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: 0197)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

The board of directors (the "Board" or "Directors") of Heng Tai Consumables Group Limited (the"Company") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*3*	**2,274,317**	1,726,825
Cost of sales		**(1,764,541)**	(1,378,103)
Gross profit		**509,776**	348,722
Other income		**9,916**	19,699
Selling and distribution expenses		**(142,083)**	(101,377)
Administrative expenses		**(111,651)**	(55,179)
Other operating expenses		**(19,990)**	(8,014)
Profit from operations		**245,968**	203,851
Finance costs	*5*	**(8,358)**	(9,669)
Share of profits of associates		**22,779**	2,906
Profit before tax		**260,389**	197,088
Income tax expense	*6*	**(8,538)**	(7,008)
Profit for the year	*7*	**251,851**	190,080
Attributable to:			
Equity holders of the Company		**255,148**	190,127
Minority interests		**(3,297)**	(47)
		251,851	190,080
Earnings per share	*8*		
Basic		**HK16.3 cents**	HK13.3 cents
Diluted		**HK16.1 cents**	HK13.3 cents

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets		**558,855**	423,079
Prepaid land lease payments		**237,531**	42,183
Construction in progress		**2,223**	23,845
Goodwill		**287,378**	168,090
Other intangible assets		**90,943**	77,925
Other assets		**50,671**	26,689
Investment in a club membership		**108**	108
Investment in an associate		**–**	227,420
Investments		**33,043**	–
		1,260,752	989,339
Current assets			
Biological assets		**1,314**	–
Inventories		**171,808**	149,082
Trade receivables	9	**298,025**	207,165
Prepayments, deposits and other receivables		**78,984**	59,488
Investments		**334**	20,574
Bank and cash balances		**589,082**	245,438
		1,139,547	681,747
TOTAL ASSETS		**2,400,299**	1,671,086
Capital and reserves			
Share capital		**15,901**	14,251
Reserves		**1,972,883**	1,323,430
Equity attributable to equity holders of the Company		**1,988,784**	1,337,681
Minority interests		**5,026**	24
Total equity		**1,993,810**	1,337,705

	Note	2008 *HK$'000*	2007 *HK$'000*
Non-current liabilities			
Borrowings		**144,204**	80,000
Finance lease payables		**93**	205
Deferred tax liabilities		**7,514**	8,693
Deferred income		**9,260**	–
		161,071	88,898
Current liabilities			
Trade payables	*10*	**77,699**	52,195
Accruals and other payables		**39,597**	62,626
Borrowings		**105,016**	114,895
Finance lease payables		**114**	121
Current tax liabilities		**22,992**	14,646
		245,418	244,483
Total liabilities		**406,489**	333,381
TOTAL EQUITY AND LIABILITIES		**2,400,299**	1,671,086
Net current assets		**894,129**	437,264
Total assets less current liabilities		**2,154,881**	1,426,603

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" retrospectively. Certain information presented in prior year under the requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation" has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investments which are carried at their fair values and the biological assets which are carried at fair value less estimated point-of-sale costs.

3. TURNOVER

The Group's turnover which represents sales of goods and fresh produce products to customers, revenue from rental and logistics services is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**1,383,922**	1,263,605
Sales of fresh produce products	**704,358**	401,874
Rental income	**4,358**	1,262
Logistics services income	**181,679**	60,084
	2,274,317	1,726,825

4. SEGMENT INFORMATION

The principal activities of the Group are (a) the distribution of packaged food, beverages, household consumable products, cosmetic products and cold chain products; (b) the cultivation and distribution of fresh produce products; and (c) the provision of cold chain logistics services which are managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments.

(a) Primary reporting format - geographical segments

For the years ended 30 June 2007 and 2008, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

(b) Secondary reporting format - business segments

During the year, the Group re-organised its main business segments as the Group enhanced its business by strengthening its nation-wide network of distribution and logistics platform for the cold chain and agro products.

For the year ended 30 June 2008, the Group is organised into four main business segments:

(i) The distribution of packaged food, beverages, household consumable products, cosmetic products and cold chain products ("Distribution");

(ii) The cultivation and distribution of fresh produce products ("Cultivation and Distribution");

(iii) Leasing of logistics facilities ("Leasing"); and

(iv) Provision of logistics services ("Logistics Services").

