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 2009

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 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Note	**2009** **HK$'000**	2008 HK$'000
Turnover	*3*	**1,897,091**	2,274,317
Cost of sales		**(1,491,777)**	(1,764,541)
Gross profit		**405,314**	509,776
Changes in fair value of biological assets less estimated point-of-sale costs		**11,884**	(199)
Other income		**10,296**	9,916
Selling and distribution expenses		**(142,075)**	(142,083)
Administrative expenses		**(108,050)**	(111,651)
Other operating expenses		**(51,515)**	(19,791)
Profit from operations		**125,854**	245,968
Finance costs	*5*	**(7,106)**	(8,358)
Share of profits of associates		**–**	22,779
Profit before tax		**118,748**	260,389
Income tax expense	*6*	**(8,718)**	(8,538)
Profit for the year	*7*	**110,030**	251,851
Attributable to:			
Equity holders of the Company		**115,054**	255,148
Minority interests		**(5,024)**	(3,297)
		110,030	251,851
Earnings per share	*9*		
Basic		**HK6.1 cents**	HK13.2 cents
Diluted		**HK6.1 cents**	HK13.1 cents

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets		**694,181**	558,855
Prepaid land lease payments		**322,069**	237,531
Construction in progress		**34,435**	2,223
Goodwill		**287,378**	287,378
Biological assets		**39,773**	–
Other intangible assets		**176,849**	90,943
Other assets		**41,808**	50,671
Investment in a club membership		**108**	108
Investments		**14,922**	33,043
		1,611,523	1,260,752
Current assets			
Biological assets		**1,585**	1,314
Inventories		**206,829**	171,808
Trade receivables	*10*	**333,676**	298,025
Prepayments, deposits and other receivables		**135,572**	78,984
Investments		**335**	334
Bank and cash balances		**427,943**	589,082
		1,105,940	1,139,547
TOTAL ASSETS		**2,717,463**	2,400,299
Capital and reserves			
Share capital		**25,277**	15,901
Reserves		**2,256,907**	1,972,883
Equity attributable to equity holders of the Company		**2,282,184**	1,988,784
Minority interests		**–**	5,026
Total equity		**2,282,184**	1,993,810
Non-current liabilities			
Borrowings		**62,592**	144,204
Finance lease payables		**89**	93
Deferred tax liabilities		**7,180**	7,514
Deferred income		**8,485**	9,260
		78,346	161,071
Current liabilities			
Trade payables	*11*	**77,470**	77,699
Accruals and other payables		**32,802**	39,597
Borrowings		**214,543**	105,016
Finance lease payables		**69**	114
Current tax liabilities		**32,049**	22,992
		356,933	245,418
Total liabilities		**435,279**	406,489
TOTAL EQUITY AND LIABILITIES		**2,717,463**	2,400,299
Net current assets		**749,007**	894,129
Total assets less current liabilities		**2,360,530**	2,154,881

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

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 2008. 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 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 (the "Listing Rules") and 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, and revenue from rental and logistics services is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**901,504**	1,383,922
Sales of fresh produce products	**806,037**	704,358
Rental income	**4,605**	4,358
Logistics services income	**184,945**	181,679
	1,897,091	2,274,317

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 2008 and 2009, 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

For the year ended 30 June 2009, 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 2009						
Revenue	901,504	806,037	4,605	184,945	–	1,897,091
Segment results	33,359	27,036	3,879	76,735	–	141,009
Other income	–	–	–	–	10,296	10,296
Unallocated expenses	–	–	–	–	(25,451)	(25,451)
Finance costs	(1,548)	(53)	–	–	(5,505)	(7,106)
Profit before tax						118,748
At 30 June 2009						
Segment assets	1,166,897	962,118	11,051	529,256	32,884	2,702,206
Investments						15,257
Total assets						2,717,463
Segment liabilities	174,919	81,396	1,171	2,010	175,783	435,279
Total liabilities						435,279
Other segment information:						
Capital expenditure	108,579	274,538	633	40,701	237	424,688
Changes in fair value of biological assets less estimated point-of-sale costs	–	11,884	–	–	–	11,884
Amortisation and depreciation	36,802	25,321	317	20,545	643	83,628
Trade receivables written off	36,350	23	–	–	–	36,373
Impairment loss on other receivables	–	–	–	–	3,356	3,356
Impairment loss on other intangible assets	11,400	–	–	–	–	11,400
Fixed assets disposal	365	620	–	390	185	1,560

