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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)**

### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Placing Agent**



**Yuet Sheung International Securities Limited**

#### **THE PLACING**

On 19 July 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, on a best effort basis, up to 21,000,000 Placing Shares at a price of HK\$0.233 per Placing Share to not less than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

A maximum of 21,000,000 Placing Shares under the Placing represent (i) approximately 13.32% of the existing shares capital of the Company of 157,605,453 Shares as at the date of this announcement; and (ii) approximately 11.76% of the issued share capital of the Company of 178,605,453 Shares as enlarged by the allotment and issue of the Placing Shares, assuming there will be no other change to the total number of Shares in issue from the date of this announcement and up to the completion of the Placing. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$210,000.00.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$4.9 million and HK\$4.6 million respectively, representing a net issue price of approximately HK\$0.219 per Placing Share. The Company intends to apply all of the net proceeds for general working capital of the Group.

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM.

**Shareholders and potential investors should note that the completion of the Placing is subject to fulfilment of the condition precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## THE PLACING

The principal terms of the Placing Agreement are summarised below:

### Date

19 July 2024 (after trading hours of the Stock Exchange)

### Parties

Issuer: The Company

Placing Agent: Yuet Sheung International Securities Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons.

### Placees

It is intended that the Placing Shares will be placed to not less than six (6) Placees which will be individuals, corporate, institutional investors or other investors who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

It is expected that none of the Placees and their respective associates will become a substantial shareholder of the Company as a result of the Placing.

### Number of Placing Shares

A maximum of 21,000,000 Placing Shares under the Placing represent (i) approximately 13.32% of the existing shares capital of the Company of 157,605,453 Shares as at the date of this announcement; and (ii) approximately 11.76% of the issued share capital of the Company of 178,605,453 Shares as enlarged by the allotment and issue of the Placing Shares, assuming there will be no other change to the total number of Shares in issue from the date of this announcement and up to the completion of the Placing. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$210,000.00.

## **Ranking of Placing Shares**

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

## **Placing Commission**

Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission of 3% on the aggregate Placing Price of the Placing Shares which are successfully placed by the Placing Agent in accordance with the Placing Agreement.

The placing commission in respect of the Placing was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market rate. Having considered the Placing Price, the number of Placing Shares, the terms of the Placing and the current market conditions, the Directors are of the view that the placing commission of 3% is fair and reasonable.

## **Placing Price**

The Placing Price of HK\$0.233 per Placing Share represents (i) a discount of approximately 3.32% to the closing price of HK\$0.241 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 7.54% to the average closing price of approximately HK\$0.252 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Placing Agreement.

The net Placing Price (after deducting the costs and expenses of the Placing) is approximately HK\$0.219 per Placing Share.

The Directors consider that the Placing Price, which was agreed after arm's length negotiations between the Company and the Placing Agent with reference to recent trading price of the Shares, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Application for listing**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **Condition Precedent of the Placing**

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange having granted the approval for listing of, and permission to deal in, the Placing Shares.

Each of the Company and the Placing Agent shall use their respective best endeavours to procure the satisfaction of the above condition by 9 August 2024 or such later date as the Company and the Placing Agent may agree in writing, but if the condition shall not be so satisfied, all obligations of the Company and the Placing Agent under the Placing Agreement shall cease and determine and none of the Company and the Placing Agent shall have any claim against the other in relation thereto.

## **Completion**

Completion shall take place at 4:00 pm on the Completion Date at the principal office of the Placing Agent (or at such other time and/or at such other place to be agreed between the Company and the Placing Agent).