	Distribution *HK$'000*	Cultivation and distribution *HK$'000*	Leasing *HK$'000*	Logistics services *HK$'000*	Corporate and unallocated *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2008						
Revenue	**1,383,922**	**704,358**	**4,358**	**181,679**	**–**	**2,274,317**
Segment results	**178,257**	**31,948**	**3,488**	**75,788**	**–**	**289,481**
Other income						**9,916**
Unallocated expenses						**(53,429)**
Share of profits of associates	**–**	**–**	**–**	**–**	**22,779**	**22,779**
Finance costs	**(2,753)**	**(9)**	**–**	**–**	**(5,596)**	**(8,358)**
Profit before tax						**260,389**
At 30 June 2008						
Segment assets	**1,313,058**	**529,114**	**9,023**	**488,644**	**27,083**	**2,366,922**
Investments						**33,377**
Total assets						**2,400,299**
Segment liabilities	**119,862**	**74,292**	**1,122**	**4,134**	**207,079**	**406,489**
Total liabilities						**406,489**
Other segment information:						
Capital expenditure	**26,714**	**3,034**	**687**	**25,354**	**904**	**56,693**
Depreciation	**15,439**	**222**	**241**	**12,618**	**683**	**29,203**
Amortisation of other intangible assets	**11,850**	**6,950**	**–**	**–**	**–**	**18,800**
Trade receivables written off	**311**	**2,350**	**–**	**38**	**–**	**2,699**
Fixed assets written off	**224**	**–**	**–**	**36**	**–**	**260**

	Distribution	Cultivation and distribution	Leasing	Logistics services	Corporate and unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2007						
Revenue	1,263,605	401,874	1,262	60,084	–	1,726,825
Segment results	141,348	33,367	992	18,588	–	194,295
Other income						19,699
Unallocated expenses						(10,143)
Share of profits of associates	–	–	–	–	2,906	2,906
Finance costs	(3,275)	(800)	–	–	(5,594)	(9,669)
Profit before tax						197,088
At 30 June 2007						
Segment assets	698,256	203,618	8,583	367,185	145,450	1,423,092
Investment in an associate						227,420
Investments						20,574
Total assets						1,671,086
Segment liabilities	127,330	42,235	1,564	3,553	158,699	333,381
Total liabilities						333,381
Other segment information:						
Capital expenditure	12,894	–	130	6,047	32	19,103
Depreciation	9,286	394	121	4,770	634	15,205
Amortisation of other intangible assets	11,850	4,450	–	–	–	16,300
Allowance for other receivable	–	–	–	600	–	600
Fixed assets written off	38	–	–	89	–	127

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans	**8,339**	9,633
Finance lease charges	**19**	36
	8,358	9,669

6. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current tax - Hong Kong Profits Tax		
Provision for the year	**22**	59
Over-provision in prior years	**–**	(78)
	22	(19)
Current tax - Overseas		
Provision for the year	**8,516**	7,847
Deferred tax	**–**	(820)
	8,538	7,008

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year ended 30 June 2008.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

According to the Income Tax Law of the Macau Special Administrative Region, Macau Complementary Tax is calculated at the rate of 12% (2007: 15.75%) on the estimated assessable profits for the year. The maximum complementary tax rate was reduced to 12% during the year in accordance with the Decree-Law No. 21/78/M. However, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax for the year.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rates of 33% (2007: 33%) and 25% (2007: 33%) for the period from 1 July 2007 to 31 December 2007 and 1 January 2008 to 30 June 2008 respectively, based on existing legislation, interpretation and practices in respect thereof.

The Hong Kong Profits Tax rate and the PRC Enterprise Income Tax rate applicable to the current year have been changed to 16.5% and 25% respectively. The deferred tax for the year has been adjusted to reflect the change in tax rates accordingly.

For the year ended 30 June 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC was 33%. No provision for PRC enterprise income tax has been made for the year as these disposed subsidiaries did not generate any assessable profits arising in the PRC during the period up to the dates of disposals.

