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) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF A SUBSIDIARY; AND (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED LEASEBACK OF PROPERTY

THE DISPOSAL

On 30 June 2026 (after trading hours of the Stock Exchange), the Vendor, being a wholly-owned subsidiary of the Company (as vendor) entered into the Sale and Purchase Agreement with the Purchaser (as purchaser). Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital in the Target Company, for a consideration of HK$54,000,000. Upon Completion, the Company will cease to have any equity interest in the Target Company.

THE LEASEBACK ARRANGEMENT

On 30 June 2026 (after trading hours of the Stock Exchange), Shanghai Rusine (as lessee) and Shanghai Sypher (as lessor) entered into the Leaseback Agreement. Pursuant to the Leaseback Agreement, Shanghai Sypher has conditionally agreed to lease back the Property to Shanghai Rusine for a term of three (3) years commencing from the Commencement Date for an annual rent of RMB5,760,000.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Shareholders as a whole and how to vote on the EGM, taking into account the recommendations of the Independent Financial Adviser to be appointed by the Company.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the Leaseback Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 31 July 2026 as additional time is required by the Company to prepare and finalise certain information to be included in the circular.

THE DISPOSAL

On 30 June 2026 (after trading hours of the Stock Exchange), the Vendor, being a wholly-owned subsidiary of the Company (as vendor) entered into the Sale and Purchase Agreement with the Purchaser (as purchaser). Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the total issued share capital of the Target Company, for a consideration of HK$54,000,000.

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 30 June 2026

Parties: (1) The Vendor; and

(2) The Purchaser.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the total issued share capital of the Target Company.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to have any equity interest in the Target Company.

Payment terms

The Consideration is HK$54,000,000, which shall be payable by the Purchaser to the Vendor in the following manner:

(i) a sum of HK$5,000,000 has been paid to the bank account designated by the Vendor as the first deposit on 30 June 2026 (the "**First Deposit**");

(ii) within thirty Business Days after the date of the Sale and Purchase Agreement, a sum of HK$5,000,000 shall be paid to the bank account designated by the Vendor as the second deposit (the "**Second Deposit**", together with the First Deposit, the "**Deposits**")

(iii) Shanghai Rusine, being a wholly-owned subsidiary of the Company, as the lessee, has entered into the Leaseback Agreement with Shanghai Sypher as the lessor, pursuant to which Shanghai Rusine shall lease the Property for industrial use for a term of 3 years. Pursuant to the terms of the Leaseback Agreement, Shanghai Rusine shall pay a total of RMB2,880,000 (equivalent to HK$3,312,000) (the "**Initial Rent Payment**"), representing the rental deposit and the three months rent, in one lump sum to Shanghai Sypher on the Commencement Date. The Vendor, the Purchaser, Shanghai Rusine and Shanghai Sypher agree to execute a deed of set-off (the "**Deed**") on the Completion Date to offset part of the Consideration in the amount of HK$3,312,000 (equivalent to RMB2,880,000) against the Initial Rent Payment;

(iv) upon Completion, a sum of HK$30,688,000 shall be paid to the bank account designated by the Vendor; and

(v) within 45 Business Days after the Completion, the remaining balance of the Consideration, being HK$10,000,000, shall be paid to the bank account designated by the Vendor.

The Purchaser represents and warrants to the Vendor that, after Completion, if the Purchaser fails to settle all the outstanding Consideration in accordance with the payment term set out in the Sale and Purchase Agreement, the Purchaser will transfer the Sale Shares back to the Vendor at a nominal consideration of HK$1.00 and all the Consideration received by the Vendor will not be refunded to the Purchaser. Based on the above, the Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) consider that the payment terms under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the unaudited net asset value of the Target Group in the amount of approximately HK$53,758,000 as at 31 May 2026, taking into account the preliminary valuation of the Property (assuming without title defects and transfer restrictions) in the amount of approximately RMB51,969,000 as at 31 May 2026.

The preliminary valuation of the Property was prepared by Valplus Consulting Limited, a professional valuer independent to the Company and its connected persons. Mr. Damon Wan, being the founding partner of Valplus Consulting Limited, is a chartered financial analyst charterholder, a certified financial risk manager and a member of Royal Institution of Chartered Surveyors. He has been working in the professional valuation field since 2008 and he is experienced and specialised in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger and acquisition and public listing.

The preliminary valuation of the Property represents the market value of the Property by using cost approach (i.e. the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach). For more details of the valuation of the Property (including the valuation methodology and assumptions), please refer to the circular to be despatched to the Shareholders on or before Friday, 31 July 2026.

