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HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

**DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF BOND
OF
CHINA HEALTHWISE HOLDINGS LIMITED**

On 8 October 2018, the Subscriber, a wholly-owned subsidiary of the Company, agreed to subscribe for the Bond in an aggregate principal amount of HK\$120,000,000 in one tranche pursuant to the Subscription Agreement. Completion of the Bond subscription is conditional upon the fulfilment of the Bond Conditions Precedent.

The Bond initially will 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, in an aggregate principal amount of HK\$120,000,000 to be issued by China Healthwise pursuant to the Subscription Agreement with the benefit and subject to the provisions of the terms and conditions of the Instrument.

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.

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

(a) 6% per annum if the CB Conditions Precedent are fulfilled; or

(b) 8% per annum if the CB Conditions Precedent are not fulfilled.

Interest shall be accrued daily on a 365 days basis and is payable annually or with respect to the last payment, on the Maturity Date.

As the applicable percentage ratios for the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules.

Completion of the Subscription Agreement is subject to fulfilment of the Bond Conditions Precedent. As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

The Board announces that on 8 October 2018, the Subscriber, a wholly-owned subsidiary of the Company, agreed to subscribe for the Bond in an aggregate principal amount of HK\$120,000,000 in one tranche pursuant to the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date: 8 October 2018

Parties: (1) China Healthwise, as the issuer of the Bond

(2) Heng Tai Finance Limited, as the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, China Healthwise and its ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Subscription Price

Subject to the fulfilment of the Bond Conditions Precedent set out below, the Subscriber agreed to subscribe for the Bond in the principal amount of HK\$120,000,000. The Subscription Price for the Bond shall be satisfied in cash by the Subscriber upon completion of the Subscription.

The Subscription Price will be fully satisfied by the Group's internal resources.

The Subscription Price was determined after arm's length negotiations between China Healthwise and the Subscriber.

Bond Conditions Precedent

Completion of the Bond subscription is conditional upon the fulfilment of the following conditions precedent:

- (a) the publication of an announcement by each of the Company (being the parent company of the Subscriber) and China Healthwise in relation to the Subscription Agreement and the subscription of the Bond;
- (b) the representations, warranties and undertakings of China Healthwise under 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 China Healthwise and the Subscriber (including approval by the shareholders of China Healthwise 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.

In the event such conditions are not fulfilled on or before 16 October 2018 (or such other date as may be agreed by the Subscriber and China Healthwise in writing), the Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations, save for any liability arising out of any antecedent breaches thereof.

Completion

Subject to the fulfilment of the above Bond Conditions Precedent, Completion of the Subscription shall take place on the Completion Date.

CB Conditions Precedent

Upon signing of the Subscription Agreement, China Healthwise has undertaken to use its best endeavour to fulfil the following CB Conditions Precedent by the CB Long Stop Date:

- (a) the passing by its shareholders at its extraordinary general meeting to be convened 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 China Healthwise in respect of the Specific Mandate and the Conversion Rights having been obtained.

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.

PRINCIPAL TERMS OF THE BOND

The Bond initially will 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, in an aggregate principal amount of HK\$120,000,000 to be issued by China Healthwise pursuant to the Subscription Agreement with the benefit and subject to the provisions of the terms and conditions of the Instrument.

The principal terms of the Bond were arrived at after arm's length negotiations between the Subscriber and China Healthwise and are summarised as follows:

Principal amount:	HK\$120,000,000
Issue price:	100% of the principal amount of the Bond
Form and denomination:	The Bond are in registered form in such denomination and manner as the Subscriber may direct but in any event not less than HK\$5,000,000 each
Interest rate:	The Bond shall bear interest on the outstanding principal amount from and including the date of its issue at the following rate of interests:

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

Interest shall be accrued daily on a 365 days basis and is payable annually or with respect to the last payment, on the Maturity Date.