The reconciliation of the income tax expenses and the product of profit/(loss) before tax multiplied by the statutory tax rate of the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2008				2007			
	Macau	**Hong Kong**	**PRC**	**Total**	Macau	Hong Kong	PRC	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	**339,153**	**(87,941)**	**9,177**	**260,389**	224,659	(35,968)	8,397	197,088
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		15.75%	17.50%	33.00%	
Tax at the applicable income tax rate	**40,698**	**(14,510)**	**2,294**	**28,482**	35,384	(6,294)	2,771	31,861
Tax effect of income not taxable	**–**	**(427)**	**–**	**(427)**	–	(5,472)	–	(5,472)
Tax effect of expenses not deductible	**–**	**16,115**	**2,984**	**19,099**	–	11,156	2,390	13,546
Profits exempted from the Macau Complementary Tax	**(40,698)**	**–**	**–**	**(40,698)**	(35,384)	–	–	(35,384)
Tax effect of share of results of associates	**–**	**(3,758)**	**–**	**(3,758)**	–	(509)	–	(509)
Tax effect of unused tax losses not recognised	**–**	**2,577**	**1,677**	**4,254**	–	1,093	1,844	2,937
Tax effect of utilisation of tax losses not previously recognised	**–**	**–**	**(2,728)**	**(2,728)**	–	–	–	–
Tax effect of unrecognised temporary difference	**–**	**25**	**2,164**	**2,189**	–	7	100	107
Tax effect of change in tax rate	**–**	**–**	**2,125**	**2,125**	–	–	–	–
Overprovision in prior years	**–**	**–**	**–**	**–**	–	(78)	–	(78)
Income tax expense	**–**	**22**	**8,516**	**8,538**	–	(97)	7,105	7,008

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprise. On 6 December 2007, the State Council of the PRC issued implementation regulations of the new tax law to change the enterprise income tax rate from 33% to 25%. The new tax law was effective from 1 January 2008.

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**18,800**	16,300
Auditors' remuneration	**1,336**	1,177
Cost of inventories sold	**1,764,541**	1,373,653
Depreciation	**29,203**	15,205
Loss on disposals of subsidiaries	**–**	7,262
Loss on deemed disposal of interest in an associate	**1,185**	–
Loss on disposals of interest in an associate	**10,159**	–
Loss on disposal of financial assets at fair value through profit or loss	**4,981**	–
Trade receivables written off	**2,699**	–
Impairment loss on goodwill	**1,718**	–
Operating lease charges on land and buildings	**14,217**	5,180

Note:

Cost of inventories sold includes the following which are included in the respective amounts disclosed separately above for the year.

	2008	2007
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**6,950**	4,450
Depreciation	**6,926**	1,865
Operating lease charges on land and buildings	**4,951**	–
Staff costs	**7,692**	1,548

8. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$255,148,000 (2007: HK$190,127,000) and the weighted average number of ordinary shares of 1,569,392,295 (2007: 1,425,130,000) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$255,148,000 (2007: HK$190,127,000) and the weighted average number of ordinary shares of 1,586,322,220 (2007: 1,425,652,301), being the weighted average number of ordinary shares of 1,569,392,295 (2007: 1,425,130,000) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 16,929,925 (2007: 522,301) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 15 to 90 days.

The aging analysis of trade receivables, based on the date of recognition of the sale, is as follows:

	2008	2007
	HK$'000	*HK$'000*
1 - 30 days	**212,045**	113,040
31 - 60 days	**81,000**	90,942
61 - 90 days	**4,980**	3,183
	298,025	207,165

10. TRADE PAYABLES

The aging analysis of trade payables, based on the receipt of goods purchased, is as follows:

	2008	2007
	HK$'000	*HK$'000*
1 - 30 days	**77,138**	45,136
31 - 60 days	**403**	6,689
61 - 90 days	**158**	370
	77,699	52,195

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

China's retail and consumer markets continued to be the market place where the Group secured its business and growth. During the year under review, China still demonstrated a strong and rapid development of the macro economy. The continuous growth of disposal income of urban and rural residents, enlargement of middle class consumers relative to China's total population and accelerated urbanization in the PRC have generated enormous demands for quality consumables and created very favourable macro economic environment under which the Group operated. Coupled with its logistics facilities now in use in Shanghai, Zhongshan and Beijing, the Group has been able to further complement its one-stop distribution and logistics services and well positioned to capitalize prevailing market potential in the PRC.

In spite of the recent severe fluctuation of the global economic environment, the Group is still cautiously optimistic towards the consumer market and forthcoming development in the PRC. The recent downturn in the global economy exerted severe pressure on the export and foreign investment in the PRC, but clear fiscal and administrative policies from the PRC government have been in place to boost up consumer spending and stimulate domestic demand in order to maintain a continuous GDP growth and stable rural economy. It is anticipated that China's retail and consumer markets would continue to offer enormous opportunities for our business to grow.