	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	9,916
Unallocated expenses	–	–	–	–	(53,429)	(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
Amortisation and depreciation	27,289	7,172	241	12,618	683	48,003
Trade receivables written off	311	2,350	–	38	–	2,699
Fixed assets written off	224	–	–	36	–	260

5. FINANCE COSTS

	2009 **HK$'000**	2008 *HK$'000*
Wholly repayable within five years		
Interest on borrowings	**7,085**	8,339
Finance lease charges	**21**	19
	7,106	8,358

6. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	22
Under-provision in prior years	**7**	–
	7	22
Current tax – Overseas		
Provision for the year	**9,045**	8,516
Deferred tax	**(334)**	–
	8,718	8,538

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2009 as the Group did not generate any assessable profits arising in Hong Kong during the year. The amount provided for the year ended 30 June 2008 was calculated at 16.5% based on the assessable profit for that year.

Tax charge on profits assessable elsewhere in other jurisdictions have been calculated at the rates of tax prevailing in the relevant jurisdictions 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% (2008: 12%) on the estimated assessable profits for the year. 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. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rates of 25% (2008: 33% and 25% 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 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:

	2009				2008			
	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	**238,293**	**(105,078)**	**(14,467)**	**118,748**	339,153	(87,941)	9,177	260,389
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**28,595**	**(17,338)**	**(3,617)**	**7,640**	40,698	(14,510)	2,294	28,482
Tax effect of income not taxable	**–**	**(713)**	**(55)**	**(768)**	–	(427)	–	(427)
Tax effect of expenses not deductible	**–**	**16,358**	**4,267**	**20,625**	–	16,115	2,984	19,099
Profits exempted from the Macau Complementary Tax	**(28,595)**	**–**	**–**	**(28,595)**	(40,698)	–	–	(40,698)
Tax effect of share of results of associates	**–**	**–**	**–**	**–**	–	(3,758)	–	(3,758)
Tax effect of unused tax losses not recognised	**–**	**1,670**	**7,140**	**8,810**	–	2,577	1,677	4,254
Tax effect of utilisation of tax losses not previously recognised	**–**	**–**	**–**	**–**	–	–	(2,728)	(2,728)
Tax effect of unrecognised temporary difference	**–**	**23**	**976**	**999**	–	25	2,164	2,189
Tax effect of change in tax rate	**–**	**–**	**–**	**–**	–	–	2,125	2,125
Underprovision in prior years	**–**	**7**	**–**	**7**	–	–	–	–
Income tax expense	**–**	**7**	**8,711**	**8,718**	–	22	8,516	8,538

7. PROFIT FOR THE YEAR

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

	2009	2008
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**32,058**	18,800
Auditors' remuneration		
– Statutory audit	**1,272**	1,336
– Non-audit services	**80**	–
	1,352	1,336
Cost of inventories sold	**1,491,777**	1,764,541
Depreciation, net of amount capitalised	**41,152**	29,203
Loss on deemed disposal of interest in an associate	**–**	1,185
Loss on disposal of interest in an associate	**–**	10,159
Loss on disposal of financial assets at fair value through profit or loss	**–**	4,981
Loss on disposal of fixed assets	**1,560**	260
Trade receivables written off	**36,373**	2,699
Impairment loss on goodwill	**–**	1,718
Impairment loss on other receivables	**3,356**	–
Impairment loss on other intangible assets	**11,400**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**26,822**	14,217
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**41,215**	35,694
Equity-settled share-based payments	**3,588**	21,557
Retirement benefits scheme contributions	**534**	542
	45,337	57,793

Note:

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

	2009	2008
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**6,950**	6,950
Depreciation	**11,363**	6,926
Operating lease charges in respect of land and buildings	**8,311**	4,951
Staff costs	**13,795**	7,692

8. DIVIDENDS AND BONUS ISSUE OF SHARES

The directors do not recommend the payment of any final dividend (2008: HK$Nil) in respect of the year.