Conditions Precedent

The obligations of the Purchaser to purchase the Sale Shares are conditional upon and subject to the fulfillment (or waiver, as the case may be) of the following conditions precedent:

(a) each of the Vendor and the Target Company having obtained all necessary consents and approvals required for the Sale and Purchase Agreement and the transactions contemplated thereunder;

(b) the Purchaser having obtained all necessary consents and approvals required for the Sale and Purchase Agreement and the transactions contemplated thereunder;

(c) the Company having obtained approval from the Independent Shareholders at the EGM for the Sale and Purchase Agreement and the transactions contemplated thereunder;

(d) Shanghai Rusine and Shanghai Sypher having entered into the Leaseback Agreement, pursuant to which Shanghai Sypher conditionally agrees to lease the Property to Shanghai Rusine after Completion and the commencement of the Leaseback Arrangement;

(e) the receipt of a valuation report from an independent professional valuer, stating that the valuation of the Property is not less than RMB51,969,000 (equivalent to approximately HK$59,764,000); and

(f) all warranties set out in the Sale and Purchase Agreement being true and correct in all material respects.

The Purchaser may waive the condition precedent (f) in writing. Neither the Purchaser nor the Vendor may waive any other conditions precedent set out above. If any of the above conditions precedent cannot be fully fulfilled (or waived by the Purchaser, as the case may be) on or before 30 September 2026 (or such later date as may be agreed by the parties in writing), the Sale and Purchase Agreement, as well as the rights and obligations of the parties, shall immediately cease to have effect and be terminated, without prejudice to the liability of any party for any prior breach of the terms of the Sale and Purchase Agreement and the Vendor shall return the Deposits (without interest) to the Purchaser within five business days following the termination of the Sale and Purchase Agreement.

Completion

Completion shall take place within three (3) Business Days (or such other date as the parties may agree) after all conditions precedent set out in the Sale and Purchase Agreement have been fulfilled (or waived by the Purchaser, as the case may be).

Upon Completion, the Company will cease to have any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

THE LEASEBACK ARRANGEMENT

On 30 June 2026 (after trading hours of the Stock Exchange), Shanghai Rusine (as lessee) and Shanghai Sypher (as lessor) entered into the Leaseback Agreement. Pursuant to the Leaseback Agreement, Shanghai Sypher has conditionally agreed to lease back the Property to Shanghai Rusine for a term of three (3) years commencing from the Commencement Date for an annual rent of RMB5,760,000.

The principal terms of the Leaseback Agreement are set out below:

Date:	30 June 2026
Parties:	(1) Shanghai Sypher as the lessor; and (2) Shanghai Rusine as the lessee.
Premise:	The Property situated at No. 1–5, Lane 1199, Jidi Road, Minhang District, Shanghai, the PRC (中國上海市閔行區紀翟路1199弄1–5號) with a gross floor area of approximately 21,820.58 square metres
Term:	Three (3) years commencing from the Commencement Date (being the Completion Date after fulfilment of all conditions precedent for the Disposal and the Leaseback Arrangement)
Usage:	For industrial purposes

Deposit:	The rental deposit equivalent to 3 months' rent, being RMB1,440,000, shall be payable by Shanghai Rusine on the Commencement Date.
Annual rent:	The monthly rent for the Property shall be RMB480,000 and the annual rent shall be RMB5,760,000. The payment terms of the rent are as follows: (1) on the Commencement Date, Shanghai Rusine shall pay the rental deposit and the three months rent to Shanghai Sypher in one lump sum. This consists of a rental deposit of RMB1,440,000 and three months rent of RMB1,440,000, totaling RMB2,880,000; and (2) Shanghai Rusine shall pay three months rent of RMB1,440,000 in one lump sum every three months in arrears and within 14 days after every three months period (the first payment shall be made within 14 days after six months from the Commencement Date and the last payment shall be offset by the rental deposit); The rental deposit and the three months rent under the Leaseback Agreement in the total amount of RMB2,880,000 will be set-off against part of the Consideration by way of entering into the Deed and the remaining rent under the Leaseback Agreement in the amount of RMB14,400,000 is expected to be satisfied by internal resources of the Group.
Other expenses:	During the lease term, all expenses incurred for the use of the Property, including water, electricity, gas, communications, cable TV, property management services and all other relevant expenses, shall be borne by Shanghai Rusine.
First right:	Shanghai Rusine as the lessee will have the first right to rent the Property further upon expiry of the three-year term under the Leaseback Agreement (the term and rent of which will be subject to further negotiation at the then prevailing market condition) and Shanghai Rusine shall inform Shanghai Sypher of its intention whether to renew the Leaseback Agreement one month before the expiry of the Leaseback Agreement.