FINANCIAL PERFORMANCE

During the year under review, the Group has achieved continuous growth in turnover and net profit attributable to shareholders. Turnover increased to approximately HK$2,274 million, representing an increase of approximately HK$547 million or 31.7% when compared with the preceding financial year. The increase in turnover was mainly attributable to (i) the increased sales volume of cold chain, cosmetic and fresh produce products; (ii) increased sales and contribution from a newly acquired distribution business in cold chain products; and (iii) increased handling volume of logistics services provided by Zhongshan logistics facilities in the PRC, which became fully functional for a full financial year since its grand opening in November 2006.

Gross profit margin improved continually to approximately 22.4% during the year under review when compared with approximately 20.2% in the preceding financial year. The improvement in gross profit margin was mainly attributable to the continuous enlargement in sales mix in the provision of cold chain logistics services and sales of cold chain and cosmetic products with their relatively higher gross profit margin.

Selling and distribution expenses increased from approximately HK$101.4 million to HK$142.1 million or increased from approximately 5.9% to 6.2% of the turnover when compared with the preceding financial year. Such increase was mainly attributable to the increased outlays in marketing development and promotion campaigns, transportation and handling, rentals for liaison offices, depreciation, headcounts for sales force and miscellaneous selling expenses incurred for expanding distribution business and Zhongshan logistics centre with a full year operation for the year ended 30 June 2008.

Administrative expenses increased from approximately HK$55.2 million to HK$111.7 million or recorded approximately 102.3% increase when compared with the preceding financial year. Such increase was mainly attributable to the increased outlays in depreciation, utility and communication, corporate development, business travelling, headcount costs, share-based payments and miscellaneous operating expenses incurred for expanding operations, Beijing depot and Zhongshan logistics centre with a full year operation for the year ended 30 June 2008.

Other operating expenses were approximately HK$20.0 million for the year, which was mainly attributable to the loss of approximately HK$10.2 million on disposal of 400,000,000 shares in China Zenith Chemical Group Limited ("China Zenith") and the loss of approximately HK$5.6 million on disposal of 58,212,000 listed warrants issued by China Zenith, which had reversed part of the unrealized fair value gain of approximately HK$12.6 million recognised in last financial year. The loss on disposal of 400,000,000 shares at HK$0.505 per share in China Zenith was mainly attributable to the addition to the average acquisition cost of HK$0.393 per share for the accumulated share of its profit under equity accounting treatment since acquisition.

Finance costs decreased to approximately HK$8.4 million during the year when compared with approximately HK$9.7 million in the preceding financial year.

During the year under review, the Group recorded share of results of associated companies of approximately HK$22.8 million, which mainly represented the share of net profit of China Zenith under equity accounting treatment upto the date of the disposal.

Profit from operations increased to approximately HK$246.0 million, representing an increase of approximately 20.7% compared to HK$203.9 million in the preceding financial year. Profit for the year increased to approximately HK$251.9 million, representing an increase of approximately 32.5% compared to approximately HK$190.1 million in the preceding financial year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position throughout the year under review. The Group financed its operations and business development with internally generated resources, equity funding and banking facilities.

On 28 June 2007, the Company entered into a top-up placing and subscription agreement for the placing of 142,500,000 existing shares of the Company to independent placees at a placing price of HK$1.78 per share. The placing and subscription were completed on 10 July 2007. The net proceeds of approximately HK$245 million provided strong shareholder funding for the Group's further development in logistics and agro-business.

During the year, the Company issued 22,500,000 new shares through exercise of share options by option holders with net proceeds of approximately HK$27.9 million.

At 30 June 2008, the Group had interest-bearing borrowings of approximately HK$249.2 million (30 June 2007: HK$194.9 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and approximately 42% mature within one year. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars and US dollars. The Directors consider that the operations of the Group are not exposed to significant foreign currency exchange risk in view of the appreciation of Renminbi that was in favour of the Group and the stability of the exchange rates between Hong Kong and US dollars. The Group did not have any significant hedging instrument outstanding as at 30 June 2008.