The Board proposes to make a bonus issue of new shares of the Company by way of a special dividend on the basis of one bonus share for every twenty existing shares of the Company to the shareholders whose names appear on the register of members of the Company on 21 December 2009. The bonus shares issue is conditional upon the Stock Exchange granting the listing of and permission to deal in the bonus shares. The bonus shares, upon issue, will be credited as fully paid at par and will rank pari passu in all respects with the existing issued shares of the Company with effect from the date of issue. Further details regarding the bonus shares issue will be set out in a circular to be despatched to the shareholders of the Company.

9. 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$115,054,000 (2008: HK$255,148,000) and the weighted average number of ordinary shares of 1,898,381,175 (2008: 1,930,352,523) in issue during the year after adjusting the effects of the open offer in June 2009. The basic earnings per share for 2008 had been adjusted accordingly.

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$115,054,000 (2008: HK$255,148,000) and the weighted average number of ordinary shares of 1,900,020,951 (2008: 1,951,176,331), being the weighted average number of ordinary shares of 1,898,381,175 (2008: 1,930,352,523) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,639,776 (2008: 20,823,808) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year. The diluted earnings per share for 2008 had been adjusted for the effects of the open offer in current year.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2008: 15 to 90 days).

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

	2009	2008
	HK$'000	*HK$'000*
1 – 30 days	**137,325**	212,045
31 – 60 days	**108,143**	81,000
61 – 90 days	**58,324**	4,980
Over 90 days	**29,884**	–
	333,676	298,025

As at 30 June 2009, trade receivables of approximately HK$6,718,000 were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been substantially settled subsequent to the year end date. The aging analysis of these trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Up to 90 days	**4,430**	–
Over 90 days	**2,288**	–
	6,718	–

11. TRADE PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
1 – 30 days	**73,273**	77,138
31 – 60 days	**2,690**	403
61 – 90 days	**616**	158
Over 90 days	**891**	–
	77,470	77,699

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included reallocation of change in fair value of biological assets less estimated point-of-sale costs from other operating expenses in the consolidated income statement and reallocation of payment for prepaid land lease payments from operating activities to investing activities in the consolidated cash flow statement for the disclosures purpose. The new classification of the disclosure items was considered to provide a more appropriate presentation of the state of affairs of the Group.

In addition, the basic and diluted earnings per share for 2008 had been adjusted for the effect of open offer in current year.

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 further its development. Despite the recent global economic downturn, China's real GDP increased by 9.0% in 2008. The Chinese government has adopted a series of positive economic stimulus plans, and in particular, initiated more favourable policies to spur the rural sector. In addition, population in China is still increasing and demand for consumable and fresh produce products is also growing at a steady pace. In 2009, China will provide a total of RMB123 billion in various rural subsidies for the agro business, which is a rise of about 20% over last year. In addition, the government has implemented supportive measures to promote scale farming by large corporations in order to address the food safety issues and enhance the utilization efficiency of farmland in a more systematic and effective way. Consequently, the trend of industrialised farming has maintained a high-momentum. Given China's strength in its underlying economy and domestic growth and favourable government policies in place, the management is cautiously optimistic that China's retail consumer markets for consumables and agro products would continue to offer enormous opportunities for our business to sustain.

FINANCIAL PERFORMANCE

During the year under review, the Group's turnover decreased by approximately 16.6% to approximately HK$1,897 million, from approximately HK$2,274 million in the previous financial year. The decrease in turnover was principally attributed to the decrease in sales volume of the Group's products in the business segment relating to the distribution of packaged food, beverages, household consumable products and cold chain products though the Group had managed to achieve growth in its diversified cultivation and distribution business of agro products by approximately 14% over the preceding financial year.

Gross profit margin was approximately 21.4% when compared with approximately 22.4% in last year. The slight drop in gross profit margin was mainly attributed to the increased sale volume of domestically produced agro products and cosmetic products of PRC domestic brands with their relatively lower profit margin and enlarged sales of other cosmetic brands to sales outlets, such as pharmacy and retail chain stores at a more affordable price.

Selling and distribution expenses were approximately HK$142.1 million, which was at a similar amount or represented an increase from approximately 6.2% to 7.5% of the turnover when compared with the preceding financial year. The increase in percentage was mainly attributable to the extra outlays in increased marketing activities and certain one-off promotion campaigns for the business segment relating to the distribution of fast moving consumable goods and cosmetic and cold chain products to reinforce market position in view of the expected sluggish market from economic downturn.

Administrative expenses were approximately HK$108.1 million, which represented a decrease of approximately HK$3.6 million when compared with approximately HK$111.7 million in the preceding financial year. During the year under review, although the Group expanded its business scale in the upstream farming and extended its logistics offices and operations with a relative higher portion of fixed administrative costs than its distribution business, the Group had carried out a series of consolidation and rationalisation programs as a means to keep tight cost control.

Other operating expenses were approximately HK$51.5 million for the year, which mainly consisted of an impairment of trade receivables of approximately HK$36.4 million, an impairment of other receivables of HK$3.4 million and an impairment of intangible assets of approximately HK$11.4 million. During the year, the Group had made specific provisions on certain trade debts with doubtful collectability. Though the receivables impairments only represented approximately 2.1% to the Group's overall turnover during the year given the tumbling economic conditions, the Group had implemented a more stringent credit control to customers to ensure subsequent collectability. The impairment of intangible assets represented a provision against certain distribution rights of some exclusively licensed branded products due to factory closing down during the year.

Finance costs mainly represented interest expenses and decreased to approximately HK$7.1 million during the year when compared with approximately HK$8.4 million in the preceding financial year.

Profit from operations decreased to approximately HK$125.9 million, representing a decrease of approximately 48.8% compared to approximately HK$246.0 million in the preceding financial year. Profit for the year decreased to approximately HK$110.0 million, representing a decrease of approximately 56.3% compared to approximately HK$251.9 million in the preceding financial year. Apart from the reasons of business downturn and impairments attributable to the decrease in the Group's net profit, the Group did not share any profit of an associated company for the year since its disposal of 400,000,000 shares of China Zenith Chemical Group Limited, which had contributed a profit from sharing of its results in sum of approximately HK$22.8 million in last 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 11 June 2009, the Company issued 842,565,000 new shares on the basis of one offer share for every two existing shares held on the 15 May 2009 at the subscription price of HK$0.18 per offer share. The net proceeds of the open offer amounted to approximately HK$147.7 million, which would be used by the Group as to approximately HK$100.0 million for the development in the agro business, as to approximately HK$40.0 million for the further development and expansion of Zhongshan logistics centre and as to the remaining balance of approximately HK$7.7 million as general working capital.

During the year, the Company issued 95,000,000 new shares through exercise of share options by option holders with net proceeds of approximately HK$37.5 million.

At 30 June 2009, the Group had interest-bearing borrowings of approximately HK$277.1 million (30 June 2008: HK$249.2 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and approximately 77% would 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 stability of the exchange rates between these currencies. The Group did not have any significant hedging instrument outstanding as at 30 June 2009.

At 30 June 2009, the Group's current assets amounted to approximately HK$1,105.9 million (30 June 2008: HK$1,139.5 million) and the Group's current liabilities amounted to approximately HK$356.9 million (30 June 2008: HK$245.4 million). The Group's current ratio decreased to approximately 3.1 as at 30 June 2009 (30 June 2008: 4.6). The decrease in the current ratio was mainly attributable to the increase of HK$70 million short-term bank loan which was classified as long term bank loan as at 30 June 2008 and became short term bank loan with repayment due date within one year as at 30 June 2009. At 30 June 2009, the Group had total assets of approximately HK$2,717.5 million (30 June 2008: HK$2,400.3 million) and total liabilities of approximately HK$435.3 million (30 June 2008: HK$406.5 million) with a gearing ratio of approximately 10.2% (30 June 2008: 10.4%). 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

During the year under review, the Group was principally engaged in (i) distribution of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of agro products. The product groups distributed by the Group included packaged food, beverages, household consumable products, cosmetics and skincare products, frozen and chilled products with their respective contribution of approximately 22%, 2%, 2%, 9% and 13%. The provision of cold-chain logistics services represented approximately 10% to the Group's turnover for the year. The cultivation and distribution of agro products represented approximately 42% to the Group's turnover for the year. The categories of packaged food were mainly biscuits, candies, chocolate, condiments, margarine, milk power products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products. Beverages were mainly beers, wines and soft drinks and the household consumable products were mainly batteries and toiletries. Cosmetics and skincare products included make-up, perfumes, fragrance and skin and sun care products. Cold chain products consisted of frozen meat, seafood and diary products. Agro products included various types of vegetables and fruit.

The Group's 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. During the year under review, the Group also started expanding its sourcing network for cosmetic and agro products in the PRC. Wholesalers were still the main customer category, which accounted for approximately 43% of the Group's turnover for the year. The Group had been consistently expanding its customer base in retailing and on-premise sectors to approximately 26% and 21% and servicing sector to approximately 10% respectively. The progressive enlargement in retailing and servicing sectors was mainly attributable to sales of more cosmetic products, and agro products with the availability of the cold chain facilities by our Shanghai, Zhongshan and Beijing infrastructure and extended logistics operations with strengthening door-to-door deliver services and transportation management on the whole supply chain.

During the year, the Group had consistently delivered as a one-stop service platform incorporating the functions of traders, marketing agent and supply chain solutions provider in the fast moving consumable goods, cosmetic and cold chain products in the PRC. Further, the Group had also been diversifying itself as a one-stop vertical integrated service platform provider conducting cultivation, value-added processing, perishable logistics and distribution for the agro industry in the PRC.

During the year under review, the Group had vertically integrated into upstream farming business. The first cultivation base wholly invested by the Group in Jiangxi of the PRC had been properly set up and operated with its expected harvest time in 2011. To meet the expected significant demand of the agro products in its future development, the Group had also secured approximately 20,000 mu of farmland for vegetable and fruit plantation. In the coming year, the Group would further its farmland reserve to 30,000 mu and through such scale established itself as a scale player in the upstream farming business to benefit from government policies and also to attract fragmented farmers to contribute their farmland and labour for the Group's production through contract farming arrangement to minimize the Group's upfront investment in future agro business development. To cope with the development requirements, the Group had also engaged research institutions for research and development projects to support its agricultural activities. The Group's cultivation base would place strong emphasis in high quality green food by adopting an ecological and green cultivation methodology with high yield and quality as its core mission. The development would be in line with the existing government policies in the PRC to encourage scale farming by large corporations in the agro industry to address the food safety issues and enhance the utilization efficiency of farmland in a more systematic and effective way.

During the year under review, the Group had also carried out its clientele extension plans in its agro business through acquiring certain distribution businesses in fresh produce products in the PRC. The increased distribution volume in fresh produce products had also made contribution to the higher utilisation of our cold chain logistics services in Zhongshan logistics hub. Turnover for distribution of fresh produce products and provision of cold chain logistics services had recorded a growth rate of approximately 14% and 2% respectively when compared with the preceding financial year irrespective of the impact of the economic downtown.

In November 2008, the Group had redeveloped part of its storage and logistics facilities in Zhongshan logistics hub in order to enable it to meet various stringent quarantine, specification and quality requirements to carry out the distribution business of frozen products with official endorsement from the Guangdong Entry-Exit Inspection and Quarantine Bureau as the accredited cold-chain storage facilities for imported frozen products. The redevelopment would enable the Group to expand its distribution scale in frozen products currently mainly carried out in the eastern region by our Shanghai logistics hub to cover the southern region of the PRC by our Zhongshan logistics hub. To speed up the further expansion by Zhongshan logistics hub, the Group had acquired a distribution business in frozen products. Such acquisition would broaden the distribution network of frozen products in the southern region of the PRC.

Further, Zhongshan logistics hub had also finalised the extension plans in its second phase development. The extension would encompass the establishment of a government licenced central warehouse equipped with a hygiene and quarantine centre of internationally recognised standards and various repackaging facilities for agro products. In view of the recent turbulence in global financial markets, the Group would first start the construction work of the central warehouse that would act as the storage and processing hub for China's agro products for domestic sales. The extension plan for the hygiene and quarantine centre together with other logistics facilities built for the export of China's agro products would be deferred and revisited until China's export industry restored. Post-harvest and fresh cut processing operations of agro products were also set up and commenced operations in Zhongshan logistics hub during the year. The post-harvest and fresh cut processing business would also be regarded as our pilot operations to the forthcoming large scale processing operations in the second phase development of Zhongshan logistics hub as mentioned above.

The Group had carried out its product extension plans in its cosmetic business during the year. Different from the previous model with its procurement from overseas countries, the Group started sourcing the cosmetic products and toiletries of certain established brands from the PRC manufacturers and sold to the pharmacy, department and retail chain stores at a more affordable price in the PRC. This product extension was expected to create vast room for sales volume of cosmetic products to the more affordable consumer group in the PRC.

On 16 April 2009, the Company announced to propose to raise approximately HK$151.7 million through an open offer, before deducting all the relevant expenses of approximately HK$4.0 million, by issuing 842,565,000 offer shares at the subscription price of HK$0.18 per offer share, on the basis of one offer share for every two existing shares held on the 15 May 2009. The net proceeds of the open offer was approximately HK$147.7 million, which would be used by the Group as to approximately HK$100.0 million for the development in the agro business, as to approximately HK$40.0 million for the further development and expansion of our Zhongshan logistics hub and as to the remaining balance of approximately HK$7.7 million as general working capital.

The past financial year was unprecedentedly underperformed in the Group's track record due to the unfavourable global economic environment. The year-on-year GDP growth rate of the PRC had decreased to a single-digit in 2008 due to the drop in the PRC's foreign trade and fixed-asset investments. In view of the uncertain market conditions, the Group had during the year performed an in-depth review on its business development plans and capital expenditure budget.

On the financial side, the Group had implemented a more stringent credit control policy to customers to withstand increasing credit risks inherent in the economic downturn. Though longer credit terms might be granted to certain customers with historical good repayment records with us, but self control to reduce or stop taking orders from customers with gradually slow repayment trends had been in place in order to ensure collectability. The Group had further reviewed its future expenditure since the last quarter of 2008 following the deepening downturn of the global economy. Resources would only be committed to business projects pertinent to sales of necessity with sustainable growth and to segments and industries with strong support by the PRC government policies, both in term of fiscal and administrative, such as agro industry. Development plans in other domains with intensive capital investment had been totally held up or protracted if committed previously.

On the business side, the Group would continue its diversification process in its entire supply chain that would enable it to leverage its well acquired distribution expertise and well extended sales network in the downstream, well established cold chain logistics infrastructure in the midstream and well controlled source of stable supply of safe and marketable produces in the upstream. A well-executed balance between each of these dependent business segments in upstream, midstream and downstream in farming, logistics and trading business would create cross opportunities for each other.

In view of the recovering world economy and financial market, together with the initial effect of the PRC government's stimulus measures and economic revitalization policies, our management believes the market and operating environment would quickly improve. With the continuous reinforcement in the agro industry with strong government support and ample market opportunities, coupled with our well established sales network and perishable logistics infrastructure in the PRC, our management is optimistic that the Group is well positioned to create growth momentum and emerge as a more sound and refined business.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2009, the Group had approximately 820 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. As at the date of this report, a total of 109,384,596 share options remain unexercised.

DIVIDENDS AND PROPOSED BONUS OF SHARES

The Directors do not recommend the payment of any final dividend for the year ended 30 June 2009.

The Board proposes to make a bonus issue of new shares of the Company by way of a special dividend on the basis of one bonus share for every twenty existing shares of the Company to the shareholders whose names appear on the register of members of the Company on 21 December 2009. The bonus shares issue is conditional upon the Stock Exchange granting the listing of and permission to deal in the bonus shares. The bonus shares, upon issue, will be credited as fully paid at par and will rank pari passu in all respects with the existing issued shares of the Company with effect from the date of issue. Further details regarding the bonus shares issue will be set out in a circular to be despatched to the shareholders of the Company.

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 throughout the year ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all the Company's directors any non-compliance with the Model Code during the year ended 30 June 2009 and they all confirmed that they had fully complied with the required standards set out in the Model Code.

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 2009.

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 2009 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.

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

Hong Kong, 28 October 2009

As at the date of this announcement, the Board comprised three executive Directors, namely Mr. Lam Kwok Hing (Chairman), Mr. Chu Ki and Ms. Lee Choi Lin, Joecy; 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.