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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 – ACQUISITION OF 17.5% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE SP AGREEMENT

The Board is pleased to announce that on 20 October 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Guarantor entered into the SP Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares (representing 17.5% of the issued share capital of the Target Company) at the Consideration of HK\$28,760,000.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction and/or waiver of the conditions specified in the SP Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Reference is made to the announcements of the Company dated 28 May 2021 and 26 July 2021 regarding the entering into of the MOU and SMOU related to the Acquisition.

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THE SP AGREEMENT

The principal terms of the SP Agreement are set out below:

Date

20 October 2021 (after trading hours)

Parties

Purchaser: Shining Impact Limited

Vendor: Smart Empire Group Limited

Guarantor: Mr. Tang Ka Siu Johnny

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendor is wholly and beneficially owned by the Guarantor; (ii) each of the Vendor and the Guarantor is an Independent Third Party; and (iii) the Vendor is principally engaged in investment holding.

The Guarantor agreed to guarantee in favour of the Purchaser the Vendor's obligations and liabilities under the SP Agreement.

Assets to be acquired

Pursuant to the SP Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares (representing 17.5% of the issued share capital of the Target Company).

As at the date of this announcement, the Target Company holds approximately 99.99% equity interest of FB Software. The Target Company is principally engaged in the provision of digital assets listing, trading and management services and FB Software has no business operation currently.

Consideration and payment

Pursuant to the SP Agreement, the consideration for the sale and purchase of the Sale Shares shall be HK\$28,760,000, which shall be satisfied by the allotment and issue of 284,752,000 Consideration Shares by the Company at the issue price of HK\$0.101 each, credited as fully paid, at the Completion Date to the Vendor.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor and was determined after taking into account, among other things, (i) the financial information of the Target Group; (ii) the purchases of a total of 18% equity interest in the Target Company by Greenpro, which involved the initial purchase of 10% equity interest in the Target Company at a consideration of US\$1 million conducted in December 2020 and the purchase of additional 8% equity interest in the Target Company at an aggregate consideration of approximately US\$1.3 million conducted in December 2020 and February 2021, which represented an implied valuation of the Target Company of approximately US\$16.3 million (i.e. US\$1.3 million/0.08); and (iii) the valuation of 100% equity interest in the Target Company as at 31 August 2021. The investment value of 100% interest in the Target Company is US\$21,071,000 (equivalent to approximately HK\$164,354,000) as at 31 August 2021 according to the latest draft of the Valuation Report applying the market approach, prepared and to be issued by Valplus Consulting Limited, an independent professional valuer.

Consideration Shares

The Consideration Shares represent (i) approximately 15.21% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the issued share capital of the Company from the date of this announcement to the date of issue of the Consideration Shares).

The issue price of the Consideration Shares of HK\$0.101 represents:

- (i) a discount of approximately 19.8% to the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on the date of the SP Agreement;
- (ii) a discount of approximately 1.9% to the average closing price of approximately HK\$0.103 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the SP Agreement;
- (iii) a discount of approximately 0.98% to the average closing price of approximately HK\$0.102 per Share as quoted on the Stock Exchange for the ten trading days immediately preceding the date of the SP Agreement; and

- (iv) a premium of approximately 0.80% over the average closing price of approximately HK\$0.1002 per Share as quoted on the Stock Exchange for the 15 trading days immediately preceding the date of the SP Agreement.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the recent market prices of the Shares. The Directors (including the independent non-executive Directors) consider that the issue price is fair and reasonable and on normal commercial terms.

The Consideration Shares will be issued under the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 374,539,236 Shares. As at the date of this announcement, the General Mandate has not been used before and accordingly, the General Mandate will be sufficient for the allotment and issue of the Consideration Shares and is not subject to the Shareholders' approval.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued, will rank *pari passu* in all respects with the Shares in issue.

Conditions precedent

The SP Agreement is conditional upon:

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted as per the terms of the SP Agreement;
- (b) all necessary approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Purchaser and the Company in relation to the transactions contemplated under the SP Agreement having been obtained and remain in full force and effect;
- (c) all necessary approvals, consents, authorisations and licenses (so far as necessary) required to be obtained on the part of the Vendor, the Guarantor and the Target Group in relation to the transactions contemplated under the SP Agreement having been obtained and remain in full force and effect;
- (d) the Purchaser obtaining a valuation report from an independent professional valuer commissioned by the Purchaser showing the investment value of 100% equity interest in the Target Company, being not less than US\$20,000,000 (equivalent to approximately HK\$156,000,000) and to the satisfaction of the Purchaser at its absolute discretion;

- (e) the Purchaser obtaining a Philippines legal opinion from a Philippines legal adviser in relation to the SP Agreement and the transactions contemplated thereunder and to the satisfaction of the Purchaser at its absolute discretion;
- (f) all representations, undertakings and warranties provided by the Vendor under the SP Agreement remaining true and accurate in all material respects;
- (g) from the date of the SP Agreement and up to the Completion, no events having occurred which may result in any change which has a material and adverse effect on the financial position, business or property, results of operations of any company within the Target Group and/or the Target Group as a whole; and
- (h) the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares.

