

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION: DISPOSAL OF A SUBSIDIARY

THE AGREEMENT

On 20 January 2017, the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Shareholder's Loan at the Consideration of HK\$200,000,000.

LISTING RULES IMPLICATION

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules on the basis that one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75%. The Disposal is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company expects that a circular containing, inter alia, further details of the Disposal and a notice of the EGM will be despatched to the Shareholders as soon as practicable and not later than 28 February 2017.

Reference is made to the Announcement relating to the MOU.

INTRODUCTION

The Board is pleased to announce that on 20 January 2017 (after trading hours), the Vendor and Purchaser entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares and the Shareholder's Loan at the Consideration of HK\$200,000,000. Immediately upon signing of the Agreement, the MOU has been terminated.

THE AGREEMENT

Date: 20 January 2017 (after trading hours)

Parties

Vendor : HT Jenco International (Holdings) Limited

Purchaser : Mr. Cheung Wai Ming

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

Assets to be disposed of

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, being the entire issued share capital of the Target Company, and the Shareholder's Loan.

Consideration

The Consideration is in the sum of HK\$200,000,000 and comprise the consideration of the Sale Shares and Shareholder's Loan of HK\$10,000 and HK\$199,990,000 respectively which shall be payable by the Purchaser to the Vendor in the following manner:

- (a) the sum of HK\$5,000,000 paid by the Purchaser to the Vendor under the MOU shall be used as part of the Deposit, which shall be used to set off part of the Consideration at the time of Completion;
- (b) an additional sum of HK\$5,000,000, being part of the Deposit, shall be paid in cash by the Purchaser to the Vendor within 3 days after signing the Agreement, which shall be used to set off part of the Consideration at the time of Completion;
- (c) the remaining balance of the Consideration in sum of HK\$190,000,000 shall be paid by the Purchaser to the Vendor at the time of Completion in cash or other methods to be agreed by the parties to the Agreement; and
- (d) the Purchaser shall pay the Consideration pursuant to the Agreement to the Vendor or other members of the Group as directed by the Vendor.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with regard to the net liabilities and with reference to the loss making situation in relation to the Target Group, coupled with the gain to be obtained by the Company under the waiver of the inter-group balances and the collection of accounts receivable.

PRC Tax relating to or by reason of the Disposal

Pursuant to the Agreement, the Purchaser shall be responsible for all PRC tax and levy in relation to or by reason of the Disposal.

Conditions precedent

Completion is conditional upon the satisfaction (or where applicable, the waiver) of the following conditions:

- (a) the compliance by the Company of the applicable requirements of the Listing Rules, its constitutional documents and all application laws and regulations relating to the transactions contemplated under the Agreement and obtaining of its shareholders' approval at the EGM with respect to the Disposal;
- (b) there are no material breaches on the warranties made by the Vendor under the Agreement, and the Vendor shall have complied with its warranties and obligations; and
- (c) there are no material breaches on the warranties made by the Purchaser under the Agreement, and the Purchaser shall have complied with its warranties and obligations.

If any of the Conditions is not fulfilled (or waived respectively by the Purchaser and the Vendor as to (b) and (c) above, if applicable) on or before 12:00 noon of the Long Stop Date, the Vendor shall refund the Deposit in full without interest to the Purchaser within 14 days thereafter, and the Agreement shall cease and terminate and neither parties shall have any rights and obligations in respect of the Disposal save for any antecedent breach.

Waiver on repayment of the inter-group balances

Pursuant to the terms of the Agreement, at Completion, relevant member of the Target Group shall execute a deed of waiver waiving the obligations and liabilities of the relevant member of the Group to repay the inter-group balances effective on the Completion Date. As at the 31 December 2016, the amount due to Jin Tao by a member of the Group was approximately RMB29 million.

Collection of accounts receivable by Jin Tao

Pursuant to the terms of the Agreement, at Completion, the Vendor will provide the Completion Accounts to the Purchaser. The Vendor undertakes that the total accounts receivable shall not exceed RMB16 million. After Completion, if Jin Tao receives any accounts receivable due to it as per the Completion Accounts (other than the inter-group balances with the Group which will be waived), the Purchaser shall, and shall procure the Target Company and/or Jin Tao to, pay over such amount received to the Vendor within three business days after the receipt by Jin Tao.

Responsible for accounts payable by Jin Tao

The Vendor will be responsible for all accounts payable by Jin Tao as shown in the Completion Accounts if any.

Completion

Completion shall take place within five business days after fulfilment (or waiver) of the all Conditions.

Upon Completion, the Target Group will cease to be indirect wholly-owned subsidiaries of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor. The principal business activity of the Target Company is investment holding and wholly-owns Jin Tao, which is principally engaged in warehousing, food processing and logistics services in the logistics centre erected on the Land. The Land is situate at Zhongzhan, the PRC.