Conditions Precedent:	Commencement of the Leaseback Arrangement is subject to the following conditions having been fulfilled: (1) the Company having obtained approval from the Independent Shareholders at the EGM regarding the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder; (2) Completion having taken place in accordance with the terms of the Sale and Purchase Agreement; and (3) there being no applicable laws or actions by any governmental authority that restrict, prohibit, or cancel the Leaseback Arrangement. If all the above conditions precedent are not fulfilled by 30 September 2026 (or such later date as may be agreed by the parties in writing), the Leaseback Agreement shall terminate forthwith.

While the annual rent under the Leaseback Arrangement was determined with reference to a preliminary valuation report on the market rent of the Property, the payment terms of the Leaseback Arrangement, specifically the Initial Rent Payment of RMB2.88 million (comprising a rental deposit of RMB1,440,000 and the prepayment of three months rent of RMB1,440,000) were determined following arm's-length negotiations between Shanghai Rusine (as lessee) and Shanghai Sypher (as lessor).

Having taken into account that: (i) the Leaseback Arrangement ensures the seamless continuity of the Group's logistics operations at the Property immediately following Completion, thereby avoiding relocation costs, operational downtime, and potential supply-chain disruptions; (ii) the Leaseback Arrangement provides cost certainty by eliminating the risk of rental fluctuations over the three-year term and the Initial Rent Payment also served as a key bargaining lever to secure a fixed rental rate for the three-year term during the arm's length negotiation, which can effectively hedge against potential market rent increase; and (iii) the Board has reviewed and concurred with the preliminary valuation of the Property's market rent as prepared by Valplus Consulting Limited, the Directors (excluding members of the Independent Board Committee, who will formulate their view after considering the advice of the Independent Financial Adviser) consider that the Leaseback Arrangement, including the rental deposit and prepayment structure, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The preliminary valuation on the market rent of the Property prepared by Valplus Consulting Limited represents the market rent of the Property by using market approach and making reference to comparable rental evidence or asking rents of similar industrial properties available in the relevant market.

The Board has reviewed the preliminary valuation report on the market rent of the Property prepared by Valplus Consulting Limited (including the valuation methodology and material assumptions therein including, among others, (i) the owner has free and uninterrupted rights to use the property interests; (ii) the lessor leases the property interests on the open market in its existing state; (iii) all consents, approvals and licenses from relevant government authorities for the property interests have been granted without any onerous conditions or undue time delay which might affect their market rents; and (iv) all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the report) and agreed with the report and the Board considers that the preliminary valuation of the market rent of the Property is fair and reasonable.

The terms of the Leaseback Agreement were determined after arm's length negotiations between the relevant parties with reference to a preliminary valuation report prepared by Valplus Consulting Limited, an independent professional valuer in respect of the Property in the existing state with market rent as at 31 May 2026 of RMB480,000 per month.

Right-of-use assets

Pursuant to HKFRS 16, if the Leaseback Arrangement under the Leaseback Agreement materialises, the right-of-use assets under the Leaseback Agreement in the amount of approximately RMB16.4 million (equivalent to approximately HK$18.86 million) will be recognised on the Group's consolidated statement of financial position. Such amount is unaudited and may be subject to adjustment.

INFORMATION ON THE TARGET COMPANY AND SHANGHAI SYPHER

The Target Company is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Vendor, and is principally engaged in investment holding.

Shanghai Sypher is a company established in the PRC with limited liability. As at the date of this announcement, Shanghai Sypher is a direct wholly-owned subsidiary of the Target Company, and is principally engaged in investment holding.

The Property is directly owned by Shanghai Sypher. The Property is situated at No. 1–5, Lane 1199, Jidi Road, Minhang District, Shanghai, the PRC (中國上海市閔行區紀翟路1199弄1–5號) with a gross floor area of approximately 21,820.58 square metres. The Property is mainly used as the logistics center for the Group's FMCG Trading Business and Agri-Products Business.

As at the date of this announcement, the Target Group does not have material assets other than the Property.

