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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Heng Tai Consumables Group Limited, you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is provided for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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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)

- (1) MAJOR TRANSACTION: DISPOSAL OF A SUBSIDIARY;**  
**(2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT;**  
**(3) RE-ELECTION OF DIRECTORS;**  
**(4) PROPOSED REFRESHMENT OF GENERAL MANDATE**  
**TO ALLOT AND ISSUE SHARES;**  
**AND**  
**(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 19 of this circular.

The notice convening the EGM to be held at 10:30 a.m., Thursday, 16 March 2017 at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong is set out on pages 38 to 41 in this circular and a proxy form for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the office of the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

28 February 2017

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*Accompanying document – Proxy form for the EGM*

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## EXPECTED TIMETABLE

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Latest time for lodging the proxy forms for use at the EGM .....	10:30 a.m. on Tuesday, 14 March 2017
Latest time for lodging transfers of Shares in order to qualify for attending and voting at the EGM.....	4:00 p.m. on Tuesday, 14 March 2017
Register of members closes.....	Wednesday, 15 March 2017 and Thursday, 16 March 2017
Record Date for determination of entitlements to the EGM .....	Thursday, 16 March 2017
Date and time of the EGM .....	10:30 a.m. on Thursday, 16 March 2017
Announcement of the poll results of the EGM to be posted on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the Company's website at <a href="http://www.hengtai.com.hk">www.hengtai.com.hk</a> .....	after 4:30 p.m. on Thursday, 16 March 2017

*Notes:*

- (i) All dates and times set out in this circular refer to Hong Kong dates and times.
- (ii) Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.hengtai.com.hk](http://www.hengtai.com.hk) as and when appropriate and in accordance with the Listing Rules.

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“2016 AGM”	the annual general meeting of the Company held on 21 December 2016
“Agreement”	the sale and purchase agreement dated 20 January 2017 entered into between the Vendor and the Purchaser relating to the Disposal
“Agri-Products Business”	the trading of agri-products and the upstream farming business
“Announcement”	the announcement of the Company dated 20 January 2017 in relation to the Disposal
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time, and “Article” shall mean an article of the Articles of Association
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Best Global”	Best Global Asia Limited, a company incorporated in the BVI and the entire issued share capital of which is wholly and beneficially owned by Mr. Lam
“Board”	the board of Directors
“Branch Share Registrar”	Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Brokerage Business”	the business of the principal operating company of the target group, which is licensed to carry on type 1 regulated activity (dealing with securities) under the SFO and to be acquired by the Group as announced by the Company on 5 September 2016
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for the business of dealing in securities
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability of which its issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Agreement
“Conditions”	the conditions precedent to the Completion, which are set out in the section headed “The Agreement – Conditions precedent” of this circular
“Connected Persons”	has the meaning ascribed to it in 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 by the Purchaser to the Vendor for Disposal pursuant to the Agreement, which is refundable according to the terms and conditions of the Agreement
“Director(s)”	the director(s) 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 convened to consider and, if thought fit, approve, among other matters, the Disposal and the transaction completed under the Agreement (or any adjournment thereof), the Proposed Refreshment of Scheme Mandate Limit, the Re-election of Directors and the Proposed Refreshment of General Mandate
“Existing General Mandate”	the general and unconditional mandate which was granted to the Directors pursuant to an ordinary resolution passed at the 2016 AGM for the allotment, issue and/or dealing with up to 180,069,618 new Shares, representing 20% of the number of issued Shares on the date of the 2016 AGM
“FMCG Trading Business”	the trading of packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products
“Group”	the Company and its subsidiaries, and will not include the Target Group after Completion

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## DEFINITIONS

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“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the party and its ultimate beneficial owner(s) (if applicable) are third parties 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 parcel of land situated at No. 2 Xianshi First Road, South District, Zhongshan City, the PRC which were granted under two PRC land use rights certificates and which is owned by Jin Tao
“Latest Practicable Date”	24 February 2017, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Long Stop Date”	30 June 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistics Services Business”	the provision of cold chain logistics services and value-added post-harvest food processing
“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
“Mr. Chan”	Mr. Chan Cheuk Yu, Stephen, an executive Director
“Mr. Hung”	Mr. Hung Hing Man, an independent non-executive Director
“Mr. Lam”	Mr. Lam Kwok Hing, the Chairman and an executive Director and the spouse of Ms. Lee
“Ms. Lee”	Ms. Lee Choi Lin, Joecy, an executive Director and the spouse of Mr. Lam
“Options”	options granted pursuant to the Share Option Scheme entitling the holders to convert into Shares on exercise of the options
“Option Holders”	holders of the Options

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate by the grant of the Refreshed General Mandate
“Proposed Refreshment of Scheme Mandate Limit”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme at the EGM
“Purchaser”	Mr. Cheung Wai Ming
“Re-election of Directors”	the proposed re-election of Mr. Chan as an executive Director and Mr. Hung as an independent non-executive Director at the EGM
“Record Date”	16 March 2017
“Refreshed General Mandate”	the new general mandate proposed to be granted to the Directors at the EGM to exercise the power of the Company to allot, issue and otherwise deal with new Shares up to 20% of the number of issued Shares as at the time of the passing of the relevant resolution
“Sale Shares”	the entire issued share capital of the Target Company
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options that may be granted under the Share Option Scheme which shall not in aggregate exceed 10% of the number of Shares in issue as at the date of the passing of the relevant resolution for its refreshment
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted on 21 December 2009
“Shareholder(s)”	holder(s) of the Share(s)
“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

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning ascribed thereto in section 2 of the Companies (WUMP) Ordinance and “subsidiaries” shall be construed accordingly
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers administered by the SFC
“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
“Underwriting Agreement”	the underwriting agreement dated 20 October 2016 between the Company and Astrum Capital Management Limited as the underwriter in relation to the underwriting and other arrangements in respect of a rights issue completed on 11 January 2017
“Vendor”	HT Jenco International (Holdings) Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Company
“World Invest”	World Invest Holdings Limited, a company incorporated in the BVI and the entire issued share capital of which is wholly and beneficially owned by Ms. Lee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

*For the purpose of this circular, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.9 to HK\$1. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rates or at all.*



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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Lam Kwok Hing (*Chairman*)  
Ms. Lee Choi Lin, Joecy  
Ms. Hung Sau Yung, Rebecca  
Ms. Gao Qin Jian  
Mr. Chan Cheuk Yu, Stephen

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Independent Non-executive Directors:*

Mr. John Handley (resigns with effect  
from 28 February 2017)  
Ms. Mak Yun Chu  
Mr. Poon Yiu Cheung, Newman  
Mr. Hung Hing Man

*Head Office and Principal Place of Business  
in Hong Kong:*

31st Floor  
Guangdong Finance Building  
88 Connaught Road West  
Sheung Wan  
Hong Kong

28 February 2017

*To the Shareholders*

Dear Sir or Madam,

- (1) MAJOR TRANSACTION: DISPOSAL OF A SUBSIDIARY;  
(2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT;  
(3) RE-ELECTION OF DIRECTORS;  
(4) PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES;  
AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **I. INTRODUCTION**

Reference is made to the Announcement in relation to the Disposal.

