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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 IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF MOON CONCEPT LIMITED

Financial Adviser



Euto Capital Partners Limited

THE ACQUISITION

The Board is pleased to announce that on 12 May 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$180,000,000, which shall be settled in cash.

Upon Completion, 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 financial statements.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As the Completion is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

Reference is made to the announcement of the Company dated 27 March 2017 regarding the entering into of the MOU. Pursuant to the MOU, Fiorfie Holdings Limited was the purchaser of the possible acquisition. After the negotiation between the parties, Fiorfie Development Limited was designated to be the Purchaser to enter into the Agreement.

On 12 May 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$180,000,000, which shall be settled in cash.

The principal terms of the Agreement are summarized as follows:

Date

12 May 2017 (after trading hours)

Parties

- (i) the Purchaser; and
- (ii) the Vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendors are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The aggregate consideration payable for the Sales Shares shall be HK\$180,000,000. Subject to fulfilment (or waiver, as the case may be) of the conditions as stated in the Agreement on or before the Long Stop Date, the Consideration shall be payable by the Purchaser, or by one of its group companies as directed by the Purchaser, to the Vendors in the following manner:

- (i) HK\$160,000,000 shall be payable by the Purchaser to the Vendors in the following proportion:

	<i>HK\$</i>
Mega Jade	8,000,000
Excel Premier	152,000,000
	<hr/>
Total	160,000,000
	<hr/> <hr/>

- (ii) HK\$20,000,000 shall be payable to the Target Company as the loan of HK\$10,000,000 each advanced by each of the Vendors to the Target Company.

The Consideration has been arrived at after arm's length negotiations between the parties to the Agreement with reference to the valuation of the Target Company prepared by the Valuer of HK\$188,000,000 under the discounted cash flow method as at 28 February 2017 (the "**Valuation**"). The Consideration shall be funded by the Company's internal resources.

Conditions

Completion is conditional upon each of the following conditions being satisfied (or, where applicable, waived by the Purchaser):

- (a) the Vendors have a good title to the Sale Shares free from Encumbrances on Completion and are the registered and beneficial owners of the Sale Shares on Completion;
- (b) the Purchaser having been satisfied with the results of the due diligence conducted by the Purchaser on the Target Company;
- (c) no event having occurred since the date hereof to the Completion Date, the consequence of which is to materially and adversely affect the financial position, the Licence Agreement, business or property, results of operations or business prospects of the Target Company;
- (d) no material breach of the warranties and the warranties remaining true and accurate in all respects and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion, and the Vendors having complied with all of their obligations under the Agreement;
- (e) all licences and consents necessary for the operations of the Target Company remain valid and subsisting up to and after the Completion to the satisfaction of the Purchaser; and
- (f) the Purchaser has received the Valuation Report prepared by an independent valuer appointed by the Purchaser in form and substance satisfactory to the Purchaser.

If the above conditions have not been fulfilled by the Vendors or waived by the Purchaser on or before the Long Stop Date (or such other date as the Purchaser and the Vendors may agree), the Agreement shall lapse and neither the Purchaser nor the Vendors shall be bound to proceed with the sale and purchase of the Sale Shares, subject to the liability of any party to the others in respect of any antecedent breaches of the terms of the Agreement.

Completion

Subject to fulfillment (or waiver as the case may be) of the above conditions on or before the Long Stop Date, Completion shall take place at 11 a.m. (Hong Kong time) within five Business Days after the fulfillment or waiver of the last of the above conditions or at such other place or time as the Purchaser and the Vendors shall agree.

Upon Completion, 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 financial statements.

Management Agreement

Mr. Lau and the Target Company will enter into the Management Agreement pursuant to which Mr. Lau will provide management services to the Target Company for a period of 4 years.

INFORMATION ON THE VENDORS

Mega Jade is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. As at the date of the announcement, the entire issued share capital of Mega Jade is legally and beneficially owned by Mr. Lau.

