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Hang Fat Ginseng Holdings Company Limited
恒發洋參控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

**ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE,
RULE 13.09 OF THE LISTING RULES AND INSIDE INFORMATION
PROVISIONS UNDER PART XIVA OF THE SECURITIES
AND FUTURES ORDINANCE**

**NON-LEGALLY BINDING MEMORANDUM OF UNDERSTANDING
IN RELATION TO POSSIBLE SUBSCRIPTION OF SHARES
POSSIBLE WHITEWASH WAIVER AND RESUMPTION OF TRADING**

MOU IN RESPECT OF THE POSSIBLE SUBSCRIPTION

The Board wishes to announce that on 13 February 2016, the Company and the Potential Investor entered into the MOU, pursuant to which the Company intends to issue and the Potential Investor intends to, through a company controlled by him, subscribe for not less than 28,000,000,000 Subscription Shares at a consideration of approximately HK\$280,000,000. The Intended Subscription Price is HK\$0.01 per Subscription Share. The Possible Subscription, if materialized, will lead to the Potential Investor holding approximately 58.3% of the issued share capital of the Company as enlarged by the Subscription Shares and thus, a change in control of the Company. The Potential Investor intends to apply to the Executive for the Whitewash Waiver in respect of the mandatory general offer obligation under Rule 26.1 of the Takeovers Code as a result of the issue of the Subscription Shares as contemplated under the MOU. The Potential Investor and the Company have not concluded whether obtaining the Whitewash Waiver will be a waivable condition to the Subscription Agreement. If the Whitewash Waiver condition is a waivable condition to the Subscription Agreement, a mandatory general offer cannot be ruled

out. If the Whitewash Waiver condition is a non-waivable condition to the Subscription Agreement, the Possible Subscription will not be completed should the Whitewash Waiver be not granted by the Executive.

The Potential Investor has been granted a 90-day Exclusivity Period under the MOU, commencing from the date of the MOU, during which the Company or its connected persons shall not, directly or indirectly, negotiate or discuss, nor enter into any agreement, letter of intent, or memorandum of understanding, with any person or entity (other than the Potential Investor or his connected persons) relating to any subscription of Shares or any transactions resulting in a change in control of the Company.

The Possible Subscription is subject to further negotiations between the Company and the Potential Investor and the execution of the Subscription Agreement. Shareholders will be informed of any further developments with regard to the Possible Subscription as and when necessary in accordance with the Listing Rules and the Takeovers Code.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 15 February 2016, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 16 February 2016.

WARNING

There is no assurance that the Possible Subscription will materialize or eventually be consummated. Shareholders and potential investors of the Company should be aware that the terms of the Possible Subscription are subject to further negotiations between the Company and the Potential Investor, and the completion of the Possible Subscription is subject to the Subscription Agreement being entered into and the satisfaction (or, as the case may be, waiver) of such conditions precedent to completion as may be specified therein. The Possible Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional adviser(s).

This announcement is made by the Company pursuant to Rule 3.7 of Takeovers Code, 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).

MOU IN RESPECT OF THE POSSIBLE SUBSCRIPTION

The Board wishes to announce that on 13 February 2016, the Company and the Potential Investor entered into the MOU, pursuant to which the Company intends to issue and the Potential Investor intends to, through a company controlled by him, subscribe for not less than 28,000,000,000 Subscription Shares at a consideration of approximately HK\$280,000,000. The Intended Subscription Price is HK\$0.01 per Subscription Share. The Company preliminarily intends to apply 50% of the net proceeds from the Possible Subscription to repay part of the loans due to banks from the Group and the remaining 50% as general working capital of the Group. The Possible Subscription, if materialized, will lead to the Potential Investor holding approximately 58.3% of the issued share capital of the Company as enlarged by the Subscription Shares and thus, a change in control of the Company. The Potential Investor intends to apply to the Executive for the Whitewash Waiver in respect of the mandatory general offer obligation under Rule 26.1 of the Takeovers Code as a result of the issue of the Subscription Shares as contemplated under the MOU. The Potential Investor and the Company have not concluded whether obtaining the Whitewash Waiver will be a waivable condition to the Subscription Agreement. If the Whitewash Waiver condition is a waivable condition to the Subscription Agreement, a mandatory general offer cannot be ruled out. If the Whitewash Waiver condition is a non-waivable condition to the Subscription Agreement, the Possible Subscription will not be completed should the Whitewash Waiver be not granted by the Executive.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Potential Investor is an Independent Third Party.

