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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)

**NON-LEGALLY BINDING
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE POSSIBLE ACQUISITION
OF THE ENTIRE ISSUED SHARE CAPITAL IN
AND THE SALE LOAN OF
GOLDEN GALAXY INVESTMENTS LTD**

**NON-LEGALLY BINDING MEMORANDUM OF UNDERSTANDING IN RESPECT OF
THE POSSIBLE ACQUISITION**

The Board is pleased to announce that on 19 November 2015 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Guarantors entered into the non-legally binding MOU in relation to the Possible Acquisition.

The Target Group is undergoing the Reorganisation, and is expected to consist of the Target, Leading View (HK) and the PRC Company upon completion of the Reorganisation. The Target is a company incorporated in the BVI with limited liability, the entire issued share capital of which is wholly and beneficially owned by the Vendor, and is principally engaged in investment holding. The PRC Company is principally engaged in (i) the research and development, sales, application, technical consulting, technical training and technical testing of machinery and electronic equipment; (ii) the business of investments, and imports and exports; and (iii) the manufacturing of machinery and electronic equipment.

GENERAL

In the event that the Formal Agreement is entered into, the Possible Acquisition may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

Shareholders and/or investors should note that the Possible Acquisition may or may not materialise as no formally binding documentation has been executed between the parties and negotiations are still in progress. Shareholders and/or investors are advised to exercise caution when dealing in the Company's securities.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

NON-LEGALLY BINDING MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

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The principal terms of the MOU are set out below:

THE MOU

Date: 19 November 2015 (after trading hours)

Parties:

Purchaser: Huge Hope Holdings Limited, an indirect wholly-owned subsidiary of the Company

Vendor: Leading View Investment Company Limited

Guarantors: Mr. Liu Jian and Mr. Chen Zhengli

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is wholly and beneficially owned by Mr. Liu, and each of the Vendor, its ultimate beneficial owners, the Guarantors and their respective associates is an Independent Third Party.

Assets to be acquired

Under the MOU, the Purchaser intends to acquire and the Vendor intends to sell (i) the Sale Shares, representing the entire issued share capital in the Target; and (ii) the Sale Loan, representing all obligations, liabilities and debts owing by the Target to the Vendor on or at any time prior to the completion of the Possible Acquisition.

Consideration

The consideration for the Possible Acquisition shall be not more than RMB200,000,000 (equivalent to approximately HK\$244,000,000). Within three Business Days after the signing of the MOU, the Purchaser is required to pay a Refundable Deposit in the amount of RMB20,000,000 (equivalent to approximately HK\$24,400,000), as part of the consideration of the Possible Acquisition. The payment of the Refundable Deposit will be financed by the internal resources of the Group.

If the Formal Agreement is not entered into on or before the date falling 90 days from the date of the MOU, or such later date as the Vendor and the Purchaser may agree, the MOU shall cease and terminate and the Vendor shall forthwith refund the Refundable Deposit (without interest) to the Purchaser. In any event, neither party shall have any obligations and liabilities to each other (save and except for any antecedent breach of the terms of the MOU).

The exact amount, the manner and the method of payment of the consideration for the sale and purchase of the Target will be negotiated between the parties to the MOU based on the results of the due diligence investigations (including but not limited to any profit guarantee that may be given by the Vendor).

Guarantee

Pursuant to the MOU, each of the Vendor and the Guarantors has jointly and severally agreed to guarantee the performance by the Vendor of all its obligations under the MOU, and to be jointly and severally liable for such obligations.

Due diligence review

The Purchaser will commence the due diligence of the Target Group as soon as practicable after the execution the MOU, and will in any event finish such review and financial analysis within 90 days after the execution of the MOU or such other date the Vendor and the Purchaser may determine.