The purpose of this circular is to provide you with, among other things, further details of (i) the Disposal, (ii) the Proposed Refreshment of Scheme Mandate Limit, (iii) the Re-election of Directors, (iv) the Proposed Refreshment of General Mandate, and (v) a notice convening the EGM.

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## LETTER FROM THE BOARD

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### II. DISPOSAL OF A SUBSIDIARY

#### 1. THE AGREEMENT

Date: 20 January 2017

#### 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 comprises 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, has been 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.

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## LETTER FROM THE BOARD

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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 loss to be suffered by the Company under the waiver of the inter-group balances and the gain to be obtained by the Company from the collection of accounts receivable as tabulated below:

	<i>HK\$ million</i>
Consideration	200
<i>Consideration was determined with regard to the following matters:</i>	
Sale Shares (at par value)	(0.01)
Shareholder's Loan (at book value)	(268.23)*
Gain on elimination of the net liabilities of the Target Group on the financial position of the Company (including elimination of the Target Company's investment in Jin Tao's share capital and the carrying value of the Land of HK\$28 million* and the carrying value of the buildings erected thereon of about HK\$167 million*)	144.01*
Loss on waiver of inter-group balances due by the Target Group to the Group	(88)*
Gain on foreign currency translation reserve of Jin Tao	45*
Expected net gain from collection of accounts receivable by Jin Tao	14.44*
	<hr/>
Expected gain after Completion	47.21
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\* *unaudited figures as at 31 December 2016*

The Company noted that the carrying value of the Land as at 31 December 2016 was about HK\$28 million because the Land were medium term leases and were stated at cost, less subsequent accumulated amortisation.

The carrying value of the building as at 31 December 2016 was about HK\$167 million and was stated at fair value at the date of valuation, less subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Company also noted that the Land and the properties built thereon were highly customized logistics centre complex which, on the one hand, it would be difficult to attract suitable purchaser to acquire these customized building complex, and on the other hand, the Company does not desire the customized logistics building complex to be sold to potential or actual business competitors carrying out logistics business which may compete with the Group in the southern China regions.

Since the disposal contemplated under the Agreement effectively allows the Company to dispose of the Land and the buildings erected thereon on an as-is basis via selling the Target Group, which suits the Group's business and financial strategic direction to consolidate the logistics business operation in southern China region and allows the Group to retain its existing business and connections with existing customers and business partners by transferring the existing business carried out by the Target Group to

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## LETTER FROM THE BOARD

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the Group, the Company has considered and agreed that the market value of the Land and the buildings erected thereon would not be the sole relevant factor in determining the Consideration, but other factors set out above including the financial adjustments to be carried out by way of waiver of inter-group balances and the collection of accounts receivable should also be considered. The market value of the Land and the buildings erected thereon as at 31 December 2016 was about RMB181 million (which is about HK\$201 million) valued by the valuer, which is about HK\$6 million more than the carrying value of the Land and the buildings as at 31 December 2016. The market value has been taken into account in determining the Consideration and the financial adjustments as described above. Even if the literal figures of the market value is used, there would not be any impact to the expected gain of the Company after Completion because any potential gain would still be absorbed by the net liabilities of the Target Group.

Furthermore, the Company would not agree to sell the Land separately unless the buildings erected thereon are sold and the Company would be able to eliminate the net liabilities of the Target Group. Therefore, the Disposal, i.e. sale of the Land via the sale of the Target Company in accordance with the terms and conditions of the Agreement is in the best interest of the Company and the Shareholders as a whole.

### **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.

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## LETTER FROM THE BOARD

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### **Waiver on repayment of the inter-group balances**

Pursuant to the terms of the Agreement, at Completion, relevant members of the Target Group and the members of the Group shall execute relevant deeds of waiver waiving the obligations and liabilities of the relevant members of the Group and the Target Group to repay the inter-group balances effective on the Completion Date. As at the 31 December 2016, the net sum of inter-group balances due by the Target Group to other members of the Group (excluding the Shareholder's Loan) was approximately HK\$88 million.

Based solely on the waiver of the inter-group balances of approximately HK\$88 million as at 31 December 2016, the Company is expected to record a loss of this amount at Completion. However, it should be reminded that the Company is expected to record a gain at Completion of the Disposal as a whole of about HK\$47 million (please refer to "Section 3: Effects on the earning and assets and liabilities of the Company" in Appendix II to this circular for further information).

### **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.

There is no time limit that the Purchaser shall, and shall procure the Target Company and/or Jin Tao to, pay over the accounts receivable due to Jin Tao as per the Completion Accounts (other than the inter-group balances with the Group which will be waived). However, if Jin Tao could not recover any of such accounts receivable, the Purchaser and/or the Target Company and/or Jin Tao are not required to pay the same to the Group. Since the Company has been progressively arranging for the transfer of the existing customers and business of the Target Group to other subsidiaries of the Group, the Company considers it is unlikely that the aforementioned accounts receivable would not be recovered.

### **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.

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## LETTER FROM THE BOARD

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### 2. 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:

	<b>For the year ended 30 June 2015</b>	<b>For the year ended 30 June 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Loss before taxation	2,221	2,274
Loss after taxation	2,221	2,274
	<b>As at 30 June 2015</b>	<b>As at 30 June 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(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:

	<b>For the year ended 30 June 2015</b>	<b>For the year ended 30 June 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss before taxation	11,876	11,436
Loss after taxation	11,876	11,436
	<b>As at 30 June 2015</b>	<b>As at 30 June 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Total assets	293,364	235,207
Net assets	168,920	142,665

Based on the Target Group's combined financial statements for the six months ended 31 December 2016, the unaudited net liabilities was approximately HK\$144 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 2016, the unaudited net liabilities was approximately HK\$124

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## LETTER FROM THE BOARD

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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.

