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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)

### **ANNOUNCEMENT PURSUANT TO RULE 13.09(2) OF THE LISTING RULES AND INSIDE INFORMATION PROVISIONS UNDER PART XIVA OF THE SECURITIES AND FUTURES ORDINANCE**

#### **TENANCY AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that, on 23 June 2014, the Tenant has entered into the Tenancy Agreement with the Landlord, pursuant to which the Landlord has agreed to let to the Tenant, and the Tenant has agreed to take from the Landlord, the Land and the Premises. It is currently expected that the Land and the Premises will be used as the Huidong Agri-Complex, which will include (but not limited to) an agri-products wholesale market, a cold storage warehouse, a dry goods warehouse, a processing factory, staff quarters, offices and carparks.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares or other securities of the Company.**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

Reference is made to the Announcements. Unless otherwise defined in this announcement, capitalised terms used in this announcement have the same meanings as those defined in the Announcements.

## **INTRODUCTION**

As stated in the Announcements, the Company entered into the MOU and the Cooperation Agreement with the Government of Lianghua Town, PRC on 26 January 2012 and 4 July 2012 respectively. Pursuant to the Cooperation Agreement, a New Logistics Centre will be built in Lianghua Town and the Company shall be responsible for acquisition of the land, the design and construction of the New Logistics Centre and its supporting facilities and thereafter the daily operation and management of the New Logistics Centre. The Company shall also be responsible for providing the necessary funding in respect of the foregoing matters.

The Company, after conducting lengthy searches and negotiations, has been unable to locate or finalize the terms to acquire a suitable and vacant piece of land in Lianghua Town for building the New Logistics Centre, but had finally successfully negotiated with the Landlord for a tenancy of the Land and the Premises for a term of 10 years with an option to acquire at the end of the lease which the Company needs to carry out modification and refurbishment of the Premises before it is suitable for use as the New Logistics Centre.

After trading hours on 23 June 2014, the Tenant entered into the Tenancy Agreement with the Landlord, pursuant to which the Landlord has agreed to let to the Tenant, and the Tenant has agreed to take from the Landlord, the Land and the Premises.

## **TENANCY AGREEMENT**

*Date:*

23 June 2014

*Parties:*

- (1) Landlord; and
- (2) Tenant.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Landlord is a company established in the PRC with limited liability and is principally engaged in the cultivation and sales of fruits and vegetables, cultivation of freshwater fish and import and export trades, and each of the Landlord and its ultimate beneficial owners is a third party independent to the Group and its connected person.

*Information of the Land:*

The Land is located at Qiniangtan Area, Lianghua Town, and comprises of two continuous land parcels with a total site area of about 30,337.46 sq.m. The term of the land use rights of the Land is approximately 40 years up to 14 January 2054 and it is for industrial use.

The Land also includes seven buildings and various structures under construction and the planned gross floor area of these buildings and structures will be about 15,789 sq.m. upon completion.

*Term:*

Ten years commencing from 10 working days after the fulfillment (or waiver) of all the conditions precedent set out in the Tenancy Agreement.

*Rental:*

The yearly rental payable by the Tenant to the Landlord is determined based on approximately RMB5 per sq.m. per month of the Land, totaling RMB1,800,000 (equivalent to approximately HK\$2,262,600) per year.

The total rental of RMB18,000,000 for the whole term of ten years shall be payable by the Tenant in whole and in cash upon commencement of the term under the Tenancy Agreement.

The rental was also determined by the parties after arm's length negotiation, taking into account the location and potential development prospects of the Land and with reference to the market rental of comparable land and based on a valuation report to be prepared by a professional and independent property valuer showing the aggregate value of the Land and the Premises not being less than RMB60,000,000. The Directors considered that the rental under the Tenancy Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*Renewal after the initial term of the Tenancy:*

The Tenant will have the preferential right to enter into a new tenancy agreement under similar terms but with the then market rents with the Landlord after the expiry of the Tenancy Agreement.

*Source of funding:*

The rental will be funded by the net proceeds raised from the Open Offer, which will be sufficient for the purpose. The remaining net proceeds will also be used for modification and refurbishment of the Premises and for working capital of the Huidong Agri-Complex so that it will be suitable for use and developed as intended by the Group. Further announcement will be made for further progress on the Huidong Agri-Complex.

*Conditions precedent:*

Completion of the Tenancy Agreement is subject to the following conditions having been fulfilled or waived by the Tenant (as the case may be):

- (1) a legal opinion from a PRC legal counsel covering all legal aspects and issues of the Tenancy Agreement in a form satisfactory to the Tenant having been obtained;

- (2) a property valuation report from an independent professional property valuer showing the aggregate value of the Land and the Premises not less than RMB60,000,000 in a form satisfactory to the Tenant having been obtained; and
- (3) the construction of all buildings and structures on the Land having been completed by the Landlord and all relevant land title documents, completion certificates and occupation permits having been issued.

The above conditions precedent (1) and (2) are waivable by the Tenant in whole or in part at any time before the Long Stop Date by notice in writing to the Landlord. The Tenant may waive only in circumstances where the non-satisfaction of such conditions would not have any material adverse effect on the transactions contemplated under the Tenancy Agreement. As at the date of this announcement, the Company and the Tenant have no intention to waive any of the above conditions. Condition precedent (3) is not waivable by either party.

If the above conditions precedent have not been fulfilled (or waived) in full on or before the Long Stop Date, the Tenancy Agreement shall terminate and no party shall have any obligations and liabilities under the Tenancy Agreement save for any antecedent breach.

For the avoidance of doubt, the Tenant has no obligation to pay any rental (in whole or in part) before the fulfillment (or waiver) of all the conditions precedent set out in the Tenancy Agreement.