At 30 June 2008, the Group's current assets amounted to approximately HK$1,139.5 million (30 June 2007: HK$681.7 million) and the Group's current liabilities amounted to approximately HK$245.4 million (30 June 2007: HK$244.5 million). The Group's current ratio had significantly improved to approximately 4.6 as at 30 June 2008 (30 June 2007: 2.8). The improvement in the current ratio was mainly attributable to the increase in cash and bank balances from a combined effect including sale proceeds from disposal of China Zenith's shares, the top-up placing and subscription completed during the year and the internally generated earnings. At 30 June 2008, the Group had total assets of approximately HK$2,400.3 million (30 June 2007: HK$1,671.1 million) and total liabilities of approximately HK$406.5 million (30 June 2007: HK$333.4 million) with a gearing ratio of approximately 10.4% (30 June 2007: 11.7%). The gearing ratio was expressed as a ratio of total borrowings to total assets. The gearing ratio remained at a fairly stable level during the year under review.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The Group is principally engaged in (i) distribution of fast moving consumable goods, cosmetics and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of fresh produce products. The product groups distributed by the Group included packaged food, beverages, household consumable products, cosmetic and skincare products, frozen and chilled products, and fresh produce products with their respective contribution of approximately 35%, 3%, 3%, 7%, 13%, and 31% and the provision of cold chain logistics services represented approximately 8% to the Group's turnover for the year ended 30 June 2008. The categories of packaged food were mainly biscuits, candies, chocolate, condiments, healthy food, jams, margarine, milk power products, noodles, rice, snacks and nourishing and exclusively licensed branded products. Beverages were mainly beers, wines and soft drinks and household consumable products were mainly batteries and toiletries. Cosmetic products included make-up, perfumes, fragrance, cleansers, skin and sun care products. Cold chain products consisted of frozen meat, seafood and diary products. Fresh produce products included fresh fruit and vegetables.

The Group's distribution products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia and New Zealand and sold to wholesalers, retailers and on-premise customers in the PRC. Wholesalers were still the main customer category, which accounted for approximately 51% of the Group's turnover for the year and the Group had been consistently expanding its customer base in retailing and on-premise sectors to approximately 20% and 21% and servicing sectors to approximately 8% respectively. The progressive enlargement in retailing, on-premise and servicing sectors was mainly attributable to sales of more cosmetic products and also the cold chain and fresh produce products with the availability of our cold chain facilities in Shanghai, Zhongshan and Beijing of the PRC.

During the year under review, the Group has consistently performed as a fast growing one-stop services platform provider delivering distribution, brand-building, supply chain solutions and value-added functions for the fast moving consumable goods, cosmetic, cold chain and fresh produce products in the PRC. The Group had been also realising its investments plans to reinforce its development in the cosmetic, cold chain and fresh produce products and logistics business.

Recognizing the procurement network as one of the key success factors to its core business, the Group had established two packhouses in Thailand during the year. These packhouses served as the overseas procurement arms of our PRC logistics hubs and depots to ensure the quality and steady supply of fresh produce products to the PRC market. The supportive depot in Beijing of the PRC had also come into operations during the year under review. Two more supportive depots in Kunming and Changsha of the PRC were expected to become fully functional in the coming financial year to complement the Group's sourcing and distribution network for fresh produce products in the eastern and western parts of the PRC.

In October 2007, the Group had entered into the cooperative terms with a global logistics provider to form a venture business to carry out perishable logistics in the PRC. The formation of such venture business would require the Group to establish cold chain infrastructure next to the port entry in the PRC with immediate handling and processing ability and subsequent logistics capability, including the carry-out of cargo consolidation, storage, temperature controlled inland transport and delivery to door for perishables upon their arrival on ports in the PRC. The venture business would set to expand the Group's scope and volume in logistics for cold chain and agro-products from global reach of the shipping and logistics activities of such global logistics provider. Within an appropriate timeframe, the cooperation would be further extended for export of China's agro-products with the availability of the outbound logistics infrastructure of the global logistics provider. The Group's logistics hubs and depots would come into play to a significant role by serving as the ultimate post-harvest processing facilities for export of agro-products in the southern and north-eastern regions of the PRC leading to a significant increase in business volume and profitability.

During the year under review, the Group had acquired a parcel of land adjacent to Zhongshan logistics centre for its second phase development. The second phase development would encompass the establishment of a central warehouse, an internationally recognised standard hygiene and quarantine centre and various repackaging facilities. The central warehouse would act as the storage and processing hub for China's agro-products for domestic sales and reprocessed for export after they meet the hygiene and quarantine requirements of the importing countries in Zhongshan logistics centre.

The Group was still seeking appropriate locality at a reasonable cost to construct or acquire another logistics hub in the north-eastern region of the PRC. This logistics hub would form part of the cold chain infrastructure next to the port entry to carry out the perishable logistics with the global logistics provider in the PRC. The operations of such logistics hub in the north-eastern region of the PRC, in addition to the two strategically located logistics hubs already established in the eastern (Shanghai) and southern (Zhongshan) regions of the PRC together with the supportive depots, would enable the Group to operate a nation-wide network comprising cold chain distribution and logistics services for cold chain and fresh produce products and to address market needs and fill market voids with the first mover advantage in the PRC.

In October 2007, the Group entered into the sale and purchase agreement pursuant to which the Group would sell 400,000,000 shares in China Zenith at HK$0.505 per share to an independent third party. The net sale proceeds of approximately HK$200 million would form part of the capital investment base to cope with the funding requirement for the forthcoming development in the logistics, cold chain and agro business. Subsequent to the disposal, the Group's investment in China Zenith had been reduced to 71,060,000 shares, which represented approximately 1.89% shareholding in China Zenith as at 30 June 2008.

In November 2007, the Group entered into the acquisition agreement to acquire 100% equity interest of Panna Fine Group Limited and its subsidiaries ("Panna Fine Group") at a consideration of HK$80 million. Panna Fine Group is principally engaged in the wholesaling and distribution of imported cold chain products with established sales network in the eastern and northern regions of the PRC. The acquisition of Panna Fine Group would enable the Group to enrich its product lines, further raise the utilization of its cold chain infrastructure in Shanghai logistics hub and expand its current cold chain distribution network to a broader coverage in the PRC.

To strengthen its cosmetic business development, the Group had set up a wholly owned subsidiary in the PRC in April 2008. Different from the existing cosmetic business model run by the Group with its sourcing from overseas countries, this subsidiary performed its sourcing from the PRC manufacturers and sold the cosmetic products and toiletries to the department, pharmacy and retail chain stores at a more affordable price in the PRC. Currently, this subsidiary had secured exclusive distribution rights for certain established brandnames and would enrich the Group's product varieties to capture the ever-growing cosmetic market in the PRC.

To cope with the forthcoming development in perishable logistics with the global logistics provider and cater for the second phase development of Zhongshan logistics centre for domestic and export sales of China's agro-products, the Group has initiated a diversification plan to equip itself to become a one-stop vertical integrated service platform provider conducting cultivation, value-added processing, perishable logistics and distribution for the agro-industry in the PRC. In May 2008, the Group had participated in upstream farming through acquisition of 70% equity interest in a farming business with its cultivation base in Jiangxi Province of the PRC. The farming business was mainly engaged in the cultivation and sales of vegetables to wholesalers and retail markets in the PRC and also to wholesaler markets, established food servicing chains and its own retail shops in Hong Kong. Further, the Group has progressed to acquire its own farmland and to conclude contract farming arrangement to ensure a steady quality-assured supply at a competitive pricing to meet the expected significant demand of agro-products in its forthcoming perishable logistics and export expansion. Post-harvest value-added processing, packaging and storage would be carried out through the Group's existing and expanding logistics facilities. Downstream sales would be achieved through further development in existing sales network in the PRC and export with the global reach of the strategic alliance logistics provider. The realisation of such development plan would lead to a significant increase in business volume and hence create a strong growth driver for the coming years.

In the years ahead, the Group will continue to enhance its business model and keep on strengthening its capability as a fast growing one-stop services platform provider in its traditional distribution business while with a more focused expansion plan in the logistics and agro business.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2008, the Group had approximately 770 staff for its operations in the PRC, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. At 30 June 2008, a total of 166,752,000 share options remain unexercised.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 30 June 2008.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the year ended 30 June 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30 June 2008.

AUDIT COMMITTEE REVIEW

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of two independent non-executive directors and one non-executive director of the Company.

The financial statements of the Group for the year ended 30 June 2008 have been reviewed by the Audit Committee, who is of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.hengtai.com.hk) and the Stock Exchange (www.hkex.com.hk). The annual report will be dispatched to shareholders of the Company and available on the above websites on or before 31 October 2008.

LIST OF DIRECTORS

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Lam Kwok Hing (Chairman), Mr. Chu Ki, Ms. Lee Choi Lin, Joecy, Mr. Peng Zhanrong and Mr. Chiau Che Kong; one non-executive Director, namely Ms. Chan Yuk, Foebe; and three independent non-executive Directors, namely Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu.

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

Hong Kong, 28 October 2008