### 3. 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.

### 4. POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

Immediately after the Completion, the Company will hold no equity interest in the Target Group, 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\$47 million, details of which are set out in "Section 3: Effects on the earnings and assets and liabilities of the Company" in the Appendix II to this circular. 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. As explained in the 2016 Annual Report, the Company has been (i) exploring opportunities with e-commerce operators for selling fresh produce online, (ii) seeking further collaboration with domestic organizations and farmers to lease out additional arable lands for the Group's farming business, and (iii) exploring expanding distribution network of the Group's self-grown agricultural products in China to overseas market. Since the nature of the agriculture and logistics businesses, the Group requires a substantial amount of available funds in support of settlement of accounts payable and obtain credit facilities from banks. The Board considers that the Disposal provides a suitable opportunity for the Company to review and formulate better strategies and provides internal funding in respect of the above. It is currently intended that the proceeds from the Disposal would be utilized as general working capital and will allow the Company to seize any suitable business opportunity when it arises without the need to carry out additional fund raising activities. The Board anticipates that not more than half of the proceeds will be utilized for the above matters as a whole. However, the Board at present has not identified any suitable target and has not determined the amount to be utilized in respect of any of the above matter. The Company will continuously review and formulate its business strategy and will keep the shareholders informed.

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. The Company currently has not identified any investment opportunities and will make further announcement and comply with the Listing Rules where applicable.

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## LETTER FROM THE BOARD

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### 5. REASONS AND BENEFITS OF THE DISPOSAL

As previously explained in the Announcement and the announcement of the Company dated 2 December 2016 relating to the MOU, the Company was receptive to the proposal 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. The Company will continue to carry out this logistics business in southern China after Completion with its new logistics centre located in Huidong, and for prudence and minimizing possible business interruption, the Company has rented short term storage facilities effective from 1 April 2017 for a term of 6 years which is terminable by 3 months' notice by the Company for a monthly rental fee of RMB53,036 close to the existing Zhongshan Logistics Centre to continue cater for our existing customers in the vicinity area where the transfer of the stored produce to the new Huidong Logistics Centre may not be cost effective or advisable.

As the existing logistics complex in Zhongshan has been in operation for over a decade, the facilities would require substantial upgrade and capital expenditure in order to maintain our competitive edge in the market.

The new Huidong Logistics Centre was leased under a tenancy agreement dated 23 June 2014 for an initial term of 10 years with preferential right to renewal (details of which was announced by the Company dated 24 June 2014) and will be equipped with latest food processing production and multi-temperature controlled storage facilities and in closer proximity to various farming bases of the Group which are also located in Huidong County, and also farming bases of existing customers and thus will improve business and operation efficiency and reduce costs of the Group.

The Company has been progressively arranging for the transfer of the existing customers and business of the Target Group to other subsidiaries of the Group. Currently, the new Huidong Logistics Centre has been undergoing internal test running for the Group's own business, and expects most of the existing business will be transferred from the existing Zhongshan Logistics Centre to Huidong Logistics Centre or other subsidiaries of the Group on or around Completion. The Company expects the costs of transferring the business from Zhongshan Logistics Centre to Huidong Logistics Centre and other subsidiaries of the Group to be minimal.

Further, and in view of the undesirable financial performance of the Group in recent years, and the loss making and net liabilities position of the Target Group, the Board has ultimately decided to dispose of the Target Group in accordance with the terms as contemplated under the Agreement which will allow the Company to dispose of the loss making segment of the logistics business and consolidate such logistics business to the new Huidong Logistics Centre to substantially reduce overhead and operational costs and expenses in the southern China region.

The Company will continue operating its Shanghai Logistics Centre to cater for its logistics business in northern China region.



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## LETTER FROM THE BOARD

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Having regard to the nature of and the benefits from the Disposal as set out above, the Directors consider that the Disposal, 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.

### 6. 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.

### 7. WARNING OF THE RISK OF DEALINGS IN THE SHARES

**As Completion is conditional upon fulfilment of the Conditions 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.**

### III. PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed at the annual general meeting on 21 December 2009. The existing Scheme Mandate Limit is 75,034,809 Shares, being 10% of the number of Shares then in issue pursuant to the ordinary resolution passed by the Shareholders on the annual general meeting of the Company dated 29 December 2015 and after the share consolidation of every ten issued and unissued shares of HK\$0.01 each of the Company into one consolidated share of HK\$0.10 each in the capital of the Company took effect on 30 December 2015.

Pursuant to the existing Scheme Mandate Limit, a total of 72,000,000 Options were granted and a total of 1,911,555 Options were deemed as granted as a result of adjustments to Share Options effective on 11 January 2017 pursuant to allotment of rights shares (as detailed in our announcement dated 10 January 2017). Out of these 73,911,555 granted Options, none of the Options were exercised, lapsed nor cancelled, and therefore a further of 1,123,254 Options which may be converted into same number of Shares may be granted under the existing Scheme Mandate Limit and have not been utilised as at the Latest Practicable Date. Other than Share Option Scheme, there is no other share option scheme of the Company remains in force.

Pursuant to the terms of the Share Option Scheme and the Listing Rules, the Scheme Mandate Limit may be refreshed by an ordinary resolution of the Shareholders in general meeting from time to time provided that:

- (i) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of such Shareholder's approval of the Proposed Refreshment of Scheme Mandate Limit;

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## LETTER FROM THE BOARD

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- (ii) Options previously granted under the Share Option Scheme or any other share option scheme(s) (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
- (iii) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share options scheme(s) of the Company must not exceed 30% of the total number of Shares in issue from time to time.

The total number of outstanding Options as at the Latest Practicable Date was 121,700,440, out of which 47,788,885 Options were granted under the Scheme Mandate Limit prior to 29 December 2015, and 73,911,555 Options were granted under the Scheme Mandate Limit refreshed on 29 December 2015. Upon exercise of all the 121,700,440 Options, the same number of Shares, representing approximately 6.76% of the issued share capital of the Company as at the Latest Practicable Date, would fall to be issued.

