngai”	Ms. Ngai Ling, Irene
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Full Right Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between the Company and the Purchaser dated 19 August 2020 in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Sale Loan”	all the interests, benefits and rights of and in the interest-free shareholder’s loan owed by the Disposal Company to the Company on Completion, which amounted to approximately HK\$8.6 million as at the date of this announcement
“Sale Shares”	50,001 shares 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 Company 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, 19 August 2020

*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.*