Number of Subscription Shares

The Potential Investor intends to subscribe for not less than 28,000,000,000 Subscription Shares which represents (i) approximately 139.9% of the entire issued share capital of the Company as at the date of the MOU; and (ii) approximately 58.3% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Exclusivity Period

The Potential Investor has been granted a 90-day Exclusivity Period under the MOU, commencing from the date of the MOU. During the Exclusivity Period, the Company or its connected persons shall not, directly or indirectly, negotiate or discuss or involve in, nor enter into any agreement, letter of intent, or memorandum of understanding, with any person or entity (other than the Potential Investor or his connected persons) relating to any subscription of Shares or any transactions resulting in a change in control of the Company.

Due Diligence

Pursuant to the MOU, the Company shall fully cooperate with the Potential Investor to conduct due diligence on the Group.

Legal Effect

The MOU is non-legally binding except for provisions in relation to exclusivity, confidentiality, notice, governing law and jurisdiction.

The Possible Subscription is subject to further negotiations between the Company and the Potential Investor and the execution of the Subscription Agreement. Shareholders will be informed of any further developments with regard to the Possible Subscription as and when necessary in accordance with the Listing Rules and the Takeovers Code.

TAKEOVERS CODE IMPLICATIONS

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the aforesaid discussions will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

RESUMPTION OF TRADING

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WARNING

There is no assurance that the Possible Subscription will materialize or eventually be consummated. Shareholders and potential investors of the Company should be aware that the terms of the Possible Subscription are subject to further negotiations between the Company and the Potential Investor, and the completion of the Possible Subscription is subject to the Subscription Agreement being entered into and the satisfaction (or, as the case may be, waiver) of such conditions precedent to completion as may be specified therein. The Possible Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional adviser(s).

DEFINITIONS

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

“Board” the board of Directors from time to time

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| “Company” | Hang Fat Ginseng Holdings Company Limited (恒發洋參控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 0911) |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Director(s)” | the director(s) of the Company from time to time |
| “Exclusivity Period” | a term of 90 days from the date of the MOU |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any of his delegates |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party” | a party which is not a connected person of the Company and is independent of the Company and its connected persons |
| “Intended Subscription Price” | the intended subscription price of HK\$0.01 per Subscription Share |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MOU” | the non-legally binding memorandum of understanding dated 13 February 2016 entered into between the Company and the Potential Investor in relation to the Possible Subscription |
| “Possible Subscription” | the possible subscription of the Subscription Shares by the Potential Investor pursuant to the MOU |
| “Potential Investor” | an Independent Third Party as potential investor for the Possible Subscription |
| “PRC” | the People’s Republic of China |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “Share(s)” | share(s) of HK\$0.001 each in the issued capital of the Company |
| “Shareholder(s)” | holder(s) of issued Share(s) of the Company |

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Agreement” | a legally binding formal agreement which may or may not be entered into between the Company and the Potential Investor in relation to the Possible Subscription |
| “Subscription Share(s)” | an aggregate of not less than 28,000,000,000 new Shares proposed to be subscribed by the Potential Investor under the Possible Subscription |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| “Whitewash Waiver” | a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Potential Investor to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Potential Investor and any parties acting in concert with it which would, if the Possible Subscription proceeds, otherwise arise as a result of the completion of the Possible Subscription |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

By order of the Board
Hang Fat Ginseng Holdings Company Limited
Yeung Wing Yan
Chairman and Chief Executive Officer

Hong Kong, 15 February 2016

As at the date of this announcement, the executive Directors are Mr. Yeung Wing Yan, Mr. Yeung Wing Kong and Ms. Fu Fung Sau; and the independent non-executive Directors are Mr. Wong Senta, Mr. Kwok Lam Kwong Larry and Mr. Cheung Chung Wai Billy.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.