Details of the outstanding Options as at the Latest Practicable Date are set out below:

Name or category of participants	Number of Options as at the Latest Practicable Date	Date of grant of Options	Exercise period of Options	Exercise prices of Options (HK\$)
<b>Executive directors</b>				
Ms. Hung Su Yung, Rebecca	3,120,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Ms. Gao Qin Jian	3,120,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
<b>Independent non-executive directors</b>				
Mr. John Handley	2,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Mr. Poon Yiu Cheung, Newman	1,560,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Ms. Mak Yun Chu	2,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
<b>Employees (in aggregate)</b>	8,216,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
<b>Other eligible participants (in aggregate)</b>				
	1,444,440	15 June 2011	1 January 2013 to 31 December 2017	5.500
	28,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
	72,000,000	23 January 2017	23 January 2017 to 22 January 2022	0.290
	<hr/> <hr/> <b>121,700,440</b>			

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## LETTER FROM THE BOARD

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Save for the said Options, the Company has no other outstanding warrants, options or other securities convertible into or exchangeable for Shares.

The Directors consider the refreshment of the Scheme Mandate Limit will enable the Company to grant options to the eligible persons as incentives or rewards for their contribution to the Group when the Board thinks fit.

Therefore, it is proposed that the Scheme Mandate Limit be refreshed to a number representing 10% of the total number of the issued Shares as at the date of approval of the Proposed Refreshment of Scheme Mandate Limit. Based on 1,800,696,182 Shares in issue as at the Latest Practicable Date and assuming that, prior to the EGM, no Shares are issued or repurchased by the Company, the Scheme Mandate Limit will be refreshed to 180,069,618 Shares upon the passing of the ordinary resolution approving the refreshment of the Scheme Mandate Limit at the EGM.

As at the Latest Practicable Date, 121,700,440 Options remained outstanding. Assuming that the Proposed Refreshment of Scheme Mandate Limit is approved to grant 180,069,618 Options, the total number of Shares which may be issued upon exercise of all outstanding Options, together with the options that fall to be granted under the Proposed Refreshment of Scheme Mandate Limit, will be 301,770,058 Shares, representing approximately 16.76% of the Shares in issue as at the Latest Practicable Date and will not exceed the overall limit of 30% of the Shares in issue.

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution will be proposed at the EGM to approve the Proposed Refreshment of Scheme Mandate Limit such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company is equivalent to 10% of the total number of Shares in issue as at the date of approval of the Proposed Refreshment of Scheme Mandate Limit by the Shareholders.

The Proposed Refreshment of Scheme Mandate Limit is conditional on:

- (i) the Shareholders passing an ordinary resolution by way of poll pursuant to the Listing Rules to approve the Proposed Refreshment of Scheme Mandate Limit at the EGM; and
- (ii) the Stock Exchange granting the approval for listing of, and permission to deal in, any new Shares (representing a maximum of 10% of the number of Shares in issue as at the date of approval of the resolution at the EGM) which may fall to be issued upon the exercise of all options that may be granted under the Proposed Refreshment of Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in any Shares that may be issued upon exercise of the options that may be granted under the Proposed Refreshment of Scheme Mandate Limit.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Refreshment of Scheme Mandate Limit and no Shareholder will be required to abstain from voting on the resolution for the Proposed Refreshment of Scheme Mandate Limit at the EGM.

#### **IV. RE-ELECTION OF DIRECTORS**

According to Article 112, the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the first general meeting of the Company after their appointment and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

As Mr. Chan was appointed as an executive Director by the other Directors on 6 February 2017 and Mr. Hung was appointed as an independent non-executive Director on 20 February 2017, they shall hold office until the EGM. Being eligible for re-election, each of Mr. Chan and Mr. Hung have offered themselves for re-election as an executive Director and an independent non-executive Director respectively at the EGM. Separate ordinary resolutions will be purposed for each of their re-election and the particulars of Mr. Chan and Mr. Hung are set out in Appendix I to this circular.

#### **V. PROPOSED REFRESHMENT OF GENERAL MANDATE**

At the 2016 AGM, the Existing General Mandate was granted to the Directors which enabled the Directors to allot, issue and deal with new Shares not exceeding 20% of the number of issued Shares as at the date of the 2016 AGM (i.e. a maximum of 180,069,618 Shares).

As at the Latest Practicable Date, the Existing General Mandate had not been utilised.

There had not been any refreshment of the general mandate of the Company to issue new Shares since the 2016 AGM up to the Latest Practicable Date.

Subject to the passing of such resolution at the EGM and based on the total number of 1,800,696,182 issued Shares as at the Latest Practicable Date and assuming that, prior to the EGM, no Shares are issued or repurchased by the Company, the Proposed Refreshment of General Mandate will allow the Directors to issue and allot up to 360,139,236 new Shares, being 20% of the number of issued Shares as at the date of the EGM.

The Refreshed General Mandate shall be effective until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association, or any applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

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## LETTER FROM THE BOARD

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### **Reasons for the Proposed Refreshment of General Mandate**

As stated in announcement of the Company dated 10 January 2017, the rights issue of 900,348,091 Shares was completed and 900,348,091 Shares were allotted to the allottees on 11 January 2017. Details of the said rights issue are set out in the prospectus of the Company dated 15 December 2016.

Due to the said rights issue, the number of issued Shares has been increased to 1,800,696,182 as from 11 January 2017 and the Existing General Mandate (which had not been utilised up to the Latest Practicable Date) only represents approximately 10% of the existing issued share capital of the Company as at the Latest Practicable Date.

The Directors consider that the Proposed Refreshment of General Mandate will enable the Company to take advantage of market conditions to raise additional capital for and/or as means of payment by the Company. If the Proposed Refreshment of the General Mandate is approved by the Shareholders at the EGM, when there are any further funding needs or if attractive offer for investment in the Shares is received from potential investors before the next annual general meeting, the Board will be able to respond to the market or such investment offer promptly by considering the issue of Shares at the maximum of 20% of the issued share capital of the Company as at the date of the EGM. Accordingly, the Directors consider that the Refreshment of General Mandate is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Directors have no immediate plan to issue any new Shares other than the Shares which may fall to be issued under the Options.

### **Listing Rules Implications**

According to Rule 13.36(4)(e) of the Listing Rules, it will not be necessary for the Company to comply with, among other things, the requirements to obtain the independent shareholders' approval under Rule 13.36(4)(a) of the Listing Rules in order for the Company to refresh its general mandate immediately after the Company offered or issued Shares to the Shareholders pro rata to their existing holdings (including where overseas Shareholders and excluded for legal or regulatory reasons) such that the amount in percentage terms of the unused part of the general mandate upon refreshment is the same as the unused part of the general mandate immediately before the issue of securities. Thus, no Shareholder will be required to abstain from voting in relation to the resolution to approve Proposed Refreshment of General Mandate.