## **Termination and force majeure events**

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the Completion Date if:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in the previous announcements, circulars, interim, quarterly and annual reports issued by the Company since the publication of the annual report of the Company for the year ended 30 June 2023 has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

The Company may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the Completion Date if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

The Placing Agreement may be terminated by either party by notice in writing to the other party at any time up to 8:00 a.m. on the Completion Date. Upon termination of the Placing Agreement pursuant to the terms of the Placing Agreement, all liabilities of the Company and the Placing Agent under the Placing Agreement shall cease and determine and none of the Company or the Placing Agent shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

## GENERAL MANDATE

The Placing Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit up to 420,281,436 Pre-consolidated Shares (representing 20% of the total number of issued Pre-consolidated Shares as at the date of the AGM). The Share Consolidation became effective on 28 December 2023 and as such, the limit of the General Mandate was adjusted to 21,014,071 Shares (representing 20% of the total number of issued Shares immediately upon completion of the Share Consolidation). Up to the date of this announcement, no new Shares have been issued under the General Mandate.

As the Placing Shares will be issued under the General Mandate, the Placing is not subject to Shareholders' approval.

## REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in (i) the trading of packaged foods, beverages and household consumable products; (ii) the trading of agri-products and the upstream farming business (the “**Agri-Products Business**”); and (iii) other businesses primarily arising from the securities brokerage and margin financing business.

References are made to the annual report for the year ended 30 June 2023 and the interim report for the six months ended 31 December 2023, the Group recorded consecutive loss for the year attributable to owners of the Company of approximately HK\$216.13 million and HK\$125.60 million for the years ended 30 June 2022 and 2023 respectively and consecutive loss for the period attributable to owners of the Company of approximately HK\$54.41 million and HK\$42.83 million for six months ended 31 December 2022 and 31 December 2023 respectively. The bank and cash balance of the Group decreased from approximately HK\$121.83 million as at 30 June 2023 to approximately HK\$87.08 million as at 31 December 2023. The decrease in bank and cash balance was mainly due to the net cash used in operating activities of approximately HK\$35.45 million for the six months ended 31 December 2023. As at 31 May 2024, the Group had an available bank and cash balance of approximately HK\$71.5 million after netting HK\$3.8 million earmarked for the intended use of the remaining proceeds raised from the rights issue of the Company on 11 January 2017 (please refer to the section headed “Use of Proceeds from Rights Issue” in the interim report for the six months ended 31 December 2023 for the details) and HK\$13.9 million earmarked for the intended use of the net proceeds raised for the development of the fertilizer trading business from the Rights Issue (please refer to the section headed “Use of Proceeds from Rights Issue” in the Prospectus for the details). The Board considers the abovementioned HK\$71.5 million bank and cash balance to be minimal amount to secure the Group's liquidity position at a safe and sufficient level for its existing operations based on the net cash used in operating activities of approximately HK\$35.4 million for the six months ended 31 December 2023.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$4.9 million and HK\$4.6 million respectively, representing a net issue price of approximately HK\$0.219 per Placing Share. The Company intends to apply all of the net proceeds for general working capital of the Group.

The Board has considered other alternative fund-raising methods such as debt financing, rights issue or open offer. The Board considered that debt financing may incur further interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer may also involve relatively substantial time and cost to complete as compared to the equity financing through issue of the new Shares under General Mandate. The Directors consider that the Placing represents an opportunity to raise additional funding for the business operations of the Group, strengthen the Group's financial position, and provide working capital to the Group to meet any financial obligations of the Group without any interest burden, within a relatively shorter time frame and at lower costs when compared with other means of fundraising.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and the Placing commission), which were arrived at after arm's length negotiations between the Company and the Placing Agent, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS**

During the past twelve months immediately preceding the date of this announcement, the Company has conducted the following equity fund raising activity.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
8 April 2024 (completed on 23 May 2024)	Rights Issue on the basis of one (1) right share for every two (2) shares held on the record date	Approximately HK\$17.4 million	(i) approximately HK\$13.9 million for development of the fertilizers trading business under the Agri-Products Business and the expected timeline for the intended proceeds would be utilised by 30 September 2025; and (ii) approximately HK\$3.5 million for general working capital of the Group and the expected timeline for the intended proceeds would be utilised by 30 June 2025	(i) approximately HK\$1.0 million had been utilised for development of the fertilizers trading business under the Agri-Products Business; and (ii) approximately HK\$16.4 million remain unutilised and will be deployed as intended.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Placing (assuming the Placing Shares were placed in full and assuming there will be no other change to the total number of Shares in issue between the date of this announcement and the date of completion of the Placing):

