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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 THE SALE SHARES AND SALE LOAN OF A TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE SP AGREEMENT

The Board is pleased to announce that on 30 October 2015 (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 100% of the equity interest of the Target Company, 81% of the equity interest of Modern Tech and effectively 40.5% of the equity interest of Waygood Investment) and the Sale Loan at the Consideration of HK\$63,585,000.

LISTING RULES IMPLICATION

As certain of the relevant percentage ratios (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 for 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. The Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE SP AGREEMENT

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

Date

30 October 2015

Parties

Vendor: Glazy Target Limited

Vendor's guarantor: Mr. Chan Cheuk Yu

Purchaser: Fiorfie Trading Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, i.e. the Guarantor, are Independent Third Parties.

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 100% of the equity interest of the Target Company) and the Sale Loan. The Sale Loan is interest free, unsecured and payable on demand.

As at the date of this announcement, the Target Company holds 81% equity interest of Modern Tech, and Modern Tech holds 50% equity interest of Waygood Investment. Waygood Investment is principally engaged in the operation of Tycoon City.

Consideration and payment

Pursuant to the SP Agreement, the consideration for the sale and purchase of the Sale Shares shall be HK\$23,803,544.33 and of the Sale Loan shall be HK\$39,781,455.67, being the amount of the Sale Loan on a dollar-to-dollar basis, and the aggregate Consideration shall be HK\$63,585,000 which shall be satisfied by the Purchaser procuring the Company to allot and issue 949,029,850 Consideration Shares at the issue price of HK\$0.067 each, credited as fully paid, at the Completion Date to the Vendor and/or its beneficial owner.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor and was determined after taking into account, amongst others, (i) the financial information of the Target Group; and (ii) the valuation of Tycoon City as at 31 August 2015. The enterprise value of 100% interest in Tycoon City is HK\$157,000,000 as at 31 August 2015 according to the Valuation Report applying the income approach based on the discounted cash flow method, issued by Stirling Appraisals Limited, an independent professional valuer.

Consideration Shares

The Consideration Shares represent (i) approximately 14.48% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.65% 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\$0.067 represents:

- (i) a discount of approximately 19.28% to the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the date of the SP Agreement; and
- (ii) a discount of approximately 19.66% to the average closing price of approximately HK\$0.0834 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the SP Agreement.

The Consideration Shares will be issued under the General Mandate, which has not been used before and will be sufficient for the purpose.

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 to be conducted as per the terms of the SP Agreement;
- (b) the obtaining of all necessary approvals from the board of directors and the shareholders of the Purchaser and the Vendor in accordance with all applicable laws, rules and the constitutional documents respectively;
- (c) all other approvals, consents, authorisations and licenses (so far as necessary) in relation to the transactions contemplated under the SP Agreement having been obtained from banks, third parties, and relevant governmental or judicial authorities;
- (d) the Purchaser obtaining a valuation report from an independent professional valuer commissioned by the Purchaser showing the the enterprise value of 100% interest in Tycoon City, being not less than HK\$155,000,000 and to the satisfaction of the Purchaser at its absolute discretion; and

- (e) 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 part or all of the conditions (a), (b), (c) and/or (d) set out above. 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, the Vendor and the Guarantor may agree, the SP Agreement shall cease and determine (save and except the clauses related to confidentiality and announcements, notices and governing law and jurisdiction 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 on the date falling on the fifth Business Day after all the conditions specified in the SP Agreement have been fulfilled (or, as the case may be, waived).

Upon Completion, (a) the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements; (b) Modern Tech will become an indirect non-wholly owned subsidiary of the Company and the financial results of Modern Tech will be consolidated into the Company's consolidated financial statements; and (c) Waygood Investment will become a jointly controlled entity of the Company.

Guarantee by the Guarantor

The Guarantor has irrevocably and unconditionally guarantees to the Purchaser the due and punctual performance of the Vendor and promise to pay on demand each sum (including any interests charges up to and including such charges arising from the date of demand until the date of payment) which the Vendor is liable to pay under the SP Agreement. The Guarantor shall be deemed a principal obligor in respect of the Vendor's obligation under the SP Agreement.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in BVI with limited liability on 16 September 2015. The sole ultimate beneficial owner of the Vendor is the Guarantor, who is an Independent Third Party.