Exclusivity period

Under the MOU, in consideration of the expenses to be incurred by the Purchaser in the negotiation of the MOU and in conducting its due diligence review, the Vendor will not, and will procure directors, officers, employees, representatives and agents of the Vendor and/or the Target Group will not, directly or indirectly, for a period of 90 days commencing from the date of the MOU to (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Purchaser with respect to the Possible Acquisition.

Other terms

Both the Purchaser and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 90 days from the date of the MOU (or such later date to be agreed by the Vendor and the Purchaser).

Non-legally binding effect

Save for the Refundable Deposit, expenses, confidentiality, exclusivity period, due diligence, and dispute resolution, the MOU does not constitute any legally binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Formal Agreement.

Conditions precedent

It is expected that completion of the Possible Acquisition will be conditional upon, the fulfilment of the following conditions precedents:

- (i) the Purchaser being satisfied with the results of the due diligence review on the Target Group to be conducted by the Purchaser;
- (ii) the obtaining of the legal opinion issued by a firm of PRC lawyers acceptable to the Purchaser covering such matters of the PRC laws relevant to the transactions contemplated under the Formal Agreement (including the Reorganisation), in such form and substance to the absolute satisfaction of the Purchaser;
- (iii) the obtaining of a valuation report of the Target Group compiled by using the income approach issued by a firm of independent professional valuers appointed by the Purchaser in such form and substance to the absolute satisfactory of the Purchaser;
- (iv) if necessary, the Shareholders passing at an extraordinary general meeting of the Company of an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder;
- (v) if necessary, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the securities which may be issued to satisfy the consideration;
- (vi) the completion of the Reorganisation; and
- (vii) any other conditions which may be agreed by the parties to the MOU and included in the Formal Agreement.

INFORMATION OF THE TARGET GROUP

The Target Group is undergoing the Reorganisation, and is expected to consist of the Target, Leading View (HK) and the PRC Company upon completion of the Reorganisation.

The Target

The Target is a company incorporated in the BVI with limited liability on 18 September 2015, the entire issued share capital of which is wholly and beneficially owned by the Vendor, and is principally engaged in investment holding.

Leading View (HK)

Leading View (HK) is a company incorporated in Hong Kong with limited liability on 13 November 2015, the entire issued share capital of which is wholly and beneficially owned by the Target, and is principally engaged in investment holding.

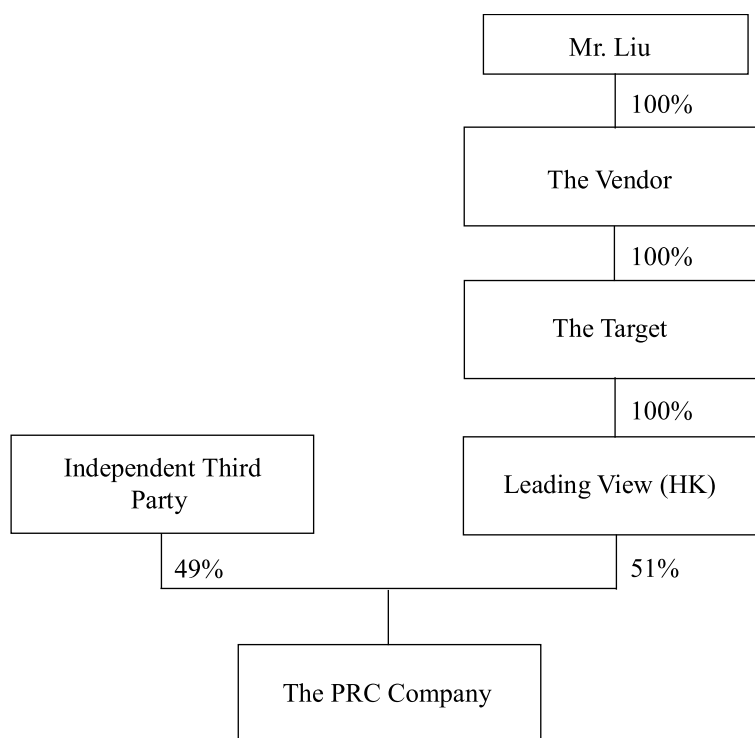
The PRC Company

The PRC Company is a company established in the PRC with limited liability on 28 November 2013, the entire equity interest of which shall be owned as to 51% by Leading View (HK) and as to 49% by an Independent Third Party, upon completion of the Reorganisation.