Financial information of the Target Group

Set out below is the financial information of the Target Group for the financial years ended 30 June 2024 and 30 June 2025 and for the eleven months ended 31 May 2026:

	For the financial year ended 30 June 2024 *HK$'000* *(unaudited)*	**For the financial year ended 30 June 2025** *HK$'000* *(unaudited)*	**For the eleven months ended 31 May 2026** *HK$'000* *(unaudited)*
Revenue	—	—	—
Net profit/(loss) before taxation	(6,071)	(4,611)	187,795 *(Note)*
Net profit/(loss) after taxation	(6,291)	(4,854)	187,514

Note: This is mainly due to a gain on waiver of inter-company balance in the amount of approximately HK$192 million recorded during the period. The inter-company balance is the total outstanding amount due by the Target Group to the Vendor for the past twenty years. The Vendor as a sole shareholder of the Target Company has been injecting capital to Shanghai Sypher for the construction of the logistic centre and operation costs of the logistic centre for more than twenty years and hence resulted in such amount of shareholder's loan. The Group is expected to record a gain (before tax and expenses) of approximately HK$122 million from the Disposal taking into account of the inter-company balance waiver. Without the waiver, the Target Group should record a net liabilities of approximately HK$138 million.

The total assets, total liabilities and net assets of the Target Company as at 31 May 2026 as extracted from its latest unaudited consolidated management account were approximately HK$59,982,000, HK$6,224,000 and HK$53,758,000 respectively.

INFORMATION ON THE PURCHASER AND THE VENDOR

The Purchaser, Mr. Lam, is the chairman, executive Director and chief executive officer of the Company and is therefore a connected person of the Company.

The Vendor, being a wholly-owned subsidiary of the Company, is a company established in the British Virgin Islands with limited liability. As at the date of this announcement, the Vendor is an investment holding company.

FINANCIAL EFFECT OF THE DISPOSAL AND LEASEBACK ARRANGEMENT

Upon Completion, the Target Company will cease to be a subsidiary of the Company. As such, the financial information of the Target Group will cease to be consolidated into the consolidated financial statements of the Group.

The Group is expected to record a gain (before tax and expenses) of approximately HK$122 million from the Disposal, which is estimated with reference to (i) the Consideration of HK$54 million; plus (ii) the release of exchange reserve attributable to the Disposal of approximately HK$122 million as at 31 May 2026; and deducted by (iii) the unaudited net assets of the Target Group of approximately HK$54 million as at 31 May 2026.

In respect of the release of exchange reserve attributable to the Disposal, the Company would like to supplement that the functional and presentation currency in the financial statements of the Company and the Target Company is Hong Kong dollars ("**HK$**"), while Shanghai Sypher has Renminbi ("**RMB**") as its functional currency. The results and financial position of Shanghai Sypher were translated into HK$ for group consolidation purpose in each financial year since it was established in 2003. Assets and liabilities were translated at the closing rate at that year end, while income and expenses are translated at average exchange rates for the year. All resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange reserve of the consolidated financial statements of the Group. Upon disposal, such exchange differences shall be reclassified to consolidated profit or loss as part of the gain or loss on disposal.

From 2003, RMB has undergone its appreciation era, starting from RMB1 worth approximately HK$0.94 and reached its strongest peak at approximately RMB1 to HK$1.26 in 2013. In recent years, although RMB has undergone volatility, it is still a stronger currency than HK$. For the eleven months ended 31 May 2026, the average rate was RMB1 to HK$1.103 and the closing rate was RMB1 to HK$1.143. The appreciation of RMB over these twenty years arising from translation of the net assets of Shanghai Sypher accumulated in the exchange reserve amounted to approximately HK$122 million. If the Disposal materialises, the exchange reserve of approximately HK$122 million will be released.

Following the Completion, the Group expects to recognise the right-of-use assets and the lease liability (being the present value of the aggregate lease payments to be made under the Leaseback Agreement determined by an incremental borrowing rate of approximately 4.0%) of approximately HK$18.86 million respectively under the Leaseback Agreement. The incremental borrowing rate of 4.0% is determined based on the lease discount rate calculation as at 31 May 2026 prepared by Valplus Consulting Limited.

Shareholders should note that the actual financial effect on the Group from the Disposal depends on, among others, the financial position of the Target Group at Completion and is subject to final audit.

USE OF PROCEEDS

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto of approximately HK$1.96 million, will amount to approximately HK$52 million.