INFORMATION OF THE TARGET GROUP

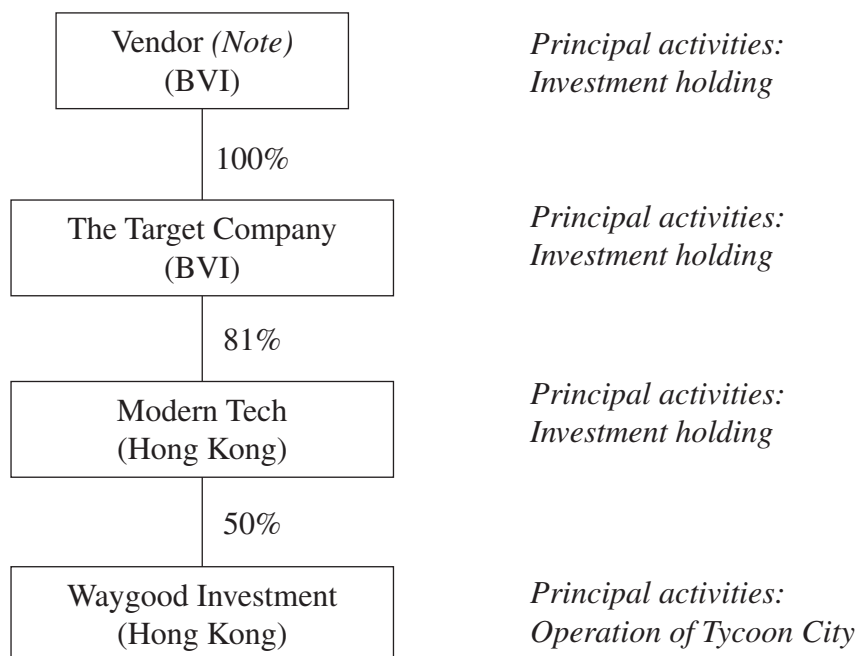
As at the date of this announcement, the Target Company is an investment holding company incorporated in BVI with limited liability, which directly holds 81% equity interest of Modern Tech. As at the date of this announcement, other than the investment in Modern Tech, the Target Company does not have interests in other companies.

As at the date of this announcement, Modern Tech is an investment holding company incorporated in Hong Kong with limited liability, which directly holds 50% equity interest of Waygood Investment. As at the date of this announcement, other than the investment in Waygood Investment, Modern Tech does not have interests in other companies.

As at the date of this announcement, Waygood Investment is incorporated in Hong Kong with limited liability, and has been operating a department store under the trade name Tycoon City since 2013. Tycoon City is located in Tsim Sha Tsui East with an aggregate area of approximately 70,000 square feet with a lease term of 9 years which would expire in August 2021, and the landlord is an Independent Third Party. The target customers of Tycoon City are mainly the visitors from the PRC. Tycoon City offers popular products from all around the world to customers, including but not limited to, watches, jewelries, bags, leather goods and shoes, fashion apparels, children's wears, eyewear express and optical services, branded cosmetics, health supplements, digital electronic products, chocolate and traditional Hong Kong food. Most of the merchandise is sold by means of direct sales, i.e. Tycoon City procures the merchandise from the suppliers and sells them to the customers and the title of the merchandise is owned by Tycoon City. On the other hand, part of the merchandise is sold by means of consignment, i.e. the title of the merchandise is owned by the suppliers. In addition, Tycoon City sub-leases part of the department store of approximately 17,000 square feet for rental income.

Immediately prior to Completion, the Target Company is wholly-owned by the Vendor. Upon Completion, (a) the Target Company will be wholly-owned by the Purchaser and therefore an indirect wholly-owned subsidiary of the Company; (b) Modern Tech will become an indirect non-wholly owned subsidiary of the Company; and (c) Waygood Investment will become a jointly controlled entity of the Company.

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Note: The sole ultimate beneficial owner of the Vendor is the Guarantor, who is an Independent Third Party.

The Target Company was established in BVI on 25 August 2015. Thus, no financial information for the past two years was available as at the date of this announcement. As at the date of this announcement, the Target Company has an authorised share capital of US\$50,000, of which 100 shares of US\$1 each of the Target Company have been duly issued and are fully paid.