The PRC Company is principally engaged in (i) the research and development, sales, application, technical consulting, technical training and technical testing of machinery and electronic equipment; (ii) the business of investments, and imports and exports; and (iii) the manufacturing of machinery and electronic equipment.

Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group upon completion of the Reorganisation:



REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the sourcing and wholesaling of unprocessed American Ginseng.

As mentioned in the 2014 annual report of the Company, the Directors considered that the PRC embraces continuous rise in disposable income, accelerating urbanisation and aging demographics, the population attaches greater importance to health and quality of life, leading to the sustained demand for healthcare products.

The Group is actively exploring co-operation opportunities with professors and experts to develop its branded products. It implements its market-driven product strategy through product diversification and differentiation. It continues to seek co-operation opportunities to develop its products to offer more choices of healthcare products.

The Acquisition is in line with the Group's strategy to expand its existing businesses to the production of functional healthcare products in response to the growing demand from the public on health awareness. The Directors believe that demand for the intelligent oxygen supply[#] (智能供氧) in the PRC will be robust in view of the increasing health awareness of the people especially for those who lives in high altitude areas in the PRC, and that the intelligent oxygen supply[#] would also improve the air quality in areas with high population density, such as hospitals and shopping malls.

The Group will continue to explore opportunities to further develop its healthcare product offerings in Hong Kong, the PRC and overseas.

Based on the above, the Directors are of the view that the terms of the MOU and the Possible Acquisition are on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

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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
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“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 issued shares of which are listed on the main board of the Stock Exchange (stock code: 911)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition

“Group”	the Company and its subsidiaries
“Guarantor(s)”	collectively, Mr. Liu and Mr. Chen
“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
“Leading View (HK)”	Leading View Investment Company Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Target
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 19 November 2015 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition
“Mr. Chen”	Mr. Chen Zhengli, being one of the Guarantors
“Mr. Liu”	Mr. Liu Jian, being one of the Guarantors, and the ultimate beneficial owner of the Vendor
“Possible Acquisition”	the possible acquisition by the Purchaser of the Sale Shares and the Sale Loan from the Vendor, as contemplated in the MOU
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	Shenzhen Zhongwu Xinghua Technology Development Co., Ltd [#] (深圳中物興華科技發展有限公司), a company established in the PRC with limited liability, which shall be owned as to 51% by Leading View (HK) and as to 49% by an Independent Third Party upon completion of the Reorganisation
“Purchaser”	Huge Hope Holdings Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company

“Refundable Deposit”	the amount of RMB20,000,000 (equivalent to approximately HK\$24,400,000) payable by the Purchaser to the Vendor (or its nominee) within three Business Days after the signing of the MOU
“Reorganisation”	the reorganisation of the group structure of the Target Group
“Sale Loan”	all obligations, liabilities and debts owing by the Target to the Vendor on or at any time prior to the completion of the Possible Acquisition whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on the completion of the Possible Acquisition which as at the date of the MOU, amounted to approximately RMB10,000 (equivalent to approximately HK\$12,200)
“Sale Shares”	the entire issued share capital in the Target, which is legally and beneficially owned by the Vendor
“Shares”	the ordinary share(s) of HK\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Golden Galaxy Investments Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by the Vendor
“Target Group”	the Target and its subsidiaries, including Leading View (HK) and the PRC Company
“Vendor”	Leading View Investment Company Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Liu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 19 November 2015

In this announcement, translated English names of Chinese names for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1.00:HK\$1.22. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.

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.