### **VI. EGM**

The EGM will be held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Thursday, 16 March 2017 at 10:30 a.m. to consider and, if thought fit, pass the resolutions to approve the Disposal, the Proposed Refreshment of Scheme Mandate Limit, the Re-election of Directors and the Proposed Refreshment of General Mandate.

Any Shareholder with a material interest in the Disposal and the Agreement and his close associates will need to abstain from voting on the resolution approving the Disposal.

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## LETTER FROM THE BOARD

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No Shareholder is required to abstain from voting on the resolutions for approving the Disposal, the Proposed Refreshment of Scheme Mandate Limit, the Re-election of Directors and the Proposed Refreshment of General Mandate to be proposed at the EGM under the Listing Rules.

To qualify for attending and voting at the EGM, a Shareholder must be registered as a member of the Company on the Record Date. The register of members of the Company will be closed on Wednesday, 15 March 2017 and Thursday, 16 March 2017 for the purpose of determining the right to attend and vote at the EGM.

The notice convening the EGM is set out on pages 38 to 41 in this circular and a proxy form for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the office of the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

### VII. RECOMMENDATION

The Directors are of the opinion that the Disposal is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to approve the Disposal to be proposed at the EGM.

The Directors are also of the opinion that (i) the Proposed Refreshment of Scheme Mandate Limit, (ii) the re-election of Mr. Chan Cheuk Yu, Stephen as an executive Director and Mr. Hung Hing Man as an independent non-executive Director, and (iii) the Proposed Refreshment of General Mandate are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to approve the Proposed Refreshment of Scheme Mandate Limit, the re-election of Mr. Chan and Mr. Hung, and the Proposed Refreshment of General Mandate to be proposed at the EGM.

### VIII. FURTHER INFORMATION

Your attention is drawn to the additional information set out in appendices to this circular.

This circular is in English and Chinese. In the case of any inconsistency, the English version shall prevail.

Yours faithfully,  
For and on behalf of the Board of  
**Heng Tai Consumables Group Limited**  
**Lam Kwok Hing**  
*Chairman*

**(1) Mr. Chan Cheuk Yu Stephen**

Mr. Chan Cheuk Yu Stephen, aged 39, was an executive director of the institutional sales of a reputable brokerage firm immediately prior to joining the Company and has more than 12 years' experience in investment banking, securities, IPOs, corporate actions and derivatives.

Mr. Chan holds a Bachelor's degree with first honour in Financial Economics from Coventry University, UK and a Master's degree in Finance from University of London, Imperial College of Science, Technology and Medicine.

Save as disclosed in this circular, Mr. Chan has not held any other directorships in listed public companies in the past three years nor does he have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Mr. Chan is a substantial shareholder of the Company. As at the Latest Practicable Date, Mr. Chan held 521,955,073 Shares, representing 28.99% of the entire issued share capital of the Company. Of these 521,955,073 Shares, (i) 389,090,895 Shares were held by Mr. Chan himself and (ii) 132,864,178 Shares were held by Glazy Target Limited, which is wholly owned by Mr. Chan. Save as disclosed above, Mr. Chan does not have any interests in any Shares or underlying shares in or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Future Ordinance.

Mr. Chan has entered into a service agreement with the Company for a term of three years commencing from 6 February 2017. He is subject to re-election by shareholders of the Company at the EGM and is also subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the Articles of Association. Pursuant to the service agreement, Mr. Chan is entitled to receive a director's emolument of HK\$1,800,000 per annum. Mr. Chan's emolument is determined by the remuneration committee of the Company by reference to the prevailing market rate, his time, effort and expertise devoted to the Company's affairs and the Company's remuneration policy. Both the Company and Mr. Chan consider such remuneration to be reasonable. Such service agreement can be terminated by either party giving at least three months' prior notice in writing.

Save as disclosed above, there is no information in relation to the appointment of Mr. Chan which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters which need to be brought to the attention of the shareholders of the Company.

**(2) Mr. Hung Hing Man**

Mr. Hung Hing Man, aged 46, holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung is also an independent non-executive director of China Information Technology Development Limited since April 2015, a company listed on the Growth Enterprise Market Board of the Stock Exchange. He was an independent non-executive director of Ping An Securities Group (Holdings) Limited (former name: Madex International (Holdings) Limited) from September 2009 to November 2015 and China Baoli Technologies Holdings Limited (former name: REX Global Entertainment Holdings Limited) from March 2009 to September 2015, both listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Hung has not held any other directorships in listed public companies in the past three years nor does he have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Hung does not have any interests in any shares or underlying shares in or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Future Ordinance.

Mr. Hung has entered into a service agreement with the Company for a term of three years commencing from 20 February 2017. He is subject to re-election by shareholders of the Company at the EGM and is also subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the articles of association of the Company. Pursuant to the service agreement, Mr. Hung is entitled to receive an annual director's fee of HK\$150,000. Mr. Hung's director's fee is determined by the remuneration committee of the Company by reference to the prevailing market rate, his time, effort and expertise devoted to the Company's affairs and the Company's remuneration policy. Both the Company and Mr. Hung consider such fee to be reasonable.

Mr. Hung has confirmed that he meets the independence criteria as set out in Rule 3.13 of the Listing Rules.

Save as disclosed in this circular, there is no information in relation to the appointment of Mr. Hung which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters which need to be brought to the attention of the Shareholders.



## 1. INDEBTEDNESS

At the close of business on 31 January 2017, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Group had an aggregate outstanding indebtedness of approximately HK\$40.2 million, which was comprised of:

	<b>At 31 January 2017</b> <i>HK\$'000</i>
Bank loans, secured ( <i>Note 1</i> )	40,133
Finance lease payable, secured ( <i>Note 2</i> )	40
	<hr/>
	40,173
	<hr/> <hr/>
The borrowings are repayable as follows:	
Within one year	40,150
In the second year	17
In the third to fifth years, inclusive	6
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	40,173
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Save for the aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 January 2017, the Group did not have any debt securities issued and outstanding, or any other borrowings or indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade payables) or acceptance credits or hire purchases commitments, or any other borrowings subject to mortgages or charges, or any other material contingent liabilities or guarantees.

At the close of business on 31 January 2017, as the Disposal was yet to complete, the Target Group were the subsidiaries of the Vendor and the Company held 100% equity interest in the Target Group. The inter-group liabilities between the Group and the Target Group were not comprised in the outstanding indebtedness at the close of business on 31 January 2017 as stated above.