Set out below is a summary of the financial information of Modern Tech for the two financial years ended 31 March 2014 and 2015:

	For the year ended 31 March 2015 (Unaudited) HK\$'000	For the year ended 31 March 2014 (Unaudited) HK\$'000
Revenue	574	1,003
Loss before taxation	19	929
Loss after taxation	19	929

As at 30 September 2015, the unaudited net liability of Modern Tech was approximately HK\$1,026,000. As advised by the Vendor, as at the date of this announcement, Modern Tech owed its shareholders HK\$48,733,366.25, of which HK\$39,733,610.17 was owed to the Target Company.

Set out below is a summary of the financial information of Waygood Investment for the two financial years ended 31 March 2014 and 2015:

	For the year ended 31 March 2015 (Unaudited) HK\$'000	For the period from 20 November 2012 (Date of Incorporation) to 31 March 2014 (Audited) HK\$'000
Revenue	560,102	250,639
Loss before taxation	13,295	40,589
Loss after taxation	11,101	34,092

As at 30 September 2015, the unaudited net liability of Waygood Investment was approximately HK\$53,336,000, which was primarily attributable to the shareholders' loans of HK\$94,400,000, in which HK\$47,200,000 was owed to Modern Tech. The aforementioned shareholders' loans are interest-free, unsecured and payable on demand.

REASONS AND BENEFITS FOR THE ACQUISITION

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

Given the historical financial performance of the Group, the Directors intend to broaden its revenue and earning sources by developing new sales business and expanding its customer base for its FMCG Trading Business through displaying, promoting and selling its existing consumable products in Tycoon City after the Acquisition.

As disclosed in “Visitor Arrival Statistics – Dec 2014” and “Visitor Arrival Statistics – Aug 2015” published by Insight & Research, Hong Kong Tourism Board, the cumulative visitors from the PRC to Hong Kong amounted to approximately 47.2 million in 2014 and approximately 31.2 million for the eight months ended 31 August 2015 respectively, representing a growth of approximately 16.0% and 0.8% respectively comparing to the corresponding period of the previous year. As stated in “Tourism Expenditure Associated to Inbound Tourism 2014” and “Tourism Expenditure Associated to Inbound Tourism Jan – Jun 2015” published by Insight & Research, Hong Kong Tourism Board, the spending amount of visitors from the PRC in shopping recorded approximately HK\$189.6 billion in 2014 and HK\$87.0 billion for the six months ended 30 June 2015 respectively, representing an increase of approximately 12.2% and a slight decrease of approximately 2.9% comparing to the corresponding period of the previous year.

As announced by Gregory So, the Secretary for Commerce & Economic Development of Hong Kong on 29 September 2015, apart from the annual promotion funding of over HK\$300 million, in early 2015, an additional HK\$80 million was provided by the government to the Hong Kong Tourism Board to step up promotion of Hong Kong. Gregory So further announced that as a further gesture of support, in late September 2015, the government provided an extra HK\$10 million to the Hong Kong Tourism Board to set up a one-off matching fund that aims to attract high value-added, overnight visitors to Hong Kong in the coming months.

With reference to the statistics released by the Immigration Department of Hong Kong on 8 October 2015, visitors to Hong Kong during the National Holidays from 1 October 2015 to 7 October 2015 amounted to approximately 1.21 million, in which approximately 1.12 million were from the PRC, representing an increase of approximately 2.3% over the same period in the previous year.

In addition, as advised by the Vendor, the average number of visitors of Tycoon City was approximately 43,000 per month from January 2015 to July 2015 and most of which are visitors from the PRC. Given over 95% of the Group's revenue are derived from the PRC customers, the Directors are of the opinion that Tycoon City may provide an extra channel for the Group to promote its existing products, such as packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products, raise the reputation of the Group to the PRC citizens and bring synergistic effect to the existing FMCG Trading Business of the Group.

Based on the above, the Directors are optimistic about the prospect of the tourism industry in Hong Kong in the medium to long term and consider that the Acquisition may help to broaden the revenue and earning sources of the Group, raise the reputation of the Group to the PRC citizens and bring synergistic effect to the existing FMCG Trading Business through displaying, promoting and selling existing consumable products of the Group in Tycoon City. It is the intention of the Company to retain the existing management team of the Target Group to oversee its operation and management after the Acquisition.

