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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)

### **CHANGE IN USE OF PROCEEDS FROM RIGHTS ISSUE**

#### **Original use of proceeds from the Rights Issue**

Reference is made to the prospectus of Heng Tai Consumables Group Limited (the “**Company**”) dated 15 December 2016 and the announcements of the Company dated 13 February 2018, 9 March 2018, 8 March 2019, 31 December 2019 and 10 March 2020 (the “**Proceeds Announcements**”) in relation to the use of proceeds of the rights issue completed on 11 January 2017 (the “**Rights Issue**”) and the announcement of the unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2020 dated 26 February 2021 (the “**Interim Results Announcement**”). Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Proceeds Announcements.

As explained in the Proceeds Announcements, the net proceeds of about HK\$207.3 million from the Rights Issue was earmarked for the securities brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business, the original timeline for such utilization has been extended to 10 March 2021.

As set out in the Interim Results Announcement, HK\$20 million was already been used after completion of the Rights Issue, HK\$40 million was used as intended by various capital injections into the brokerage business from July 2020 to September 2020 and a further HK\$20 million was used as intended by capital injection into the brokerage business in November 2020. Hence, a total of HK\$80 million has been used as intended with the remaining proceeds of approximately HK\$127.3 million not yet been utilized as at the date of this announcement.

## **Reasons to the change of use of the remaining proceeds from the Rights Issue**

Since the completion of the Rights Issue, there have been several major and unprecedented events that have happened and have been happening worldwide that the Board could not have anticipated when making the original plan for the brokerage business, including the Hong Kong political unrest, global trade war, coronavirus pandemic, the consequential volatile securities market and their impact on the Hong Kong community as a whole and the securities and financial market in particular.

Although the Board noted that the securities brokerage business has benefited from the increase in the stock market transactions during the second half of 2020 partially due to the expansionary policies taken or pandemic relief packages initiated by major countries, and that our brokerage business has grasped the opportunities and accepted new margin clients and hence injected additional funding to the brokerage business, the benefit to our Group is very limited and the size of operation of the brokerage business has still been sub-optimal. Further, the Board realized that with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

On the other hand, and in view of the extended period that has been passed since the completion of the Rights Issue, and upon review of the Group's business segments and the business and trading environment that the Group's business will face in the future, the Board considers that it would be most reasonable to change the use of the remaining balance of the proceeds of the Rights Issue to further enhance the existing and principal businesses of the Group.

Therefore, the Board has resolved to change the use of the remaining balance of net proceeds of the Rights Issue so as to better utilize the Group's existing internal financial resources as set out below in further details.

## Details of the change in use of the remaining balance of proceeds from the Rights Issue

Set out below are the details of the change in use of the remaining balance of proceeds of about HK\$127.3 million from the Rights Issue.

Approximate HK\$ million	Net proceeds from Rights Issue	Utilised as at the date of this announcement	Remaining proceeds	Proposed change of use of remaining proceeds	Expected timeline for the intended use
Securities brokerage business for compliance with its financial resources and for future expansion purpose	207.3	80	127.3	–	–
(i) Upgrade of cold storage and logistics facilities in Shanghai	–	–	–	12	by 31 Dec 2021
(ii) Renovation and equipping of fruit processing centre in Jiangxi	–	–	–	14	by 31 Dec 2021
(iii) Installation of cold storage and logistics facilities in Jiangxi	–	–	–	17	by 31 Mar 2022
(iv) Set up of new processing agri-product centre in Dongguan	–	–	–	34	by 31 Mar 2022
(v) Research and development expenses in upstream farming	–	–	–	4	by 31 Mar 2022
(vi) Set-up of an agricultural research and test-lab centre in Jiangxi	–	–	–	6	by 31 May 2022
(vii) Promotion and marketing activities	–	–	–	10	by 30 Jun 2022
(viii) Set-up of an agri-tourism park with various facilities in Jiangxi	–	–	–	27	by 30 Jun 2022
(ix) Working capital and general corporate purposes	–	–	–	3.3	by 30 Jun 2022

The Group has been carrying out trading, storage and logistics business of agri-products, consumer goods, and consumables in major cities of China for more than 30 years with self-owned major logistics hub in Shanghai and supportive depots in Beijing, Jiangxi, Huidong, and Zhongshan, and extensive distribution channels in other cities in China.

Since the global trade war and the global coronavirus pandemic, there have been many incidents of business disruptions including but not limited to sudden change in transport routes, delay and rerouting in transport logistics, change in business and consumer purchasing habits causing change in products acquisition, transport and storage schedules, and change in import, export and storage requirements as a result of geopolitical or hygienic requirements. Taking into account of these, the Board has resolved to improve and upgrade the facilities or to install additional new facilities to cater for the new and additional requirements and to equip the Group with better facilities so that the Group will continue to maintain its competitiveness in the market, and in particular, to improve our principal logistics hub in Shanghai, to upgrade our supportive depot in Jiangxi to a principal hub in the southern region in China, and to upgrade Dongguan into a supportive depot in the southern region in China.

Also, the Board will commit more resources into the upstreaming farming business segments by establishing an R&D centre and carry out R&D of the Group's agri-products, and also will establish an eco-friendly and "green" agri-tourism park to cater for the increasing demands from the Chinese citizens who have become more health and environmental conscious on the one hand, and that travelling overseas has been restricted due to the coronavirus pandemic. The "green" agri-tourism park will be located in the vicinity of one of the two principal fruit growing areas in Jiangxi, China where part of this 2,000 mu fruit growing area will be modified and open to visitors for education, sight-seeing, and fruit-picking (mainly citrus fruits and pears) purposes. Supporting hospitality, catering and recreational facilities will also be built so as to provide families or groups looking for a comprehensive outdoor, relaxing and educational experience. The park is expected to be completed and open for visits in around the third quarter of 2022 which will enhance the image of our Group and provide an additional way to promote the agri-products of our Group.

Therefore, the Board intends to utilize (i) about HK\$12 million to upgrade the cold storage and logistics facilities in our principal logistics hub in Shanghai; (ii) about HK\$14 million to renovate and improve the existing fruit processing centre in Jiangxi; (iii) about HK\$17 million to install new cold storage and logistics facilities in our centre in Jiangxi (where upon completion the centre in Jiangxi will become the principal hub in the southern region of China); (iv) about HK\$34 million to set up a new processing agri-product centre in Dongguan (where upon completion it is expected to serve as an supportive depot/distribution channel and agri-product logistics and trading centre in the southern region of China); (v) about HK\$4 million to be utilized for research and development in upstream farming; (vi) about HK\$6 million to set up an agricultural research and test-lab centre in Jiangxi; (vii) about HK\$10 million to promote and market our Group's business in China; (viii) about HK\$27 million to set up an agri-tourism park with ancillary facilities (including hospitality and catering facilities for tourists) in Jiangxi (which will be located in the vicinity of our Group's agri-products cultivation area); and (ix) with the remaining balance of about HK\$3.3 million to be utilized as general working capital purposes.

The Board considers the aforesaid change of use of the remaining proceeds of the Rights Issue and their respective timeline for each of the intended use are beneficial to and in the interests of the Company and the shareholders of the Company as a whole.

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

Hong Kong, 10 March 2021

*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. 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.*