	As at the date of this announcement		Immediately after completion of the Placing	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Lam ( <i>Note 1</i> )	30,606,143	19.42	30,606,143	17.14
Glazy Target ( <i>Note 2</i> )	<u>15,053,003</u>	<u>9.55</u>	<u>15,053,003</u>	<u>8.43</u>
<b>Sub-total Public Shareholders</b>	45,659,146	28.97	45,659,146	25.57
Placees ( <i>Note 3</i> )	—	—	21,000,000	11.76
Other public Shareholders	<u>111,946,307</u>	<u>71.03</u>	<u>111,946,307</u>	<u>62.67</u>
<b>Total</b>	<u><u>157,605,453</u></u>	<u><u>100.00</u></u>	<u><u>178,605,453</u></u>	<u><u>100.00</u></u>

### Notes:

1. Mr. Lam is the sole legal and beneficial owner of the entire issued capital of Best Global. Out of the 30,606,143 Shares held, Mr. Lam is deemed to be interested in the 20,630,918 Shares held by Best Global and 9,975,225 Shares are held by Mr. Lam himself.
2. The entire issued share capital of Glazy Target is wholly and beneficially owned by Mr. Chan and Mr. Chan is deemed to be interested in the 15,053,003 Shares held by Glazy Target.
3. Pursuant to the Placing Agreement, the Placing Agent warrants and undertakes to the Company that the Placees will be third party(ies) independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates and will not become substantial shareholder(s) of the Company upon completion of the Placing. Accordingly, the Placees will become the public Shareholders upon completion of the Placing.

## GENERAL

**Shareholders and potential investors should note that the completion of the Placing is subject to fulfilment of the condition precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**



## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 22 December 2023 at which, among others, a resolution for the grant of the General Mandate to the Directors was duly passed by the Shareholders
“associate”	has the meaning ascribed to it under the Listing Rules
“Best Global”	Best Global Asia Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is beneficially owned by Mr. Lam
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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 Date”	within three Business Days after fulfillment of the condition set out in the Placing Agreement (or such other date as the Company and the Placing Agent may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and otherwise deal with up to 20% of the issued share capital of the Company as at the date of the resolution approving the grant of the general mandate
“Glazy Target”	Glazy Target Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is beneficially owned by Mr. Chan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Mr. Chan”	Mr. Chan Cheuk Yu Stephen, an Executive Director of the Company
“Mr. Lam”	Mr. Lam Kwok Hing, the chairman, executive Director and chief executive officer of the Company
“Placee(s)”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
“Placing”	the placing of the Placing Shares on the terms set out in the Placing Agreement
“Placing Agent”	Yuet Sheung International Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 19 July 2024 in relation to the Placing
“Placing Price”	HK\$0.233 per Placing Share
“Placing Shares”	a maximum of 21,000,000 Shares to be placed under the Placing
“Pre-consolidated Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately prior to the Share Consolidation becoming effective
“Prospectus”	the prospectus dated 30 April 2024 issued by the Company in relation to the Rights Issue
“Rights Issue”	the issue of 52,535,151 Shares at HK\$0.350 per Share by way of rights on the basis of one (1) rights share for every two (2) Shares held on the record date
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the Company of HK\$0.01 each
“Share Consolidation”	the consolidation of every twenty (20) issued and unissued Pre-consolidated Shares of HK\$0.10 each into one (1) consolidated share of HK\$2.00, which became effective on 28 December 2023

“Stock Exchange”                      The Stock Exchange of Hong Kong Limited

“substantial shareholder”            has the meaning ascribed to it under the Listing Rules

“%”    per cent.

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

Hong Kong, 19 July 2024

*As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin Joecy, Ms. Gao Qin Jian, Mr. Chan Cheuk Yu Stephen and Mr. Mok Tsan San; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung Newman and Mr. Hung Hing Man.*