*Note 1:* The range of interest rate of the Group's bank loans at 31 January 2017 was from approximately 1.7168% per annum to approximately 3.05031% per annum, and the Group's bank loans were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company and a charge over the Group's available-for-sale financial assets and pledged bank deposits.

*Note 2:* The Group's finance lease payable was secured by the lessor's title to the leased asset, which was a copier.

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources presently available to the Group, the existing banking facilities available and the estimated net proceeds from the Disposal, the Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

**3. EFFECTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY**

Upon Completion, the Target Group will cease to be indirect wholly-owned subsidiaries of the Company. As each of the Target Company and Jin Tao will cease to be an indirect wholly-owned subsidiary of the Company, each of their respective financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group. The Disposal is expected to result in a decrease in the Group's total assets and total liabilities, and the net asset value of the Group is expected to increase. Given the loss making performance of the Target Company and Jin Tao, it is expected that the Disposal will not have any negative impact on the earnings of the Group. The Group expects to record a gain from the Disposal of approximately HK\$47 million (subject to audit), calculated based on the Consideration of HK\$200 million less the sum of (i) the book value of the Shareholder's Loan of approximately HK\$268 million; (ii) the unaudited consolidated net liabilities of the Target Group as at 31 December 2016 of approximately HK\$144 million; (iii) the net sum of inter-group balances due by the Target Group to other members of the Group (excluding the Shareholder's Loan) as at 31 December 2016 of approximately HK\$88 million, as relevant members of the Target Group and the members of the Group shall execute relevant deeds of waiver waiving the obligations and liabilities of the relevant members of the Group and the Target Group to repay the inter-group balances effective on the Completion Date; (iv) the expected net gain from collection of accounts receivable by Jin Tao which is approximately HK\$14.44 million; and (v) the foreign currency translation reserve of Jin Tao of approximately HK\$45 million reclassified to consolidated profit or loss as part of the gain upon Disposal. (Note: The functional currency of Jin Tao is Renminbi and the translation rate of Renminbi to Hong Kong Dollars applied to the above calculation was RMB/HK\$ = 0.90)

Shareholders should note that the actual amount of the gain/loss from the Disposal to be recognised in the consolidated financial statements of the Company depends on (i) the net asset value of the Target Group upon Completion; and (ii) the then exchange rate for Renminbi to Hong Kong Dollars, and therefore may be different from the amount stated above.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016, being the date to which the latest published audited financial statements of the Group were made up.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

### Financial review

The Group's income was derived from three business units: (i) the FMCG Trading Business; (ii) the Agri-Products Business; and (iii) the Logistics Services Business. These three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

As disclosed in the annual report of the Company for the year ended 30 June 2016, the Group generated total revenue of approximately HK\$1,366.3 million as compared to HK\$1,641.4 million for the financial year ended 30 June 2015, representing a fall of approximately 16.8%. The decline in revenue was mainly attributable to the decline in revenue of the Agri-Products Business by approximately 21.9% as a result of the negative impact on the agri-products trading business stemmed from the weak market demand caused by the anti-extravagance atmosphere in China, the shortage of imported fruit products due to Thailand's drought, as well as the trimming of the Group's upstream farming business. The revenue contributions from the FMCG Trading Business and the Logistics Services Business also recorded a fall of mid-teen percent primarily due to the weak market demand and fierce competition. The net loss for the financial year ended 30 June 2016 was approximately HK\$274.7 million, compared to the net loss of approximately HK\$73.3 million for the financial year ended 30 June 2015. The increase in the net loss was mainly attributable to the decrease in turnover and increase in other operating expenses, which were primarily the impairment losses on cosmetic products distribution, agri-trading and agri-related logistics businesses. As at 30 June 2016, the Group also had the total assets of approximately HK\$2,712 million and the total liabilities of approximately HK\$204 million.

### Prospects

In the coming year, the Group will continue to strengthen the traditional trading business by enhancing product portfolio and sales channels as well as investing in appropriate logistics facilities to support the trading business. On the other hand, the Group will continue to adopt stable and reasonable pricing strategy that not only enables us to build up a strong network with different customers, but also underpins the improving trend in the gross profit margin despite the deteriorating operating environment.

Following various cost-saving initiatives undertaken over past few years, the Group will continue to implement different measures to control operating expenses. The Group's efforts have been getting traction that both selling and administrative expenses were reduced evidently in past few years, and the Group will make every effort to maintain this encouraging trend in coming years.

Furthermore, the Group will diversify its investments to reduce operational risks and aim to earn stable income and cash flow. In September 2016, the Group entered into a conditional agreement with independent third parties to acquire a target group company whereby its principal operating company is a company incorporated in Hong Kong and is licensed to carry on type 1 regulated activity (dealing in securities) under the SFO. The Group considers that the acquisition

will allow the Group to diversify its business and provide a prime opportunity for the Group to tap into the business of financial services industry in Hong Kong, so as to broaden the revenue and earning sources of the Group. On 21 February 2017, the Company has replied comments raised by the SFC relating to its application for change in ownership of the Brokerage Business. Save for the above, there were no outstanding feedbacks in relation to such application pending replies from the Company. The Company is optimistic that the date of completion of the acquisition of the Brokerage Business shall be on or before the long stop date of the acquisition agreement of the Brokerage Business, which is 4 March 2017. Further announcement will be made by the Company when completion of the acquisition of the Brokerage Business or other material progress takes place.

Whether the Disposal materialises or not, it will not affect the acquisition of the Brokerage Business.

Save as disclosed, there is no material change in the trend of business of the Group since 30 June 2016 up to the Latest Practicable Date. Save for any unforeseen events, the Group is cautiously optimistic on the prospect and the financial performance over coming years.

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Hong Kong Appraisal Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2016 of the property interest to be disposed of by the Company.*

28 February 2017

The Board of Directors

Heng Tai Consumables Group Limited  
31st Floor, Guangdong Finance Building,  
No. 88 Connaught Road West,  
Hong Kong

Dear Sir/Madams,

In accordance with your instructions to value the property interests to be disposed of by Heng Tai Consumables Group Limited (the “Company”) or its subsidiaries (the “Group”) situated in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 31 December 2016 (the “Valuation Date”).

#### **BASIS OF VALUATION**

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

### **VALUATION METHODOLOGY**

In valuing property 1, we have adopted market comparison method by making reference to the comparable market transactions as available. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

In valuing property 2, due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are no readily identifiable market comparables. The property interest has therefore been valued by cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. It applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

### **VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the owner sells the properties in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties.

We have also assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, all required licenses, permit, certificated, and authorizations have been obtained.