*Option to purchase:*

The Tenant shall have the right to exercise the Option to purchase the Land and the Premises during the period of 180 days before the end of the 10-year term under the Tenancy Agreement at the Option Price of RMB42,000,000, which shall be paid in cash by the Tenant to the Landlord after the ownership of the Land and the Premises duly transferred and registered in the name of the Tenant.

If the Option is exercised, the Landlord is required to transfer the Land and the Premises to the Tenant.

If the Option is not exercised within the above mentioned period, the Option will lapse.

*Termination:*

The Tenant would have the right to early terminate the Tenancy by written notice to the Landlord during the period of 180 days before the end of the fifth year of the term. As such, the Landlord shall refund to the Tenant the rental prepaid for the remaining term (i.e., from the sixth to the tenth years of the Tenancy) in whole within 30 days upon termination of the Tenancy Agreement.

## **THE HUIDONG AGRI-COMPLEX**

Although the original plan of the Group was to build a New Logistics Centre by itself, after conducting lengthy searches and negotiations, the Company has been unable to locate or finalize the terms to acquire a suitable and vacant piece of land for the New Logistics Centre, but had finally successfully negotiated with the Landlord for a tenancy of the Land and the Premises for a term of 10 years with an option to acquire at the end of the lease which the Company needs to carry out modification and refurbishment of the Premises before it is suitable for use as the New Logistics Centre. It is expected that, upon necessary modification and refurbishment, the Huidong Agri-Complex will include (but not limited to) an agri-products wholesale market, a cold storage warehouse, a dry goods warehouse, a processing factory, staff quarters, offices and carparks.

After the Tenant takes possession of the Land and the Premises, the Group will make necessary modifications and carry out additional construction to the existing buildings and turn it into the Huidong Agri-Complex.

## **REASONS FOR ENTERING INTO THE TENANCY AGREEMENT**

The Group is principally engaged in (i) the trading of packaged food, beverages, household consumable products, cold chain products and cosmetics and skincare products; (ii) the trading of agri-products and the upstream farming business; and (iii) the provision of cold chain and dry-cargo logistics services and value-added post-harvest food processing.

As Lianghua Town has already become one of the Group's cultivation base in Huidong County, which the Group currently is interested in about 15,000 mu of leafy vegetables farm since year 2010, the Board considers that the development of the Huidong Agri-Complex will give the Group a competitive advantage to enable the Group to further build up its brand, bring up the trading volume of its agricultural products and further strengthen its business and market share in the southern PRC.

The terms of the Tenancy Agreement were agreed on normal commercial terms following arm's length negotiation. As the Tenancy is in line with the existing business strategy of the Company, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Tenancy Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## DEFINITIONS

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

“Announcements”	the announcement of the Company dated 26 January 2012 in relation to the signing of the MOU regarding the proposed New Logistics Centre and the announcement of the Company dated 6 July 2012 in relation to the Cooperation Agreement;
“Board”	the board of Directors;
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Option Price”	RMB42,000,000 (equivalent to approximately HK\$52,794,000), being the purchase price of the Land and the Premises under the Tenancy Agreement upon exercising the Option;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huidong Agri-Complex”	the New Logistics Centre, which will be an agri-products processing complex and will include (but not limited to) an agri-products wholesale market, a cold storage warehouse, a dry goods warehouse, a processing factory, staff quarters, offices and carparks;
“Land”	the two continuous land parcels number 040012(2011) and 040013(2011) with a total site area of about 30,337.46 sq.m. located at Qiniangtan Area, Lianghai Town, being the subject matter of the Tenancy;
“Landlord”	惠東縣倫信農業有限公司 (Huidong County Lunxin Agriculture Company Limited*), a company established in the PRC with limited liability;

“Lianghua Town”	廣東省惠東縣梁化鎮 (Lianghua Town, Huidong County, Guangdong Province of PRC*);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 December 2014 (or such later date as the Landlord and the Tenant may agree in writing);
“Open Offer”	the issue by way of an open offer of the shares of the Company made pursuant to the prospectus issued by the Company dated 15 March 2012;
“Option”	option granted by the Landlord to the Tenant to acquire the Land and the Premises at the Option Price pursuant to the Tenancy Agreement;
“PRC”	the People’s Republic of China, which shall exclude Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement;
“Premises”	all the buildings and structures erected or to be erected on the Land by the Landlord, being part of subject matters of the Tenancy Agreement;
“Qiniangtan Area”	廣東省惠東縣梁化鎮七娘壇地段 (Qiniangtan Area, Lianghua Town, Huidong County, Guangdong Province of PRC*);
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy”	the rental of the Land and the Premises as contemplated in the Tenancy Agreement;
“Tenancy Agreement”	the tenancy agreement dated 23 June 2014 and entered into between the Landlord and the Tenant in relating to the Tenancy;

“Tenant”	惠東縣裕盛農業有限公司 (Huidong County Yusheng Agriculture Company Limited*), a company established in the PRC with limited liability, of which 90% of its equity interest is indirectly owned by the Company;
“sq.m.”	square meter(s); and
“%”	per cent.

\* *English translation of the name of a PRC company, entity or location is provided for identification purpose only*

*In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of HK\$1.257 = RMB1.00 for the purpose of illustration and such exchange rate does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 24 June 2014

*As at the date of this announcement, the Board comprised four executive Directors, namely Mr. LAM Kwok Hing (Chairman), Ms. LEE Choi Lin, Joecy, Ms. HUNG Sau Yung, Rebecca and Ms. GAO Qin Jian; one non-executive Director, namely Ms. CHAN Yuk, Foebé; and three independent non-executive Directors, namely Mr. John HANDLEY, Ms. MAK Yun Chu and Mr. POON Yiu Cheung, Newman.*