The Purchaser may at any time by notice in writing to the Vendor waive the above conditions (a), (f) and (g) and such waiver may be made subject to such reasonable terms and conditions as are determined by the Purchaser. All other conditions above cannot be waived by the Purchaser and the Vendor. If any of the conditions set out above has not been satisfied (or, as the case may be, waived by the Purchaser) on or before 12:00 noon on the Long Stop Date or such later date as the Purchaser and the Vendor may agree in writing, the SP Agreement shall cease and determine (save and except the clauses related to confidentiality and announcements, notices and governing law and jurisdiction, which shall continue to have full force and effect notwithstanding the SP Agreement having been terminated) and neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place within 5 Business Days after all the conditions specified in the SP Agreement have been fulfilled (or, as the case may be, waived), or on such other date as may be agreed in writing by the Purchaser and the Vendor.

Upon Completion, (i) the Target Company will be owned as to 64.5% by the Guarantor, 17.5% by the Purchaser and 18% by Greenpro; (ii) the Acquisition will be recognized as investment of the Company; and (iii) the financial results of the Target Group will not be consolidated into the financial statements of the Company.

INFORMATION OF THE GUARANTOR AND THE VENDOR

The Guarantor is a Hong Kong businessman. The Vendor is wholly and beneficially owned by the Guarantor and is principally engaged in investment holding. Each of the Guarantor and the Vendor is an Independent Third Party.

INFORMATION OF THE TARGET GROUP

As at the date of this announcement, the Target Company is a company incorporated in BVI with limited liability, which directly holds approximately 99.99% equity interest of FB Software. As at the date of this announcement, other than the investment in FB Software, the Target Company does not have interests in other companies. The Target Company is principally engaged in the provision of digital assets listing, trading and management services. The Target Company established Cryptosx, a digital assets exchange portal, in 2018 and is licensed in the Philippines by Cagayan Economic Zone Authority (“CEZA”) to conduct Financial Technology Solutions and Offshore Virtual Currency Exchange (“FTSOVC”) business activities, including the authority to approve and endorse security token offerings, operation of digital assets exchanges as well as the provision of digital assets wealth management services.

As at the date of this announcement, FB Software is a company incorporated in the Philippines with limited liability and does not have any business operation.

Cryptosx operated by the Target Company is a market where traditionally illiquid assets such as commodities, properties and private equity shares can be digitalised, tokenised and listed as security tokens and users of Cryptosx can trade such security tokens. Revenue of the Target Company is mainly generated from the registration fee, offering application processing fee, regulatory documentation fee, token offering fee, and recurring management fee charged to the issuers of security tokens on Cryptosx. Target issuers of Cryptosx are international companies engaged in various business segments and target customers of Cryptosx are global professional investors with a focus in East Asia, excluding nationals of Hong Kong, the United States of America (the “US”), the Philippines and countries that are under the US sanctions. As at the date of this announcement, there are (i) 8 issuers which have been approved by CEZA of which 4 have been listed and traded on Cryptosx, such issuers include real estate company, alternative energy storage, agritechology and investment fund in the US, Australia, Singapore, Malaysia and etc; and (ii) 12 potential issuers which have entered into application agreements with the Target Company for potential listing on Cryptosx.

As at the date of this announcement, the Target Company is owned as to 64.5% by the Guarantor, 17.5% by the Vendor and 18% by Greenpro and FB Software is owned as to approximately 99.99% by the Target Company and approximately 0.01% by the Guarantor and four other individuals who are Independent Third Parties. Upon Completion, the Target Company will be owned as to 17.5% by the Purchaser, and therefore the Acquisition will be recognized as investment of the Company and their financial results will not be consolidated in the consolidated financial statements of the Group.

Based on the latest financial information available to the Company as at the date of this announcement, set out below are the key financial figures extracted from the unaudited consolidated financial information of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020 and eight months ended 31 August 2021 respectively:

	For the year ended 31 December 2019 (Unaudited) US\$'000	For the year ended 31 December 2020 (Unaudited) US\$'000	For the eight months ended 31 August 2021 (Unaudited) US\$'000
Revenue	350	3,293	2,810
Net loss before and after taxation	(58)	(590)	(368)

The unaudited consolidated net assets of the Target Company as at 31 August 2021 was approximately US\$802,000.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is principally engaged in (i) the trading of packaged foods, beverages and household consumable 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 and margin financing business and the tourist retailing business.