Moreover, in undertaking our valuation for the properties located in the PRC, we have assumed that, unless otherwise stated, transferable land use rights in respect of such properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of such properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

### **TITLE INVESTIGATION**

We have been provided with copies of title documents relating to the properties. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us.

All documents have been used for reference only. All dimensions, measurements and areas are approximations. No responsibilities regarding legal title to the properties are assumed in this valuation report.

**LIMITING CONDITIONS**

We have inspected the exterior and, wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services.

Inspection of the properties was carried out in August 2016 by Ms. Peggy Y.Y. Lai. She is a Chartered Surveyor and has over 18 years' experience in the valuation of properties in the PRC.

We have not carried out detailed on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters, in particular, but not limited to, the tenure, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us. We have also been advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

**REMARKS**

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors (HKIS).

We have valued the the property interests in Renminbi (RMB).

We enclose herewith summary of values and valuation certificates.

Yours faithfully,  
For and on behalf of  
**Hong Kong Appraisal Advisory Limited**  
**Peggy Y. Y. Lai**  
*MHKIS, RPS(GP), BSc*  
Director of Property Valuation

*Note:* Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) and a Member of the Hong Kong Institute of Surveyors with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, United Kingdom, Canada, mainland China and the Asia Region.



## SUMMARY OF VALUES

<b>Properties to be disposed of by the Group</b>	<b>Market Value in existing state as at 31 December 2016 RMB</b>
Property 1: A parcel of land located at one of No. 2 Xianshi First Road, South District, Zhongshan City, Guangdong Province, the PRC	7,900,000
Property 2: A parcel of land, various buildings and structures of a Logistic Centre, No. 2 Xianshi First Road, Southern District, Zhongshan City. Guangdong Province, The PRC	173,100,000
<b>Total:</b>	<b>181,000,000</b>

## Properties to be disposed of by the Group

## VALUATION CERTIFICATE

Property 1	Description and tenure	Particulars of occupancy	Market Value
			in existing state as at 31 December 2016 RMB
A parcel of land located at one of No. 2 Xianshi First Road, South District, Zhongshan City, Guangdong Province, the PRC	The property with a site area of about 13,737.3 sq.m.  The land use rights of the property were granted for a term expiring on 2 February 2045 for industrial use.	The property is vacant as at the Valuation Date.	7,900,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong(2007) No. 261338, the land use rights of the property with a total site area of approximately 13,737.3 sq.m. were granted to Jin Tao (Zhongshan) Fresh Produce Logistics Co., Ltd. (“Jin Tao”) for a term expiring on 2 February 2045 for industrial use.
2. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
  - (i) The land use rights of the property are legally vested in Jin Tao.
  - (ii) Jin Tao is entitled to occupy, use, transfer, lease, mortgage and dispose of the property freely in the market.
  - (iii) The property is not subject to any seizures, mortgage, encumbrance or lien.
3. Jin Tao is a wholly-owned subsidiary of Heng Tai Consumables Group Limited.

## Properties to be disposed of by the Group

## VALUATION CERTIFICATE

Property 2	Description and tenure	Particulars of occupancy	Market Value
			in existing state as at 31 December 2016 RMB
A parcel of land, various buildings and structures of a Logistic Centre, No. 2 Xianshi First Road, Southern District, Zhongshan City, Guangdong Province, The PRC	<p>The property comprises 4 multi-storey buildings completed between 2006 and 2007.</p> <p>The property has a total gross floor area of approximately 36,101.71 sq.m..</p> <p>The land use rights of the property were granted for a term expiring on 30 December 2043 for commercial use.</p>	The property is mainly occupied by Jin Tao for industrial and ancillary uses except some areas are subject to various tenancies.	173,100,000

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong(2007) No. 260200, the land use rights of the property with a total site area of approximately 77,999.9 sq.m. were granted to Jin Tao (Zhongshan) Fresh Produce Logistics Co., Ltd. (“Jin Tao”) for a term expiring on 30 December 2043 for commercial use.
- Pursuant to a Realty Title Certificate – Yue Fang Di Zheng Zi No. C6412081), the building ownerships of the property with a total gross floor area of approximately 36,101.71 sq.m. are vested in Jin Tao. The respective building particulars are tabulated below:

Building	Gross Floor Area (sq.m.)	Completion Year
Trading Platforms A&B	18,995.10	2006
Business Centre	9,398.10	2006
Staff Quarter	2,779.80	2006
Cold Storage	4,928.71	2007
<b>Total</b>	<b>36,101.71</b>	

- With reference to the provided information, the total monthly rent as at the Valuation Date is approximately RMB150,000.
- The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
  - The land use rights of the property are legally vested in Jin Tao.
  - Jin Tao is entitled to occupy, use, transfer, lease, mortgage and dispose of the property freely in the market.
  - The property is not subject to any seizures, mortgage, encumbrance or lien.
- Jin Tao is a wholly-owned subsidiary of Heng Tai Consumables Group Limited.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

### Directors' and chief executive's interests in the Shares

Name of Directors	Capacity/Nature of interest	Number of Shares held		Number of underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date
		Long position	Short position		
Mr. Lam Kwok Hing	Interest in controlled corporation and family interest	275,078,914 (Note 1)	–	–	15.28%
Ms. Lee Choi Lin, Joecy	Interest in controlled corporation and family interest	275,078,914 (Note 2)	–	–	15.28%
Mr. Chan Cheuk Yu, Stephen	Beneficial owner and interest in controlled corporation	521,955,073 (Note 3)	–	–	28.99%
Ms. Hung Sau Yung, Rebecca	Beneficial owner	–	–	3,120,000 (Note 4)	0.17%
Ms. Gao Qin Jian	Beneficial owner	–	–	3,120,000 (Note 4)	0.17%

Name of Directors	Capacity/Nature of interest	Number of Shares held		Number of underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date
		Long position	Short position		
Mr. John Handley	Beneficial owner	-	-	2,080,000 (Note 4)	0.12%
Ms. Mak Yun Chu	Beneficial owner	-	-	2,080,000 (Note 4)	0.12%
Mr. Poon Yiu Cheung, Newman	Beneficial owner	-	-	1,560,000 (Note 4)	0.09%

*Note 1:* Mr. Lam, the spouse of Ms. Lee, is deemed interested in the 217,961,128 Shares Best Global and 57,117,786 Shares Ms. Lee are interested, and his interests duplicate those of Best Global and Ms. Lee.