The Group intends to use the net proceeds in the following manner:

— approximately HK$17 million will be used for development of the Company's FMCG Trading Business and Agri-Products Business including the development of artificial intelligent data analysis system, KOL marketing and promotion and internet platform operation;

— approximately HK$10 million will be used for development of the Company's FMCG Trading Business by obtaining the exclusive distribution rights for new products including sparkling water, red wine, white wine, tea and chocolate;

- — approximately HK$21.7 million will be used for general working capital of the Group, of which approximately HK$11.0 million will be used to settle selling and distribution expenses, and approximately HK$10.7 million will be used for settlement of account payables for the Group's FMCG Trading Business and Agri-Products Business; and
- — approximately HK$3.3 million will be used for off-setting part of the Consideration against the Initial Rent Payment.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND LEASEBACK ARRANGEMENT

As disclosed in the interim report the Company for the six months ended 31 December 2025 (the "**Interim Report 2025/26**"), the Group's turnover was approximately HK$158.3 million, representing a decrease of approximately 33.6%, compared to approximately HK$238.3 million in the same period last year. The Group's business was adversely affected by China's weak economy in 2025, primarily due to the persistent real estate and debt crises and the resulting soft market demand. To make matters worse, domestic brands continued to compete aggressively through low pricing and extensive advertising campaigns, intensifying market competition.

As disclosed in the segment information of Interim Report 2025/26, the FMCG Trading Business generated approximately HK$82.4 million during the six months ended 31 December 2025, representing a decrease of about 41.5% compared with the same period last year, and recorded approximately HK$11.2 million segment loss. For the Agri-Products Business, it generated approximately HK$75.9 million during the six months ended 31 December 2025, representing a decrease of about 20.9% compared with the same period last year, and recorded approximately HK$21.9 million segment loss.

Over the past few years, FMCG Trading Business and Agri-Products Business continued to face a number of challenges, including coronavirus disease 2019 and US tariff policy which led to surging costs and weak Chinese consumers spending, and the fierce market competition from domestic Chinese products. Worse still, the recent US-Iran war hiked the oil price, leading to leaping costs and largely reduces the purchasing power of customers. These adverse factors added much more burden and uncertainties to the Group's Trading Business. To counteract the challenging macroenvironment, the Group has been carrying on a continuous review to improve its product mix and implement all available cost-savings measures to strengthen the Group's financial resilience. During the six months ended 31 December 2025, the Group strategically trimmed down various unprofitable imported products across all three categories of the FMCG Trading Business including packaged foods, beverages, and household consumable products and reduced selling prices across various product categories to maintain competitiveness, which resulted in a decline in revenue during the six months ended 31 December 2025. Looking forward, the Group will continue to operate and develop the FMCG Trading Business, its core products categories will remain as packaged foods, beverages and household consumable products, and the Disposal together with the Leaseback Arrangement will not have any material adverse effect on the business operation of the FMCG Trading Business.

The Property was specially designed and constructed in 2005 to facilitate the distribution business of imported fast moving consumable goods such as biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice, dairy products, frozen products and temperature-controlled agri-products. Its warehouse facilities are used for unpacking goods, checking, re-packaging and re-labelling upon their arrival and to be distributed in the northern region of the PRC. It is also a co-ordination centre between third-party logistics carriers and its customers to despatch goods to different locations of the PRC.

The Property has been in operation for over twenty years. In the five years leading up to 30 June 2025, the Group invested approximately RMB19 million in facilities upgrades, including exterior glass wall repairs, central air-conditioning maintenance, office renovations, and warehouse equipment replacement. Given the current conditions of the buildings and facilities, other than the routine repairs and normal wear and tear, the Board expects that the Property will require substantial replacement and upgrade and thus capital expenditure in five to eight years' time which may include replacing existing furniture and fixtures, operational equipment and machinery, reinforcement works and re-construction of certain buildings and installation of up-to-date computerized technology and automation in order to maintain its operational functions and competitiveness. The estimated costs of replacement and upgrade over the next five to eight years will amount to RMB17 million based on the latest quotation received from a third-party contractor.

If the Property remains to be owned by the Group, the Group will have to bear the above replacement and upgrade costs and will substantially increase the burden of the Group's future working capital sufficiency. If the Disposal is completed, all the above replacement and upgrade costs will be borne by Shanghai Sypher instead.

The Company considers that the Disposal provides a good opportunity for the Group to realise the value of the Property taking into account (i) the Company expects the property market in the PRC to continue to decline in 2026 and is pessimistic about the future prospect of the industrial property market in the PRC taking into account the recent US-Iran war, the ongoing US-China strategic competition and increased trade barriers which impose macroeconomic and geopolitical risks. In addition to depreciation expense of RMB2.6 million for each financial year, the Group has further recognised fair value loss of the Property in the amount of RMB3.5 million, RMB5.4 million and RMB8.3 million for the recent three consecutive financial years ended 30 June 2023, 2024 and 2025 respectively. While it is expected that the value of the Property will be further depreciated and reduced in future, the Disposal gives the Group an opportunity to realise the Property at the time when it still has its market value; (ii) the Property has been in operation for over twenty years since October 2005. The physical elements of the warehouse, including the cold-chain storage facilities, loading bays, and mechanical handling equipment, have experienced normal wear and tear over the operational cycle and the remaining useful economic lives of several critical building services installations are nearing their thresholds. Therefore, the Disposal allows the Group to avoid substantial replacement and upgrading capital expenditure and ease the working capital burden of the Group in the future; (iii) the Property was self-built by the Group and commenced operation in October 2005 with a book value of HK$118.3 million as at 30 June 2006. When the Property was first built, the Trading Business recorded revenue of HK$1,217.0 million for the year ended 30 June 2006 and the scale of business of the Trading Business was much larger at that time as compared with the current scale of business of the Trading Business (HK$354.2 million for the year ended 30 June 2025), and therefore the Group's construction and ownership of the Property at the material time was well justified to support such large scale of business of the Trading