The Company has continuously been exploring suitable investment opportunities. The Board, having reviewed the information relating to the Target Company and the market in which it operates, consider that this market has been gaining significant momentum and has steadily been adopted or entered into by different finance entities in recent years. According to the press releases of the Hong Kong government on 17 March 2021, the Securities and Futures Commission had then accepted four applications for operating platforms which offer trading of securities-type virtual assets or tokens for review. The Securities and Futures Commission granted the first licence to a platform operator in December 2020 and was then considering the other applications. The aforesaid platform granted licence by the Securities and Futures Commission will only serve professional investors under the close supervision of the Securities and Futures Commission and will be subject to tailor-made requirements similar to those which apply to securities brokers and automated trading venues. Other than Hong Kong, the US, the United Kingdom and Singapore also implemented their own legislative frameworks for the regulation of virtual asset trading platforms and several

platforms have been granted relevant licences. These reflected the market demand for trading in digital assets around the globe in recent years. In light of the above market trend, the Board considers that the Acquisition would diversify and enhance the Group's investment portfolios and provide the Group with a good opportunity to tap into the virtual asset trading exchange business.

The terms of the SP Agreement were determined after arm's length negotiations between the parties thereto. The Directors are of the view that the terms of the SP Agreement (including the basis of Consideration) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and issue of the Consideration Shares (assuming that there is no change of the issued share capital and shareholding structure of the Company between the date of this announcement up to the Completion Date and issue of the Consideration Shares (other than the issue of the Consideration Shares)):

	As at the date of this announcement		Immediately upon Completion and issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Glazy Target Limited (<i>Note 1</i>)	436,755,073	23.32	436,755,073	20.24
Best Global Asia Limited (<i>Note 2</i>)	275,078,914	14.69	275,078,914	12.75
Sub-total	711,833,987	38.01	711,833,987	32.99
Vendor	–	–	284,752,000	13.20
Public Shareholders	1,160,862,195	61.99	1,160,862,195	53.81
Total	<u>1,872,696,182</u>	<u>100.00</u>	<u>2,157,448,182</u>	<u>100.00</u>

Notes:

1. Glazy Target Limited, a company incorporated in BVI with its entire issued share capital beneficially owned by Mr. Chan Cheuk Yu Stephen, being an executive Director.
2. Best Global Asia Limited, a company incorporated in BVI with its entire issued share capital beneficially owned by Mr. Lam Kwok Hing, being the Chairman, Chief Executive Officer and an executive Director and the spouse of Ms. Lee Choi Lin, Joecy, an executive Director.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction and/or waiver of the conditions specified in the SP Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the SP Agreement
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturdays, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “Black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. to 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability, with its issued Shares being listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the SP Agreement

“Completion Date”	the date falling within 5 Business Days after all the conditions specified in the SP Agreement have been fulfilled (or, as the case may be, waived), or such other date as may be agreed in writing by the Purchaser and the Vendor
“connected persons”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration, which amounts to HK\$28,760,000, to be paid by the Purchaser to the Vendor for the Acquisition pursuant to the terms and conditions of the SP Agreement
“Consideration Share(s)”	284,752,000 Shares to be allotted and issued by the Company to the Vendor at an issue price of HK\$0.101 per Consideration Share
“Director(s)”	the director(s) of the Company
“FB Software”	FB Software Developers, Inc., a company incorporated in the Philippines with limited liability
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 11 December 2020, among other thing, to allot, issue and deal with up to 20% (being 374,539,236 Shares) of the then issued share capital of the Company as at the date of the annual general meeting (being 1,872,696,182 Shares)
“Greenpro”	Greenpro Venture Capital Limited, a subsidiary of Greenpro Capital Corp. which is a company listed on Nasdaq and each of them are an Independent Third Party
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Tang Ka Siu Johnny, a Hong Kong businessman and an Independent Third Party
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	3 December 2021, or such later date as agreed by the Purchaser and the Vendor in writing
“MOU”	the non-legally binding memorandum of understanding dated 28 May 2021 and entered into between the Guarantor and the Purchaser in relation to the Acquisition
“Purchaser”	Shining Impact Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirectly wholly owned subsidiary of the Company
“Sale Shares”	350,000 shares of the Target Company held by the Vendor, representing 17.5% equity interest of the Target Company
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s) ”	the holder(s) of the Share(s)
“SMOU”	the supplemental memorandum of understanding dated 26 July 2021 and entered into between the Guarantor and the Purchaser, pursuant to which the exclusivity period was extended from the original two months from the date of the MOU to five months from the date of the MOU
“SP Agreement”	the sale and purchase agreement dated 20 October 2021 entered into between the Vendor, the Guarantor and the Purchaser in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	First Bullion Holdings Inc., a company incorporated in BVI with limited liability
“Target Group”	the Target Company together with FB Software
“Valuation Report”	the valuation report on investment value of 100% equity interest in the Target Company prepared by Valplus Consulting Limited applying the market approach

“Vendor”	Smart Empire Group Limited, a company incorporated in Seychelles with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 20 October 2021

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.

For the purpose of this announcement, unless otherwise specified, conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00=HK\$7.80. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and US\$ have been, could have been or may be converted at such rate or any other exchange rate.