*Note 2:* Ms. Lee, the spouse of Mr. Lam, is deemed interested in the 217,961,128 Shares Mr. Lam is interested and the 57,117,786 Shares held by World Invest, and her interests duplicate those of Mr. Lam and World Invest.

*Note 3:* Mr. Chan Cheuk Yu Stephen is the sole legal and beneficial owner of the entire issued capital of Glazy Target Limited. Out of the 521,955,073 Shares held, Mr. Chan is deemed interested in the 132,864,178 Shares held by Glazy Target Limited and 389,090,895 Shares are held by Mr. Chan himself.

*Note 4:* The number of underlying Shares refers to the number of Shares which may be converted from the Options held by the holders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any member of the Group which is not expiring or determinable by the Director within one year without payment of compensation other than statutory compensation.

**4. MATERIAL CONTRACTS**

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and is or may be material:

- (i) the sale and purchase agreement dated 30 October 2015 between Glazy Target Limited, Mr. Chan Cheuk Yu and Fiorfie Trading Limited for the acquisition of entire issued share capital of Best Title Global Limited and the shareholder's loan due and owing, which involved the issue of consideration shares;
- (ii) the deed of assignment dated 18 November 2015 between Glazy Target Limited, Fiorfie Trading Limited and Best Title Global Limited, which was one of the completion documents for the transactions contemplated under the sale and purchase agreement stated in paragraph 4(i) above;
- (iii) the placing agreement dated 4 May 2016 between Sino Wealth Securities Limited and the Company for placing of up to 150,000,000 new Shares of the Company;
- (iv) the share purchase agreement dated 5 September 2016 between Uni-Money Limited, Mr. Wat Ying Hang and Fiorfie Holdings Limited;
- (v) the Underwriting Agreement;
- (vi) the MOU; and
- (vii) the Agreement.

**5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance is known to the Directors to be pending or threatened against any member of the Group.

**6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OF THE GROUP**

None of the Directors had any interest, either direct or indirect, in any assets which had been since 30 June 2016 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

**8. EXPERTS AND CONSENT**

The following is the qualifications of the expert who had given opinions contained in this circular:

<b>Name</b>	<b>Qualification</b>
Hong Kong Appraisal Advisory Limited	Independent property valuer

As at the Latest Practicable Date, Hong Kong Appraisal Advisory Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and did not have any interest, either direct or indirect, in any assets which had been since 30 June 2016 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Hong Kong Appraisal Advisory Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which it is included.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours between 10:00 a.m. – 4:00 p.m. on Monday to Friday (except public holiday) at the head office and principal place of business of the Company in Hong Kong at 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong up to and including 16 March 2017:

- (a) the memorandum and articles of association of the Company;
- (b) annual reports of the Group for the two years ended 30 June 2015 and 2016;
- (c) the letter from the Board;
- (d) the material contracts referred to under the section headed “Material Contracts” in this Appendix;
- (e) the report from Hong Kong Appraisal Advisory Limited in respect of the valuation of the Land and the buildings and structures erected thereon, the text of which is set out in Appendix II to this circular;
- (f) the letter of consent referred to under the section headed “Expert and Consent” in this Appendix; and
- (g) this circular.

**10. GENERAL**

- (a) The Company Secretary of the Company is Mr. Wong Siu Hong, who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.
- (b) As at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.
- (c) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.



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## NOTICE OF EGM

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Heng Tai Consumables Group Limited (the “**Company**”) will be held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Thursday, 16 March 2017 at 10:30 a.m. for considering and, if thought fit, passing (with or without amendment) the following resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the sale and purchase agreement dated 20 January 2017 (the “**Agreement**”) entered into between HT Jenco International (Holdings) Limited (the “**Vendor**”) as the vendor and Mr. Cheung Wai Ming (the “**Purchaser**”) as the purchaser (a copy of the Agreement is produced to the Meeting and marked “A” and initialled by the Chairman of the Meeting for identification purpose) in relation to the sale by the Company via the Vendor (which is a wholly owned subsidiary of the Company) to the Purchaser of all the equity interests in Sino Combo International Limited (the “**Target Company**”) and the outstanding shareholder’s loan advanced by the Vendor to the Target Company at the total consideration of HK\$200,000,000.00 and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorized to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Agreement and the transactions contemplated thereunder respectively.”

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## NOTICE OF EGM

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2. “**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the shares of the Company to be issued pursuant to the exercise of options which may be granted under the Refreshed Scheme Mandate Limit (as defined below), the refreshment of the limit in respect of the granting of share options under the existing share option scheme (the “**Scheme**”) of the Company adopted on 21 December 2009 up to a new 10 per cent. limit (the “**Refreshed Scheme Mandate Limit**”) be approved provided that:
  - (a) the total number of shares of the Company which may be issued upon exercise of options to be granted under the Scheme after the date of the passing of this resolution must not exceed 10 per cent. of the number of shares of the Company in issue as at the date of passing this resolution;
  - (b) options granted prior to the date of passing this resolution under the Scheme (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Scheme or such other scheme(s) of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit; and
  - (c) any director of the Company be and is hereby authorised to do such act and execute such document to effect the Refreshed Scheme Mandate Limit.”
3.
  - (a) “**THAT** Mr. Chan Cheuk Yu, Stephen be re-elected as an executive director of the Company.”
  - (b) “**THAT** Mr. Hung Hing Man be re-elected as an independent non-executive director of the Company.”
4. “**THAT**:
  - (a) the general mandate granted to the directors of the Company (the “**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 21 December 2016 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
  - (b) subject to paragraph (d) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “**Shares**”) and to make or grant offers, agreements, options, warrants and other securities to subscribe for or convertible into Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - (c) the approval in paragraph (b) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options, warrants and other securities to subscribe for or convertible into Shares which might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF EGM

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- (d) the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of 20 per cent. of the number of issued Shares on the date of the passing of this resolution, and the authority pursuant to paragraph (b) of this resolution shall be limited accordingly; and
- (e) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange).”

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

Hong Kong, 28 February 2017

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## NOTICE OF EGM

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head Office and Principal place of business in Hong Kong:*

31st Floor  
Guangdong Finance Building  
88 Connaught Road West  
Sheung Wan  
Hong Kong

*Notes:*

- (1) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) In the case of joint holders of a share if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or their authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- (5) A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual, or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
- (6) Completion and return of a proxy form will not preclude a member from attending or voting in person at the above meeting or any adjourned meeting thereof, should he so wish.
- (7) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the Chairman of the meeting will demand that all resolutions will be voted by way of poll at the meeting.