The following sets forth a summary of the financial information of the Target Company for each of the two financial years ended 30 June 2015 and 2016:

	For the year ended 30 June 2015 HK\$'000 (audited)	For the year ended 30 June 2016 HK\$'000 (audited)
Loss before taxation	2,221	2,274
Loss after taxation	2,221	2,274

	As at 30 June 2015 HK\$'000 (audited)	As at 30 June 2016 HK\$'000 (audited)
Total assets	235,787	236,213
Net liabilities	29,025	31,299

The following sets forth a summary of the financial information of Jin Tao for each of the two financial years ended 30 June 2015 and 2016:

	For the year ended 30 June 2015 HK\$'000 (unaudited)	For the year ended 30 June 2016 HK\$'000 (unaudited)
Loss before taxation	11,876	11,436
Loss after taxation	11,876	11,436

	As at 30 June 2015 HK\$'000 (unaudited)	As at 30 June 2016 HK\$'000 (unaudited)
Total assets	293,364	235,207
Net assets	168,920	142,665

Based on the Target Group's combined financial statements for the year ended 30 June 2016, the unaudited net liabilities was approximately HK\$124 million after elimination of the Target Company's investment in Jin Tao's share capital. Based on the Target Group's combined financial statements for the year ended 30 June 2015, the unaudited net liabilities was approximately HK\$95 million after elimination of the Target Company's investment in Jin Tao's share capital.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the trading of packaged foods, 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 logistics services and value-added post-harvest food processing.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

Immediately after the Completion, the Target Group will cease to be subsidiaries of the Vendor and the Vendor will cease to hold any equity interest in the Target Company. The financial results of the Target Group will not be consolidated to the Group's financial statements.

It is expected that the Company will record a gain from the Disposal of approximately HK\$35 million, being the Consideration less the unaudited consolidated net liabilities of the Target Group and adjusted for waiver of inter-group balances and collection/repayment of accounts receivable and payable by Jin Tao as at 31 December 2016. This expected gain has not been audited and is subject to change. The Company intends to apply the proceeds from the Disposal as general working capital.

The proceeds to be received by the Vendor from the Disposal will improve the overall cash position of the Group for general working capital purpose as well as for future opportunities that may arise.

REASONS AND BENEFITS OF THE DISPOSAL

As previously explained in the Announcement, the Company was receptive to the proposal made by the Vendor to sell the Target Group comprising the Land. After taking further internal review of the business operation of the Group with a view to improving business and financial efficacies, the Board considers that it would be beneficial to the Group by consolidating the existing logistics centre operation in Zhongzhan which is currently owned and operated via the Target Group and the new logistics centre in Huidong, where both are situated in Guangdong Province of China.

Having regard to the nature of and the benefits from the Disposal, the Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules on the basis that one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75%. The Disposal is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, information and belief, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal.

The Company expects that a circular containing, inter alia, further details of the Disposal and a notice of the EGM will be despatched to the Shareholders as soon as practicable and not later than 28 February 2017.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITIONS

“Agreement”	the sale and purchase agreement dated 20 January 2017 entered into between the Vendor and the Purchaser relating to the Disposal
“Announcement”	the announcement of the Company dated 2 December 2016 relating to the MOU
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Heng Tai Consumables Group Limited (stock code: 00197), a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Main Board on the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Agreement
“Completion Accounts”	the management accounts of Jin Tao for the month ended immediately preceding the date of Completion
“Conditions”	the conditions precedent to the Completion, which are set out in the section headed “The Agreement – Conditions precedent” of this announcement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration in the sum of HK\$200,000,000 payable by the Purchaser to the Vendor for the Disposal pursuant to the Agreement
“Deposit”	a sum of HK\$10,000,000 paid and payable by the Purchaser to the Vendor for Disposal pursuant to the Agreement, which is refundable according to the terms and conditions of the Agreement
“Directors”	the directors of the Company

“Disposal”	the disposal of the Sale Shares and the Shareholder’s Loan by the Vendor pursuant to the terms and conditions of the Agreement
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of approving the Disposal and the transaction contemplated under the Agreement
“Group”	the Company and its subsidiaries, and will not include the Target Group after Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“Jin Tao”	Jin Tao (Zhongshan) Fresh Produce Logistics Co., Ltd.* (金濤(中山)果蔬物流有限公司), the wholly owned subsidiary of the Target Company
“Land”	a plot of land situated in Zhongshan, the PRC which is owned by Jin Tao
“Long Stop Date”	30 June 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 2 December 2016 entered into between the Vendor and the Purchaser concerning the proposed disposal of the Sale Shares and the Shareholder’s Loan
“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”	Mr. Cheung Wai Ming
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target Company
“Shareholders”	shareholders of the Company
“Shareholder’s Loan”	the amount due by the Target Company to the Vendor in the sum of HK\$268,227,721 as at the date of 31 December 2016, which is unsecured, interest free and payable on demand
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sino Combo International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and Jin Tao
“Vendor”	HT Jenco International (Holdings) Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Company
“%”	per cent.

* *English transliteration/translation of the Chinese name for identification purpose only.*

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

Hong Kong, 20 January 2017

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; and three independent non-executive Directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung, Newman.