Business. Considering the current relatively smaller scale of business of the Trading Business, the Company considers that leasing the Property will be better off as it allows the Group to prioritise its financial stability and flexibility; and (iv) part of the proceeds from the Disposal will be applied by the Group for further development of the Group's FMCG Trading Business and Agri-Products Business with an aim to enhance its revenue stream and profitability of the business.

Based on the above, the Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) believe that the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

Each of the Disposal and the Leaseback Arrangement is part and parcel of the whole transaction and is inseparable after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Vendor offers the Property to the Purchaser and the Purchaser agrees to acquire the Property, in particularly under the current declining property market in PRC and uncertain market sentiment, only on the conditions that (i) the Property will be leased back to the Group for a fix term of three years so as to avoid the risk of the Property not letting out and unoccupied; and (ii) the rental deposit and prepayment structure set out in the Leaseback Agreement in order to protect the Purchaser's financial interests and ensure the commitment to lease the Property by Shanghai Rusine.

Having taken into account that: (a) the Leaseback Arrangement ensures the seamless continuity of the Group's logistics operations at the Property immediately following Completion, thereby avoiding relocation costs, operational downtime, and potential supply-chain disruptions; (b) the Leaseback Arrangement provides cost certainty by eliminating the risk of rental fluctuations over the three-year term and the Initial Rent Payment also served as a key bargaining lever to secure a fixed rental rate for the three-year term during the arm's length negotiation, which can effectively hedge against potential market rent increase; and (c) the Board has reviewed and concurred with the preliminary valuation of the Property's market rent as prepared by Valplus Consulting Limited, the Directors (excluding members of the Independent Board Committee, who will formulate their view after considering the advice of the Independent Financial Adviser) consider that the Leaseback Arrangement, including the rental deposit and prepayment structure, is on normal commercial terms and entered into in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the trading of packaged foods, beverages and household consumable products (the "**FMCG Trading Business**"); and (ii) the trading of agri-products (the "**Agri-Products Trading Business**") and the upstream farming business (the "**Upstream Farming Business**") (collectively the "**Agri-Products Business**").

The FMCG Trading Business generates revenue through the sale and trading of packaged foods, beverages and household consumable products in the domestic PRC market. The FMCG Trading Business sells finished consumer products and these products are largely sourced overseas through the Group's extensive global procurement network and are imported from various regions around the world, including Europe, the Americas, Australasia, and Southeast Asia. This business unit is classified into three categories including packaged foods, beverages, and household consumable products. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, health foods, noodles, snacks, rice, and nourishing and exclusively licensed branded products, remained the most significant category, followed by beverage products. In addition to buying and selling goods, the FMCG Trading Business is engaged in the supplier sourcing and selection, price negotiation and contract coordination, products inspection, procurement and quality assurance, inventory planning and order management, logistics arrangement, shipment consolidation and delivery coordination, customers support, after-sales follow up and customized trading solutions based on customers' specifications and provides value-added services that improve efficiency, reliability, and customers' satisfaction.

Looking ahead, the Group will continue to operate and develop the FMCG Trading Business and the Disposal together with the Leaseback Arrangement will not have any material adverse effect on the business operation of the FMCG Trading Business. While the business model of the FMCG Trading Business will remain unchanged after the Disposal, the proceeds from the Disposal in the amount of approximately HK$27 million will be applied by the Group for further development of the Group's FMCG Trading Business and Agri-Products Business with an aim to enhance its revenue stream and profitability of the business including the development of artificial intelligent data analysis system, KOL marketing and promotion and internet platform operation as well as the obtaining the exclusive distribution rights for new products including sparkling water, red wine, white wine, tea and chocolate.

To support the future growth and operational continuity of the FMCG Trading Business, the Group will utilise its internal resources and market expertise to sustain its operations and to drive further developments. The Group will also seek to capture new market opportunities by enhancing its business capabilities, broadening its customer base and maintaining its competitive position.

