

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)

PROFIT WARNING ANNOUNCEMENT

This announcement is made by Heng Tai Consumables Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”), pursuant to Rule 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on information currently available, the consolidated financial results of the Group for the year ended 30 June 2021 (the “**2020/21 Annual Results**”) are expected to record a decrease in revenue of about 4% and a decrease in gross profit of about 45%, but loss from operations also decreased by approximately 20% as compared to the previous corresponding financial year.

As described in the announcement of the Company dated 11 February 2021, the Group’s revenue has been adversely affected by the continuous weakening demand in the PRC consumer market and continuous competition from other brands against the consumable goods and agri-products which the Group are trading coupled with the unfavourable and ongoing adverse global trading environment and the disruptions caused by the global COVID-19 pandemic in the first half of the financial year ended 30 June 2021. Although there are signs of recovery in China’s economy in the second half of the said financial year, the Group was still facing poor market sentiment and disruptions in our business segments which have been adversely affected by unfavourable factors similar to the first half of the said financial year.

In addition to the above mentioned macro-economic and community wide issues which have been affecting our Group, the more aggressive pricing strategies including special promotions and discounts to existing customers and the increase in the purchase costs for imported products due to various factors such as freight restrictions and factory shutdown also have squeezed our gross profit margin for the said financial year.

As a result of all the factors, the Group’s operations were affected by a decrease in total revenue and a decrease in gross profit during the said financial year as compared to the previous corresponding financial year.

On the other hand, as described in the announcements of the Company dated 12 May 2021 and 21 May 2021, which described the Company has converted the entire convertible bonds in the principal amount of HK\$60,000,000 into the shares of Global Mastermind Holdings Limited (“Global Mastermind”, a company of which the shares are listed on GEM of the Stock Exchange with stock code: 8063), at the adjusted conversion price of HK\$0.71 per conversion share, and the Company received 84,507,042 conversion shares of Global Mastermind on 12 May 2021. However, the share price has dropped substantially since then which the Board was not aware of the reasons of such drop and based on the closing share price of Global Mastermind of HK\$0.141 as at 30 June 2021, the Group has booked a fair value loss of about HK\$48 million.

Further and as a result of the poor performing industry as a whole and taking into account that there is currently no concrete evidence that the coronavirus pandemic and the effects it has caused to the global community as a whole will be resolved in the short to medium term, the Board therefore concludes that an impairment will have to be made to the assets, prepayments and receivables of our Group’s business segments, including fast moving consumable goods, agri-products, logistics services, securities dealing services and tourist retailing businesses. The Board estimates that a significant impairment loss will have to be made in the financial year ended 30 June 2021. As at the date of this announcement, the Board has assessed the impairment losses to be made would be approximately HK\$160 million (including the above-mentioned HK\$48 million fair value loss on the share price of Global Mastermind as at 30 June 2021), compared to HK\$219 million impairment losses booked for the last financial year ended 30 June 2020. However, these figures are still subject to assessment and final determination and may not accurately reflect the final audited figures to be set out in the 2020/21 Annual Results.

However, the Group has successfully implemented and adopted various costs cutting measures and reduced the selling and distribution expenses and administrative expenses by about 23% together as compared to the previous corresponding financial year and allowed the Group to offset to a certain extent the impact caused by the decrease in revenue and gross profit.

As the Company is still in the process of finalizing the 2020/21 Annual Results, this profit warning announcement is only based on preliminary assessment by the Board in accordance with the information currently available and the latest consolidated management accounts of the Group, which are subject to finalization and are not based on any figures or information reviewed or audited by the Company’s auditors. Shareholders and potential investors should read the 2020/21 Annual Results announcement carefully, which is expected to be published before end of September 2021.

Shareholders and potential investors are advised to exercise caution in dealing in the shares of the Company.

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

Hong Kong, 16 September 2021

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joey, 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.