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 (assuming that there is no change of the issued share capital between the date of this announcement up to the Completion Date (other than the issue of the Consideration Shares)):

	As at the date of this announcement		Immediately upon Completion	
	Number of Shares	%	Number of Shares	%
Best Global Asia Limited (<i>Note 1</i>)	875,337,171	13.35	875,337,171	11.67
World Invest Holdings Limited (<i>Note 2</i>)	285,588,932	4.36	285,588,932	3.80
Sub-total	1,160,926,103	17.71	1,160,926,103	15.47
Vendor	–	–	949,029,850	12.65
Public Shareholders	5,393,524,966	82.29	5,393,524,966	71.88
Total	6,554,451,069	100.00	7,503,480,919	100.00

Note:

1. 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.
2. World Invest Holdings Limited, a company incorporated in BVI with its entire issued share capital beneficially owned by Ms. Lee Choi Lin, Joecy, an executive Director and the spouse of Mr. Lam Kwok Hing, being the Chairman, Chief Executive Officer and an executive Director.

THE VALUATION REPORT

Stirling Appraisals Limited, an independent professional valuer, had been commissioned by the Company to prepare the Valuation Report, which forms the basis for the determination of the Consideration. Stirling Appraisals Limited has applied the income approach which is based on the discounted cash flow method to appraise the market enterprise value of 100% interest in Tycoon City.

Principal assumptions

The principal assumptions adopted in the Valuation Report are as follows:

- there will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where Tycoon City currently operates or will operate, which will materially affect the revenue attributable to Tycoon City;

- there will be no major changes in the current taxation law in the jurisdiction where Tycoon City currently operates or will operate, which will materially affect the revenue attributable to Tycoon City, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- exchange rates and interest rates will not differ materially from those presently prevailing;
- the business forecast revealed by the senior management of the Company or Tycoon City is based on reasonable grounds, reflecting estimates which have been arrived after due and careful consideration by its management and will materialize;
- economic conditions will not deviate significantly from economic forecasts;
- saved for those liabilities reported in the financial statements of Waygood Investment, it is not subjected to any liabilities, interest-bearing loans and encumbrances that would impair its value as at the date of valuation;
- Tycoon City shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support its business operations;
- there are no other unpredictable and force majeure which cause material adverse effect;
- the cash flow of Tycoon City will be generated in the middle of every forecast period; and
- there will be no material changes in Tycoon City's mode of operation.

Conclusion

As stated in the Valuation Report, as at 31 August 2015, the market enterprise value of the 100% interest in Tycoon City is HK\$157,000,000.

Confirmation

RSM Hong Kong Certified Public Accountants (“**RSM**”), acting as the Company's reporting accountants, has examined the calculations of the discounted future estimated cash flows on which the Valuation Report was based.

RSM has reported to the Directors in respect of the arithmetical accuracy of the calculations of and whether the discounted future estimated cash flows in connection with the estimation of the enterprise value of 100% equity interest in Tycoon City as set out in the Valuation Report so far as the calculations are concerned, have been properly compiled with the assumptions determined by the Directors. Because the Valuation Report is based on discounted future estimated cash flows method, no accounting policies of the Company were adopted. The management of the Company is solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined. Accordingly, the work performed by RSM did not include reviewing, considering or conducting any work on the reasonableness and the validity of the assumptions determined by the Directors.

Nuada Limited, the financial adviser of the Company, has reviewed the principal assumptions upon which the profit forecast adopted in the Valuation Report is based and is of the view that the abovementioned profit forecast has been made after due and careful enquiry.

A letter from RSM dated 30 October 2015 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Nuada Limited dated 30 October 2015 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

Experts and consents

Set out below is the qualification of the experts who have given their opinions and advice included in this announcement.

Name	Qualification
Stirling Appraisals Limited	Independent professional valuer
RSM Hong Kong	Certified Public Accountants
Nuada Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

To the best of the Directors' knowledge, information and belief, each of the above experts is an Independent Third Party.

As at the date of this announcement, each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of their respective report and/or letter and/or summary of valuations and/or opinion (as the case may be), which are all dated the date of this announcement and were made by the expert for incorporation in this announcement, and/or the references to its name included in the form and context in which it is respectively included.

