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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)

**(1) MEMORANDUM OF UNDERSTANDING
IN RELATION TO THE POSSIBLE ACQUISITION;
AND**

**(2) FURTHER EXTENSION OF TIME FOR UTILISATION OF
PROCEEDS FROM THE RIGHTS ISSUE AND PROPOSED CHANGE
OF USE OF PROCEEDS**

(1) The MOU

On 8 March 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company entered into the MOU with the Seller in relation to the Possible Acquisition by the Purchaser of the Target Company from the Seller.

Pursuant to the MOU, the Purchaser intends to buy, and the Seller intends to sell the Sale Shares subject to satisfaction of the due diligence to be conducted by the Purchaser and finalisation of the terms and conditions of the Formal Agreement to be entered into.

The terms of the Possible Acquisition are all subject to negotiation and finalization and will also be subject to the Company's satisfactory due diligence to be conducted on the Target Company. However, the Company expects that if the Formal Agreement is entered into, it will constitute a notifiable transaction under Chapter 14 of the Listing Rules. Further announcement will be made in compliance of the Listing Rules.

(2) FURTHER EXTENSION OF TIME FOR UTILISATION OF PROCEEDS FROM THE RIGHTS ISSUE AND PROPOSED CHANGE OF USE OF PROCEEDS

Reference is made to the Prospectus, the announcements dated 13 February 2018 and 9 March 2018 of the Company in relation to the use of proceeds of the Rights Issue.

The Board considered it would be beneficial to the Company to better utilize its financial resources and has resolved to change the use of the Unused Proceeds to satisfy part or all of the purchase price and acquisition costs of the Possible Acquisition, if materialized; and if there is any remaining balance of the Unused Proceeds after completion of the Possible Acquisition, or if the Possible Acquisition is not materialized, then the entirety of the Unused Proceeds, as the case may be, shall continue its original intended use and be further extended for an additional 12 months to 10 March 2020.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 8 March 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company entered into the MOU with the Seller in relation to the Possible Acquisition by the Purchaser of the Target Company from the Seller.

(1) THE MOU

Date

8 March 2019

Parties to the MOU

1. The Purchaser as the purchaser; and
2. The Seller as the seller.

The Seller is an Independent Third Party.

Pursuant to the MOU, the Purchaser intends to buy, and the Seller intends to sell the Sale Shares subject to satisfaction of the due diligence to be conducted by the Purchaser and finalisation of the terms and conditions of the Formal Agreement to be entered into.

INFORMATION OF THE TARGET COMPANY

As at the date of this announcement, the Target Company is owned as to 100% by the Seller. The Target Company is principally engaged in retail of luxury goods and chocolates and provision of meal services in a retail store located in Hong Kong.

EXCLUSIVITY PERIOD

In consideration of the fees and expenses incurred by the Purchaser for negotiating the MOU and the due diligence review to be conducted, and the Seller to procure the Target Company to provide every reasonable assistance required for conducting the due diligence review on the Target Company by the Purchaser, in the period from the date of the MOU to 30 June 2019,

- a. the Seller agrees that it will not, and will procure its associates, the Target Company and its directors, employees, staffs, representatives, agents not to, directly or indirectly lobby, initiate, encourage inquiry, offer or continue negotiation or provide any information or enter into any agreement, letter of intent or memorandum of understanding with any parties or corporations (other than the Purchaser) relating to the sale or disposal of any part or all of the Sale Shares or issue, repurchase or disposal of any issued or unissued share capital, convertible securities, debts, warrants or any other class of securities of the Target Company. If the Seller receives any such inquiry or offer, it will notify the Purchaser immediately and will not proceed any further of such inquiry or offer.
- b. the Purchaser agrees that it will not directly or indirectly lobby, inquire, offer or continue negotiation or enter into any agreement, letter of intent or memorandum of understanding with any parties or corporations (other than the Seller) relating to the purchase or intended purchase of a controlling shareholding in the issued share capital of other companies, which are engaged in similar business of the Target Company.

LEGAL EFFECT

Save for the clauses relating to due diligence, exclusivity, confidentiality, notices, costs, legal effect and governing law and jurisdiction which are legally binding, the clause relating to the Possible Acquisition is non-legally binding.

REASONS FOR ENTERING INTO THE MOU AND THE POSSIBLE ACQUISITION

The Group is principally engaged in (i) the trading of 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 business primarily including securities brokerage business and trademark sub-licencing in petrol business.