The Agri-Products Business generates revenue through the cultivation, sale and trading of fresh and processed fruits and vegetables in both Hong Kong and the domestic PRC market. The Agri-Products Business comprises the trading of fresh produce imported from countries such as Australasia and Southeast Asia, the domestic sourcing of fresh produce, and upstream cultivation operations in China. The Group has been reallocating more resources to the domestic agricultural products trading business with support from a processing center in Dongguan the PRC, which provides washing, sorting and grading, packing, and storage services for domestic fresh produce. The Group also continues to operate the plantations of early-crop oranges and ponkans at its farming base in Jiangxi, the PRC. The Agri-Products Business together with the FMCG Trading Business come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in PRC.

The Agri-Products Business will involve processing, packaging and branding, quality assurance, storage and handling, logistics and distribution and marketing and sales support, which are all value-adding services that improve efficiency, reliability, and customers' satisfaction.

Looking forward, the Group will continue to operate and develop the Agri-Products Business alongside with the FMCG Trading Business and they will remain as the principal business of the Group and the proceeds from the Disposal in the amount of approximately HK$17 million will be used for development of the Company's FMCG Trading Business and Agri-Products Business including the development of artificial intelligent data analysis system, KOL marketing and promotion and internet platform operation.

The Group has adopted a strategic business plan for its FMCG Trading Business and Agri-Products Business with an aim to reduce the net loss position and improve the profitability of the Group in the coming three years, in particular, to enhance gross profit margin, reduce overhead and working capital drag and grow higher-value channels and products. The core objective of the Group over the coming three years is to transform the business from a volume-driven, loss-making model into a disciplined, margin-led, cash generative platform. The transition should come from better product mix, in which the Group will continue to monitor the business and trim down unprofitable imported products and reduce exposure to low-margin, high-volatility products lines and focus on essential consumables with stable demand, tighter procurement, improved route-to-market, and selective expansion into higher-margin agri-products and private-label FMCG. The Disposal is a strategic move for the Group to adopt a leaner cost structure with lower fixed overhead, which will allow the Group to save all the replacement and upgrade costs of the Property over the next five to eight years in the amount of RMB17 million, and the proceeds of which will be applied to, among others, develop the business further by the development of artificial intelligent data analysis system, KOL marketing and promotion and internet platform operation, which will allow the Group to develop higher-value channels, as well as the obtaining the exclusive distribution rights for new products with higher margin including sparkling water, red wine, white wine, tea and chocolate. The Leaseback Arrangement will ensure the seamless continuity of the Group's logistics operations at the Property, which is one of the value added services that improve efficiency, reliability, and customers' satisfaction immediately following Completion. In addition, Shanghai Rusine as the lessee will have the first right to rent the Property further upon expiry of the three-year term under the Leaseback Agreement (the term and rent of which will be subject to further negotiation at the then prevailing market condition) and this will ensure that the Property will continue to be used as the logistics centre of the Group in the future and the competitiveness of the Group by providing effective and efficient logistic coordination and arrangement will be well preserved. By adopting the above business plan, the Group will strive to improve its quality of sales, achieve revenue growth as well as enhance its gross profit margin through channels development and product mix optimisation.

As at 31 May 2026, the Company has bank and cash balances of approximately HK$48 million, of which (i) approximately HK$14.7 million will be applied for capital injection into a joint venture company to be formed to engage in sale of drugs, health products, cosmetics and daily merchandise business in Hong Kong; (ii) approximately HK$0.8 million will be applied for maintenance and replacement of fixtures and logistics equipment of the Property, necessitated by ordinary wear and tear; (iii) the remaining HK$32.5 million will be applied for working capital of the FMCG Trading Business and Agri-Products Business of the Group, in particular, as reserve to ensure operational stability and for settlement of trade payables which amounted to HK$54.2 million as at 31 December 2025. The Company considers that it will have sufficient internal resources (including cash and by collection of the Group's account receivables) to operate the Group's FMCG Trading Business and Agri-

Products Business in the future and the Company does not have any plan to conduct further fund raising exercise to raise fund for the Group's FMCG Trading Business, Agri-Products Business and travel agency business in the coming 12 months period.