Excel Premier is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. As at the date of this announcement, Excel Premier is wholly-owned by an Independent Third Party.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in organizing concert scaled live show presentation with the Licenced Rights. “Ultraman” has already launched in television broadcast over 50 years, which is one of the most reputable and recognized intellectual properties in Japan and worldwide.

As at the date of this announcement, the Target Company is owned as to 10% and 90% by Mega Jade and Excel Premier respectively.

Financial information on the Target Company

As advised by the Vendors, since the Target Company has short and insignificant operational history since its incorporation, the financial performance of the Target Company is insignificant.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group was 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; (iii) the provision of cold chain logistics services and value-added post-harvest food processing; and (iv) securities brokerage business.

As disclosed in the interim report of the Company for the six months ended 31 December 2016, the Group considered that it was facing a challenging operating environment under existing business segment with a weak economic growth lingered at 6.7 -6.8%. Given that (i) the Renminbi depreciation resulted in a more challenging environment for the Group’s imported products; (ii) the substantial changes to the developed markets such as Brexit and the presidential transition in the United States also increased volatility in the global financial markets and thus consumer confidence; and (iii) the extensive business transformation over past few years, the Board considered that there might be negative impact on the already adverse economic environment that the industry is facing.

With the challenges ahead, the Board considers to diversify its business. The Board also considers that the Acquisition could broaden the Group’s income sources and enhance its financial performance and will be beneficial to the future growth and business development of the Group as a whole.

COMPLIANCE WITH RULE 14.62 OF THE LISTING RULES

The Valuation Report has been prepared by the Valuer. According to the Valuation Report, the market value of a 100% equity interest in the Target Company was reasonably stated at HK\$188,000,000 as at the valuation date of 28 February 2017. The Valuation has adopted income-based approach and discounted cash flow method in valuing the Target Company. As such, the Valuation constitutes a “profit forecast” under Rule 14.61 of the Listing Rules. Rule 14.62 of the Listing Rules is hence applicable.

The principal assumptions, including commercial assumptions, on which the Valuation has been based, are as follows:

- The Target Company will be operated and developed as planned by the management with minimal capital expenditure throughout the forecasted period;
- The unaudited management accounts of the Target Company as at 31 March 2017 can reasonably represent its financial position as at the valuation date of 28 February 2017 since an audited financial accounts was not available;
- The Valuation was mainly based on the projections of the future cash flows as provided by the management. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry;
- The Target Company has entered into a licensing agreement with Tsuburaya Productions Co., Ltd. in relation to the licensed rights associated with “Ultraman” for the territory of Hong Kong, Macau and Taiwan;
- There will be sufficient supply of technical staff in the industry in which the Target Company operates, and the Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company; and
- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

RSM Hong Kong, the reporting accountants of the Company (the “**Reporting Accountants**”), have reviewed the calculations of the discounted future estimated cash flows of the Target Company in which the Valuation was based. The Board has reviewed the above principal assumptions and confirmed that the forecast has been made after due and careful enquiry. Letter from the Reporting Accountants is included in the Appendix I of this announcement as required under Rule 14.62 of the Listing Rules.

On the basis of the foregoing, the Company's financial adviser, Euto Capital Partners Limited (the "**Financial Adviser**"), is satisfied that the forecast has been made by the Company after due and careful enquiry. A letter from the Financial Adviser is included in Appendix II of this announcement as required under Rule 14.62 of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
RSM Hong Kong	Certified Public Accountants
Roma Appraisals Limited	Independent professional valuer
Euto Capital Partners Limited	A corporation licenced to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Valuer, the Reporting Accountants and the Financial Adviser is an Independent Third Party.

As at the date of this announcement, none of the Valuer, the Reporting Accountants and the Financial Adviser has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Valuer, the Reporting Accountants and the Financial Adviser has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its letter and all references to its name (including its qualifications) in the form and context in which it is included.

LISTING RULES IMPLICATION

As one or more of the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Completion is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 12 May 2017 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licenced banks are generally open for business in Hong Kong throughout their normal business hours
“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 Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date on which Completion takes place
“Consideration”	the consideration payable for the Sale Shares under the Agreement, being the aggregate amount of HK\$180,000,000
“Director(s)”	the director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

“Excel Premier”	Excel Premier Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which is an Independent Third Party
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Licence Agreement”	the licence agreement dated 1 April 2017 entered into between Tsuburaya Productions Co., Ltd. and the Target Company in relation to the Licenced Rights
“Licenced Rights”	all intellectual properties at any time legally licenced to or controlled by the Target Company including the rights to exploit all series and any types of “Ultraman”, which was created by Eiji Tsuburaya from Tsuburaya Productions Co., Ltd., from television programs and movies produced from 1996 to 2016 in connection with the conduction of UltraHeros Acrobattle live show (“ Shows ”) and the right to produce and sell merchandizing goods in connect with the Shows respectively in the territory of Hong Kong, Macau and Taiwan pursuant to the Licence Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2017
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“Management Agreement”	the management agreement to be executed by Mr. Lau upon Completion, pursuant to which Mr. Lau will provide management services to the Target Company for a period of 4 years without payment of any service fee

“Mr. Lau”	Lau Cheuk Yiu, the sole shareholder of Mega Jade, who is a resident of Hong Kong and a businessman
“Mega Jade”	Mega Jade Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is an Independent Third Party
“MOU”	the non-legally binding memorandum of understanding dated 27 March 2017 entered into between the Vendors and Fiorfie Holdings Limited in relation to the possible acquisition
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Purchaser”	Fiorfie Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Renminbi”	the lawful currency of the PRC
“Sale Shares”	an aggregate of 100 fully paid up shares in the capital of the Target Company which are owned as to 90% by Excel Premier and 10% by Mega Jade as at the date of the Agreement
“Share(s)”	the ordinary share(s) of HK\$0.1 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 Company”	Moon Concept Limited, a company incorporated in Hong Kong with limited liability and is owned as to 90% by Excel Premier and 10% by Mega Jade as at the date of the Agreement
“Valuation Report”	the valuation report on 100% equity interest in Target Company prepared by the Valuer
“Valuer”	Roma Appraisals Limited, an independent professional valuer

“Vendors”

collectively, Mega Jade and Excel Premier

“%”

per cent

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

Hong Kong, 12 May 2017

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin Joecy, Ms. Hung Sau Yung Rebecca, Ms. Gao Qin Jian and Mr. Chan Cheuk Yu Stephen; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung Newman and Mr. Hung Hing Man.

APPENDIX I – LETTER FROM THE REPORTING ACCOUNTANTS



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

12 May 2017

The Board of Directors
Heng Tai Consumables Group Limited
31/F., Guangdong Finance Building
88 Connaught Road West
Hong Kong

Dear Sirs,

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 Moon Concept Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Roma Appraisals Limited (the “**Independent Valuer**”) dated 12 May 2017 of the enterprise value of 100% equity interest in Moon Concept Limited (“**Moon Concept**”) as at 28 February 2017 (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 12 May 2017 (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.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 Moon Concept.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. 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 THE FINANCIAL ADVISER



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

12 May 2017

Dear Sirs,

We refer to the valuation report prepared by Roma Appraisals Limited (the “**Independent Valuer**”) in relation to the valuation of 100% equity interest in Moon Concept Limited as at 28 February 2017 (the “**Valuation**”). The principal assumptions upon which the Valuation is based are included in the announcement of Heng Tai Consumables Group Limited (the “**Company**”) dated 12 May 2017 (the “**Announcement**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

We note that the Valuation has been developed based on the discounted cash flow approach which is regarded as profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules. We have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Profit Forecast to arrive at the Valuation and have reviewed the letter dated 12 May 2017 issued by RSM Hong Kong, the reporting accountants of the Company, as set out in Appendix I to the Announcement in regard to their work performed on the Profit Forecast. On the basis of the foregoing, we are of the opinion that the Profit Forecast underlying the Valuation, for which the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Euto Capital Partners Limited

Manfred Shiu
Director