Maturity date:	The second anniversary of the date of issue of the Bond
Redemption on maturity:	Any amount of the Bond outstanding as at the Maturity Date shall be redeemed automatically on the Maturity Date at its then outstanding principal amount together with accrued interests
Redemption on notice by China Healthwise:	China Healthwise 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 China Healthwise to the Bondholder
Redemption upon Event of Default:	If an event of default has occurred, the Bondholder may require China Healthwise to redeem all or a portion of its Bond, and China Healthwise shall, in addition to and without prejudice to any of its other payment obligations under the Instrument, pay to the 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 China Healthwise to such Bondholder from the relevant due date of such unpaid amount until the date on which has been fully paid by China Healthwise to such Bondholder

Event of Default:	The Bond will contain customary events of default provisions which provide that, on the occurrence of certain events of default specified in the terms and conditions of the Bond, the Bondholder shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Bond
Status of the Bond:	The Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of China Healthwise and shall at all times rank pari passu and without any preference among themselves. The payment obligations of China Healthwise 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
Conversion Period:	Subject to the satisfaction of the CB Conditions Precedent, the period commencing 60 days following the date of issue of the Instrument constituting the Bond up to 4:00 pm (Hong Kong time) immediately prior to and exclusive of the Maturity Date
Conversion Price:	<p>The conversion price at which the Bond is to be converted into a Conversion Share, which shall be HK\$0.1 per Conversion Share, subject to the adjustments provisions as follows:</p> <ul style="list-style-type: none"> (i) an alteration of the nominal amount of the shares of China Healthwise by reason of any consolidation or subdivision; (ii) an issue (other than in lieu of a cash dividend) by China Healthwise of its shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund); (iii) a Capital Distribution (as defined in the Instrument) being made by China Healthwise, whether on a reduction of capital or otherwise, to holders of its shares in their capacity as such;

- (iv) an offer or grant being made by China Healthwise to holders of its shares by way of rights or of options or warrants to subscribe for new shares at a price which is less than 90 per cent. of the market price (calculation as provided in the Instrument);
- (v) an issue wholly for cash being made by China Healthwise of securities convertible into or exchangeable for or carrying rights of subscription for new shares, if in any case the total Effective Consideration per Share (as defined in the Instrument) initially receivable for such securities is less than 90 per cent. of the market price (calculation as provided in the Instrument), or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total Effective Consideration per share initially receivable for such securities is less than 90 per cent. of the market price;
- (vi) an issue being made by China Healthwise wholly for cash of shares at a price per share less than 90 per cent. of the market price (calculation as provided in the Instrument); and
- (vii) an issue being made by China Healthwise of its shares for the acquisition of asset at a total Effective Consideration per share (as defined in the Instrument) less than 90 per cent. of the market price (calculation as provided in the Instrument).

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.

China Healthwise 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 Price shall fall to be issued at a discount to their nominal value, failing which China Healthwise 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\$0.10 per Conversion Shares, a maximum of 1,200,000,000 new shares may be allotted and issued by China Healthwise under the Bond upon exercise of the Conversion Rights, subject to the terms of the Instrument, or otherwise pursuant to the terms of the Instrument.

As at the date of this announcement, China Healthwise has 8,521,308,360 ordinary shares of HK\$0.10 each in issue. Upon full conversion to the Conversion Shares at the initial Conversion Price, the Conversion Shares represent:

- (a) approximately 14.08% of the existing issued share capital of China Healthwise; and
- (b) approximately 12.34% of the issued share capital of China Healthwise as enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights in full (assuming there is no other change in the share capital of China Healthwise).

- Ranking of Conversion Shares:** The Conversion Shares will in all respects rank pari passu with the shares of China Healthwise in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.
- Listing:** No application will be made for a listing of the Bond on the Hong Kong Stock Exchange or any other stock exchange
- Transferability:** The Bondholder may only assign or transfer the Bond to the transferee subject to the consent of China Healthwise

INFORMATION OF CHINA HEALTHWISE

China Healthwise is an investment holding company and principally engaged in investment in financial instruments. Its subsidiaries are principally engaged in development, engineering, manufacture and sale of toys, consumer electronic products, commercial kitchen products, Chinese health products, money lending business and investment in financial instruments.