The Property is mainly used as the logistics center for the Group's FMCG Trading Business and Agri-Products Business. The Property was specially designed and constructed in 2005 to facilitate the distribution business of imported fast moving consumable goods such as biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice, dairy products, frozen products and temperature-controlled agri-products. Its warehouse facilities are used for unpacking goods, checking, re-packaging and re-labelling upon their arrival and to be distributed in the northern region of the PRC. It is also a co-ordination centre between third-party logistics carriers and its customers to despatch goods to different locations of the PRC. Upon completion of the Disposal and taking into account the Leaseback Arrangement, the role of the Property will remain unchanged as the logistic centre of the Group to support the Group's FMCG Trading Business and Agri-Products Business.

LISTING RULES IMPLICATIONS

The Disposal and the Leaseback Arrangement

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal exceed(s) 75%, the entering into of the Sale and Purchase Agreement constitutes a very substantial disposal on the part of the Company under the Listing Rules, and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to HKFRS 16, the entering into of the Leaseback Agreement as tenant will require the Group to recognise the right-of-use assets on its consolidated statement of financial position, thus the Leaseback Agreement and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Group under the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) calculated based on the value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 under the Leaseback Agreement is/are 25% or more but all of the percentage ratios are less than 100%, the entering into of the Leaseback Agreement constitutes a major transaction on the part of the Company and is therefore subject to the reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser, Mr. Lam, is the chairman, executive Director and chief executive officer of the Company and upon Completion, the Target Group will be wholly owned by the Purchaser. The Purchaser is a connected person of the Company and each of the Target Company and Shanghai Sypher will be a connected person of the Company upon Completion. Accordingly, each of the Disposal and the Leaseback Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Lee Choi Lin Joecy, an executive Director, is the spouse of Mr. Lam. Since Mr. Lam and Ms. Lee have material interest in the Disposal and the Leaseback Arrangement, they have abstained from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement, the Leaseback Agreement and the respective transactions contemplated thereunder. Save as Mr. Lam and Ms. Lee, none of the other Directors has material interest in the Disposal and the Leaseback Arrangement and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement, the Leaseback Agreement and the respective transactions contemplated thereunder.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement, the Leaseback Agreement, and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Shareholders as a whole and how to vote on the EGM, taking into account the recommendations of the Independent Financial Adviser to be appointed by the Company.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement, the Leaseback Agreement, and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 31 July 2026 as additional time is required by the Company to prepare and finalise certain information to be included in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Commencement Date"	the Completion Date after fulfilment of all conditions precedent for the Disposal and the Leaseback Arrangement

"Company"	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability and its issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	the date of Completion in accordance with the terms and conditions of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration"	a sum of HK$54,000,000, being the consideration for the Sale Shares
"Controlling Shareholder"	shall have the meaning as ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of the Sale Shares, representing the total issued share capital in the Target Company, by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement, the Leaseback Agreement, and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the committee of the Board comprising all independent non-executive Directors to be established for the purpose of giving recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder

"Independent Financial Adviser"	an independent financial adviser to be appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	any Shareholder(s) other than those who are required under the Listing Rules to abstain from voting at the EGM to approve the Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
"Leaseback Agreement"	the conditional lease dated 30 June 2026 and entered into between Shanghai Rusine and Shanghai Sypher in respect of the Leaseback Arrangement
"Leaseback Arrangement"	the proposed lease of the Property by Shanghai Rusine from Shanghai Sypher for a term of three (3) years commencing from the Commencement Date pursuant to the terms and conditions of the Leaseback Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Mr. Lam" or "Purchaser"	Mr. Lam Kwok Hing, the chairman of the Board, an executive Director, the chief executive officer of the Company
"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Property"	the property situated at No. 1–5, Lane 1199, Jidi Road, Minhang District, Shanghai, the PRC (中國上海市閔行區紀翟路1199弄1–5號) with a gross floor area of approximately 21,820.58 square metres
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 30 June 2026 and entered into between the Vendor and the Purchaser in respect of the Disposal

"Sale Shares"	the total issued share capital of the Target Company, which is beneficially owned by the Vendor as at the date of this announcement
"Shanghai Rusine"	Shanghai Rusine International Ltd. (上海潤歆貿易有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
"Shanghai Sypher"	Shanghai Sypher Ltd. (上海士豐實業有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company as at the date of this announcement
"Share(s)"	ordinary shares in the Company of HK$0.01 each
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Target Company"	Si Wan Limited (士宏有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor as at the date of this announcement
"Target Group"	collectively, the Target Company and Shanghai Sypher
"Vendor"	Fiorfie Trading Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

* *the conversion of HK$ and RMB in this announcement was based on an exchange rate of RMB1 = HK$1.15*

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

Hong Kong, 30 June 2026

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin Joecy, Mr. Chan Cheuk Yu Stephen and Mr. Sun Banggui; and two independent non-executive directors, namely Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman.