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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 DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF FIORFIE DEVELOPMENT LIMITED

THE DISPOSAL

On 11 December 2017 (after trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company at a total consideration of HK\$150,000,000. Completion had taken place immediately after the signing of the Disposal Agreement.

LISTING RULES IMPLICATION

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

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THE DISPOSAL AGREEMENT

Date: 11 December 2017 (after trading hours of the Stock Exchange)

Parties: The Vendor; and
The Purchaser

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Purchaser is a third party independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share, being the entire issued share capital of the Target Company.

Consideration

The aggregate consideration for the sale and purchase of the Sale Share is HK\$150,000,000, which had been fully settled by the Purchaser in cash at Completion.

The consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the adjusted net assets of approximately HK\$150,272,000 of the Target Group as at 30 November 2017, which is adjusted as if the amount of HK\$181,822,864 and HK\$2,447,900 (in aggregate HK\$184,270,764) owing by the Target Company and Moon Concept Limited to Fiorfie Trading have been waived by Fiorfie Trading as at 30 November 2017 and by deducting the amount of approximately HK\$33,999,000, being the net liabilities of the Target Group as at 30 November 2017, from HK\$184,270,764.

The Directors consider that the terms and conditions of the Disposal, including the consideration are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Completion

Completion had taken place immediately after the signing of the Disposal Agreement.

Upon Completion, (i) Fiorfie Trading entered into a deed of waiver and agreed to waive the amount of HK\$181,822,864 owed by the Target Company to Fiorfie Trading, which was the amount previously injected by Fiorfie Trading to the Target Company for payment of the consideration of HK\$180,000,000 in relation to the acquisition of the entire issued share capital of Moon Concept Limited, which was completed on 1 June 2017 and other fees and expenses incidental thereto; (ii) Fiorfie Trading entered into a deed of waiver and agreed to waive the amount of HK\$2,447,900 owed by Moon Concept Limited to Fiorfie Trading, which was the amount previously injected by Fiorfie Trading to Moon Concept Limited for its general working capital; and (iii) each member of the Target Group shall cease to be a subsidiary of the Company and their financial results will no longer be consolidated into the Company's consolidated financial statements.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company. The Target Company holds the entire issued capital of Moon Concept Limited, which is principally engaged in organising concert scaled live show presentation in event halls with the Licensed Rights.

Financial information

The unaudited consolidated financial information of the Target Group for the period from the date of incorporation of the Target Company (i.e. 24 August 2016) to 30 June 2017, which were prepared in accordance with the Hong Kong Financial Reporting Standards, are set out below:

	From 24 August 2016 to 30 June 2017 (HK\$'000)
Loss before taxation	20,977
Loss after taxation	20,977
Net liabilities	20,977

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) the trading of packaged foods, beverages, household consumable products and cold chain 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) other businesses primarily including securities brokerage business and intellectual property business. The first three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in the PRC.

Reference is made to the announcement of the Company dated 30 October 2017. As disclosed in the announcement, the Group completed the acquisition of 100% interest in Moon Concept Limited, which is principally engaged in organising concert scaled live show presentation in event halls with the rights to use the intellectual properties of the famous Japanese comic character “Ultraman” in the region of Hong Kong, Macau and Taiwan. The first “Ultraman” live shows, which were held in Macau in August 2017, were severely impacted by Typhoon Hato and the performance period of the live shows held in Macau had been shortened and early terminated. As a result, Moon Concept Limited recorded a loss of approximately HK\$8 million for the three months ended 30 September 2017. In addition, due to the decline in expected income and revision of certain expected expenses of the scheduled live shows subsequently held in Macau in August 2017, the management has accordingly revised its best estimation for the profit forecast of Moon Concept Limited for the 42-month period ending 31 December 2020. An impairment loss of approximately HK\$18,289,000 on goodwill was recognised for the year ended 30 June 2017.

In light of the above, the Board considers that the Disposal represents a good opportunity for realisation of the Target Group having considered the Target Group has been loss making in the previous five months ended 30 November 2017, which was mainly attributed to the performance of the first “Ultraman” live shows in Macau worse than as expected and the Target Group’s net liabilities of approximately HK\$33,999,000 as at 30 November 2017.

The Directors consider that the Disposal and the transactions contemplated under the Disposal Agreement have been made on normal commercial terms and that such terms are fair and reasonable and that the Disposal Agreement and transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, the Group is expected to record an unaudited loss on the Disposal of approximately HK\$272,000. Such loss is estimated based on the gross proceeds from the Disposal of approximately HK\$150,000,000 compared with the adjusted net assets of approximately HK\$150,272,000 of the Target Group as at 30 November 2017, which is adjusted as if the amount of HK\$181,822,864 and HK\$2,447,900 (in aggregate HK\$184,270,764) owing by the Target Company and Moon Concept Limited to Fiorfie Trading have been waived by Fiorfie Trading as at 30 November 2017 and by deducting the amount of approximately HK\$33,999,000, being the net liabilities of the Target Group as at 30 November 2017, from HK\$184,270,764.

The Board intends to apply the net proceeds from the Disposal of approximately HK\$149,835,000 (after deducting all costs and expenses incidental to the Disposal from the gross proceeds) for financing other future investment opportunities and/or as general working capital of the Group.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 00197)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 11 December 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“Fiorfie Trading”	Fiorfie Trading Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Licence Agreement”	the licence agreement dated 1 April 2017 entered into between Tsuburaya Productions Co., Ltd. and Moon Concept Limited in relation to the Licenced Rights
“Licenced Rights”	all intellectual properties at any time legally licenced to or controlled by Moon Concept Limited 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 shows and the right to produce and sell merchandising goods in connect with the shows respectively in the territory of Hong Kong, Macau and Taiwan pursuant to the Licence Agreement
“Purchaser”	Mr. Huang Miaoxin, the purchaser under the Disposal Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Sale Share”	one share of US\$1.00 of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in issued share capital of the Company
“Shareholder(s)”	holders of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Fiorfie Development Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiary, Moon Concept Limited
“Vendor”	Fiorfie Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 11 December 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.