As stated in the annual report of China Healthwise as at 31 March 2018, China Healthwise had audited consolidated net assets of approximately HK\$274,150,000. The net loss before and after taxation of China Healthwise for the year ended 31 March 2018 were approximately HK\$194,704,000 and HK\$197,937,000 respectively. The net loss before and after taxation of China Healthwise for the year ended 31 March 2017 were approximately HK\$263,838,000 and HK\$262,618,000 respectively.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in (i) the sale and trading of fast moving consumer goods including packaged foods, beverages, household consumable products and cold chain products; (ii) the trading of agri-products and the upstream farming business; (iii) the provision of cold chain logistics services and value-added post-harvest food processing and (iv) other businesses primarily arising from the securities brokerage business.

In view of the current uncertain global trading market, the Board faces more difficulty in exploring, negotiating and making suitable investment decisions on the one hand, and in view of the available bank and cash balances, the Board considers it would better utilise the bank and cash balances by subscribing the Bond for a better interest income. Further, the Group is in discussion with China Healthwise for exploring the development and distribution of Chinese and other pharmaceutical products and health products in the PRC market currently sold under the brand name “Nam Pei Hong”. The subscription of the Bond would build up and strengthen the relationship between the Group and China Healthwise in their business development.

GENERAL

As the applicable percentage ratios for the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules.

WARNING NOTICE

Completion of the Subscription Agreement is subject to fulfilment of the Bond Conditions Precedent. As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

DEFINITION

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise.

“Board”	the board of Directors
“Bond Conditions Precedent”	the conditions precedent under the Subscription Agreement that have to be satisfied before Completion
“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 the aggregate principal amount of HK\$120,000,000, which is unsecured, proposed to be issued by China Healthwise to the Subscriber pursuant to the Subscription Agreement
“Bondholder”	holder of the Bond
“Business day(s)”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CB Conditions Precedent”	the conditions precedent under the Subscription Agreement that have to be satisfied for the Conversion Rights attached to the Bond shall become unconditional and irrevocable

“CB Long Stop Date”	60 days following the date of the Subscription Agreement, or such other date to be agreed between the Subscriber and China Healthwise in writing
“China Healthwise”	China Healthwise Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 00348)
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 00197)
“Completion”	completion of the Subscription
“Completion Date”	a date falling on or before the second Business Day after the fulfilment of the Bond Conditions Precedent, or such other date as may be agreed by the Subscriber and China Healthwise in writing
“connected person”	has the meaning ascribed to it 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 Instrument constituting the Bond up to 4:00 pm (Hong Kong time) immediately prior to and exclusive of the Maturity Date
“Conversion Price”	the conversion price per Conversion Share, initially being HK\$0.10 (subject to adjustment)
“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 Shares”	the new shares to be allotted and issued by China Healthwise upon the exercise of the Conversion Rights attached to the Bond
“Directors”	directors of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Instrument”	the instrument to be executed China Healthwise by way of a deed poll constituting the Bond to be issued upon completion of the Subscription
“Interest Payment Date”	Interest payable annually or with respect of last payment on the Maturity Date
“Issue Date”	the date of issue of bond instrument representing the Bond by China Healthwise
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	in respect of Bond, the date falling on the second anniversary of the Issue Date
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the Company of HK\$0.10 each
“Specific Mandate”	the specific mandate for the allotment and issuance of the Conversion Shares to be granted to the directors of China Healthwise by the shareholders of China Healthwise at the extraordinary general meeting of China Healthwise to be convened
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Heng Tai Finance Limited, a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Bond pursuant to the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 8 October 2018 entered into between the Subscriber and China Healthwise in relation to the subscription of the Bond
“Subscription Price”	an aggregate of HK\$120,000,000 for the Subscription
“%”	per cent.

By order of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 8 October 2018

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joecy, Ms. Hung Sau Yung, Rebecca, Ms. Gao Qin Jian and Mr. Chan Cheuk Yu, Stephen; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung, Newman and Mr. Hung Hing Man.