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

**(2) UPDATE ON THE UTILISATION OF THE UNUSED PROCEEDS FROM THE
RIGHTS ISSUE**

(1) EXPIRATION OF THE MOU

Reference is made to the announcements of Heng Tai Consumables Group Limited (the “**Company**”) dated 8 March 2019, 27 June 2019 and 30 August 2019 (the “**MOU Announcements**”) in relation to the MOU. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the MOU Announcements.

As stated in the MOU Announcements, the Purchaser entered into the MOU with the Seller in relation to the Possible Acquisition and the extended exclusivity period will expire on 31 December 2019.

In view of the continuing social unrest in Hong Kong which has been affecting the retail industry which the Target Company operates in, the Board was unable to agree with the Seller in relation to the principal terms of the Possible Acquisition and since the Board was also concerned the possible long term effects of the continuing social unrest in Hong Kong might have on the said retail industry, the Board decided not to further extend the exclusivity period and the MOU expired on 31 December 2019.

The expiration of the MOU and the termination of the Possible Acquisition will not have any adverse impact to the business or financial position of the Company. The Board will continue to explore suitable investment and acquisition opportunities to improve and/or complement the existing businesses of the Group.

(2) UPDATE ON THE UNUSED PROCEEDS

Reference is made to the Prospectus, the announcements dated 13 February 2018, 9 March 2018 and 8 March 2019 (the “**Proceeds Announcements**”) in relation to the use of proceeds of the Rights Issue. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Proceeds Announcements.

As summarised and explained in the Proceeds Announcement on 8 March 2019, 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. Currently, the Unused Proceeds comprise about HK\$187.3 million of the remaining proceeds from the Rights Issue.

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 which are still unresolved. Furthermore, the continuing social unrest in Hong Kong has further exacerbated the uncertainties and risks the Group has been facing in Hong Kong. As such, the Company has been taking a more prudent approach as 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.

The Company has previously announced 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.

Since the Possible Acquisition will not proceed any further and the Board currently does not have any other potential investment or acquisition plan, the Unused Proceeds shall continue its original intended use and extended to 10 March 2020 as previously announced.

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

Hong Kong, 31 December 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.