The Company has been exploring suitable investment and acquisition opportunities to improve and/or complement the existing businesses of the Group. Since the acquisition of a joint venture which operates a department store in Hong Kong in 2015, the Company has become experienced in the industry and market of this business segment in Hong Kong. The Company considers the entering into the MOU provides a good opportunity for the Company to directly enter into this market, if the Possible Acquisition materializes, by acquiring a controlling interest in the Target Company, instead of internally developing this business which may have long start up time and costs. The Group will be able to diversify its income stream and increase its revenue and earning sources through the Target Company's existing network of suppliers and customers.

The terms of the Possible Acquisition are all subject to negotiation and finalization and will also be subject to the Company's satisfactory due diligence to be conducted on the Target Company. However, the Company expects that if the Formal Agreement is entered into, it will constitute a notifiable transaction under Chapter 14 of the Listing Rules. Further announcement will be made in compliance of the Listing Rules.

(2) FURTHER EXTENSION OF TIME FOR UTILISATION OF PROCEEDS FROM THE RIGHTS ISSUE AND PROPOSED CHANGE OF USE OF PROCEEDS

Reference is made to the Prospectus, the announcements dated 13 February 2018 and 9 March 2018 of the Company in relation to the use of proceeds of the Rights Issue.

As disclosed previously, the net proceeds of about HK\$207.3 million from the Rights Issue have been earmarked for the Brokerage Business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business by 10 March 2018, which was subsequently extended to 10 March 2019. HK\$20 million has already been used as intended and has been injected into the Brokerage Business.

As explained previously, there have been adverse market condition changes since the acquisition of the Brokerage Business on 10 March 2017 and market uncertainties and potential impacts to the industry due to several major global market events such as global trade war and Brexit are still unknown. As such, the Company has been taking a more prudent approach as the Brokerage Business is still a new business of the Group and the Company does not want to risk the loss that may be caused by expanding too much on the margin clients business caused by any severe or sudden adverse securities market change whether or not it is due to any global, local or other unknown events.

As the Company has been exploring suitable investment and acquisition opportunities to improve and/or complement the existing businesses of the Group and the Company has entered into the MOU in relation to the Possible Acquisition, the Board considers that, if the Possible Acquisition could materialize, the potential revenue and earning sources would be better than developing the Brokerage Business.

Therefore, the Board considered it would be beneficial to the Company to better utilize its financial resources and has resolved to change the use of the Unused Proceeds to satisfy part or all of the purchase price and acquisition costs of the Possible Acquisition, if materialized; and if there is any remaining balance of the Unused Proceeds after completion of the Possible Acquisition, or if the Possible Acquisition is not materialized, then the entirety of the Unused Proceeds, as the case may be, shall continue its original intended use and be further extended for an additional 12 months to 10 March 2020.

(3) GENERAL

The MOU may or may not lead to the entering into of definitive and binding Formal Agreement for the Possible Acquisition where the terms of the Formal Agreement are subject to further negotiation and finalization and that the Target Company is subject to satisfactory due diligence to be conducted by the Company.

The Possible Acquisition may or may not be materialized. If the Possible Acquisition is materialised, it may constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules. Shareholders and investors of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition and further detailed breakdown of the amount of the Unused Proceeds will be made by the Company as and when appropriate in compliance with the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Brokerage Business”	the licensed business to carry on type 1 regulated activity (dealing with securities) under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) acquired by the Company as first announced on 5 September 2016 and was completed on 10 March 2017
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules

“Directors”	directors of the Company
“Formal Agreement”	the formal and legally binding sale and purchase agreement to be negotiated, finalised and entered into between the Purchaser and the Seller in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Independent Third Party”	any person or company and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is third party independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding Memorandum of Understanding dated 8 March 2019 and entered into between the Purchaser and the Seller in relation to the Possible Acquisition
“Possible Acquisition”	the possible sale and purchase of the Sale Shares
“Prospectus”	the prospectus dated 15 December 2016 of the Company in relation to the Rights Issue
“Purchaser”	Fiorfie Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Rights Issue”	the issue of new Shares on 11 January 2017 on the basis of one rights Share for every one Share held to the Shareholders of the Company through a rights issue
“Sale Shares”	such number of shares representing a controlling interest of the Target Company (i.e. comprising from 51% to 100% of the entire issued capital of the Target Company), which is legally and beneficially owned by the Seller
“Seller”	King’s DFS Holdings Limited, a company incorporated in the British Virgin Islands with limited liability

“Shareholders”	holders of Shares
“Shares”	ordinary shares in the Company of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	King’s Royal DFS Trading Company Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Seller as at the date of this announcement
“Unused Proceeds”	HK\$187.3 million, which is the unused remaining proceeds from the Rights Issue as at the date of this announcement

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

Hong Kong, 8 March 2019

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joecy, 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.