As at the date of this announcement, each of the above experts is not beneficially interested in any share of any member of the Group nor does it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

LISTING RULES IMPLICATION

As certain of the relevant percentage ratios (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 for 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. The Shareholders and potential investors 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 and Sale Loan 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, the shares of which are listed on Main Board of the Stock Exchange with stock code: 00197
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the SP Agreement
“Completion Date”	the date falling on the fifth Business Day after all the conditions specified in the SP Agreement have been fulfilled (or, as the case may be, waived)
“connected persons”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration, which amounts to HK\$63,585,000, 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)”	949,029,850 Shares to be allotted and issued by the Company to the Vendor and/or its beneficial owner at an issue price of HK\$0.067 per Consideration Share as the Consideration
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 23 December 2014, among other thing, to allot, issue and deal with up to 20% (being 1,309,290,213 Shares) of the then issued share capital of the Company as at the date of the annual general meeting (being 6,546,451,069 Shares)
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Chan Cheuk Yu, the sole legal and beneficial owner of the entire issued share capital of the Vendor
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	30 November 2015, or such later days as agreed by the Purchaser, the Vendor and the Guarantor in writing
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons
“Modern Tech”	Modern Tech Limited, a company incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Fiorfie Trading Limited, a company incorporated in BVI with limited liability, of which 100% equity interest is beneficially owned by the Company
“Sale Loan”	the shareholders loan owing by the Target Company to the Vendor which amounts to HK\$39,781,455.67
“Sale Shares”	100 shares of the Target Company held by the Vendor, representing 100% equity interest of the Target Company, 81% equity interest of Modern Tech and effectively 40.5% equity interest of Waygood Investment
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“SP Agreement”	the sale and purchase agreement dated 30 October 2015 entered into between the Vendor, the Purchaser and the Guarantor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Best Title Global Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target Company together with Modern Tech and Waygood Investment

“Tycoon City”	the department store operated by Waygood Investment under the trade name “Tycoon City” at Shops 9B & 10B on G/F and Upper Basement, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
“Valuation Report”	the valuation report on enterprise value of 100% interest in Tycoon City prepared by Stirling Appraisals Limited applying the income approach based on the discounted cash flow method to appraise the market value
“Vendor”	Glazy Target Limited, a company incorporated in BVI with limited liability
“Waygood Investment”	Waygood Investment Development Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 30 October 2015

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. Hung Sau Yung, Rebecca and Ms. Gao Qin Jian; one non-executive director, namely Ms. Chan Yuk, Foebe; and three independent non-executive directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung, Newman.

APPENDIX I – LETTER FROM RSM



29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong

30 October 2015

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTERPRISE VALUE OF 100% EQUITY INTEREST IN TYCOON CITY

TO THE BOARD OF DIRECTORS OF HENG TAI CONSUMABLES GROUP LIMITED

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Stirling Appraisals Limited (the “Independent Valuer”) dated 30 October 2015 of the enterprise value of 100% equity interest in Waygood Investment Development Limited (“Tycoon City”) as at 31 August 2015 (the “Valuation”) is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement to be issued by Heng Tai Consumables Group Limited (the “Company”) dated 30 October 2015 (the “Announcement”).

Responsibilities of directors of the Company for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Responsibilities of RSM Hong Kong

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of Tycoon City.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimate cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted estimated future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of the Company.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER FROM NUADA LIMITED

Nuada Limited

Corporate Finance Advisory

Nuada Limited
Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
洛爾達有限公司
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

30 October 2015

The Board of Directors
Heng Tai Consumables Group Limited
31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan, Hong Kong

Dear Sirs,

Heng Tai Consumables Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”)

Comfort letter on forecast underlying the valuation of the enterprise value of 100% interest in Tycoon City

We refer to the discounted cash flow forecast underlying the valuation (the “**Valuation**”) prepared by Stirling Appraisals Limited in relation to the appraisal of the valuation of the enterprise value of 100% interest in Tycoon City. The Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

We have reviewed the forecasts upon which the Valuation has been made for which you as the directors of the Company (the “**Directors**”) are solely responsible, and have discussed with you and Stirling Appraisals Limited the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from RSM Hong Kong dated 30 October 2015 addressed to you as set out in Appendix I to the Company’s announcement dated 30 October 2015 regarding the calculations upon which the forecasts have been made.

On the basis of the foregoing, we are satisfied that the forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, has been made after due care and careful enquiry by you.

Yours faithfully,
Nuada Limited