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 2011

The board (the "Board") of directors (the "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 2011 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Turnover	*2*	**2,122,332**	2,367,019
Cost of sales		**(1,658,721)**	(1,820,869)
Gross profit		**463,611**	546,150
Changes in fair value of biological assets less costs to sell		**(790)**	(5,354)
Other income		**4,506**	3,988
Selling and distribution expenses		**(146,139)**	(160,957)
Administrative expenses		**(151,771)**	(135,348)
Other operating expenses		**(38,244)**	(9,970)
Profit from operations		**131,173**	238,509
Finance costs	*4*	**(2,991)**	(3,924)
Profit before tax		**128,182**	234,585
Income tax expense	*5*	**(9,023)**	(13,987)
Profit for the year	*6*	**119,159**	220,598
Attributable to:			
Owners of the Company		**132,784**	226,034
Non-controlling interests		**(13,625)**	(5,436)
		119,159	220,598
Earnings per share	*8*		(Restated)
Basic		**HK4.1 cents**	HK7.9 cents
Diluted		**HK4.0 cents**	HK7.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**119,159**	220,598
Other comprehensive income:		
Exchange differences on translating foreign operations	**35,510**	(34)
Exchange differences reclassified to income statement on disposal of subsidiaries	**–**	(246)
Fair value change of available-for-sale financial assets	**(14,404)**	2,664
Impairment loss on available-for-sale financial assets reclassified to profit or loss	**34,508**	–
Loss on property revaluation		
Fair value loss on property revaluation	**–**	(20,614)
Deferred tax liability	**–**	5,154
	–	(15,460)
Other comprehensive income for the year, net of tax	**55,614**	(13,076)
Total comprehensive income for the year	**174,773**	207,522
Total comprehensive income attributable to:		
Owners of the Company	**188,398**	212,958
Non-controlling interests	**(13,625)**	(5,436)
	174,773	207,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	At 30 June 2011 HK$'000	At 30 June 2010 HK$'000 (Restated)	At 1 July 2009 HK$'000 (Restated)
Non-current assets				
Fixed assets		**648,209**	655,669	694,181
Prepaid land lease payments		**455,658**	325,660	322,069
Construction in progress		**335,109**	144,026	34,435
Goodwill		**282,525**	282,525	287,378
Biological assets		**55,357**	42,841	39,773
Other intangible assets		**106,391**	132,186	176,849
Other assets		**70,846**	53,132	41,808
Investment in a club membership		**108**	108	108
Investments		**9,144**	23,548	14,922
		1,963,347	1,659,695	1,611,523
Current assets				
Biological assets		**–**	–	1,585
Inventories		**220,561**	236,201	206,829
Trade receivables	*9*	**390,922**	405,556	333,676
Prepayments, deposits and other receivables		**305,032**	209,682	135,572
Investments		**424**	512	335
Bank and cash balances		**603,582**	519,251	427,943
		1,520,521	1,371,202	1,105,940
TOTAL ASSETS		**3,483,868**	3,030,897	2,717,463
Capital and reserves				
Share capital		**34,637**	28,285	25,277
Reserves		**3,198,434**	2,583,787	2,256,907
Equity attributable to owners of the Company		**3,233,071**	2,612,072	2,282,184
Non-controlling interests		**(16,378)**	(2,753)	–
Total equity		**3,216,693**	2,609,319	2,282,184
Non-current liabilities				
Finance lease payables		**846**	35	89
Deferred tax liabilities		**2,774**	2,285	7,180
Deferred income		**–**	–	8,485
		3,620	2,320	15,754
Current liabilities				
Trade payables	*10*	**98,755**	98,274	77,470
Accruals and other payables		**19,356**	16,104	32,802
Borrowings		**126,601**	259,060	277,135
Finance lease payables		**500**	52	69
Current tax liabilities		**18,343**	45,768	32,049
		263,555	419,258	419,525
Total liabilities		**267,175**	421,578	435,279
TOTAL EQUITY AND LIABILITIES		**3,483,868**	3,030,897	2,717,463
Net current assets		**1,256,966**	951,944	686,415
Total assets less current liabilities		**3,220,313**	2,611,639	2,297,938

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 costs to sell.

In the current year, the Group has adopted all new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 July 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause." ("HK-Int 5"). The Company has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

2. TURNOVER

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Sales of goods	**944,292**	1,097,939
Sales of agri-products	**983,845**	1,064,646
Logistics services income	**194,195**	204,434
	2,122,332	2,367,019

3. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of fast moving consumer goods including packaged foods, beverages, household consumable products, cosmetic products and cold chain products ("FMCG Trading Business");

(ii) The cultivation, sale and trading of fresh and processed fruits and vegetables ("Agri-Products Business"); and

(iii) Provision of logistics services ("Logistics Services Business").

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different technology and marketing strategies.

In current year, the management reviewed the Group's internal reporting and determined that the nature and financial effects including reported revenue, profit and loss and assets of leasing of logistics facilities ("Leasing") that was disclosed in the prior years were immaterial for the current year and did not meet the quantitative thresholds in accordance with HKFRS 8. As the economic characteristics of Leasing and Logistics Services Business were similar in the nature of their service scope and the type of customers for their products and services, the reported information of Leasing was aggregated with that of Logistics Services Business accordingly.

Segment assets do not include investments, certain prepayments, deposits and other receivables and certain bank and cash balances. Segment non-current assets do not include investments, investment in a club membership, certain construction in progress and certain fixed assets. Segment liabilities do not include borrowings, certain finance lease payables and certain accruals and other payables.

The Group accounts for intersegment sales and transfers, if any, as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit, assets and liabilities:

	FMCG Trading Business *HK$'000*	**Agri-Products Business** *HK$'000*	**Logistics Services Business** *HK$'000*	**Total** *HK$'000*
Year ended 30 June 2011				
Revenue from external customers	**944,292**	**983,845**	**194,195**	**2,122,332**
Segment profit	**90,710**	**39,945**	**65,779**	**196,434**
Depreciation and amortisation	**33,581**	**38,933**	**31,753**	**104,267**
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	**–**	**790**	**–**	**790**
Additions to segment non-current assets	**80,803**	**305,881**	**33,659**	**420,343**
As at 30 June 2011				
Segment assets	**1,162,560**	**1,543,176**	**655,180**	**3,360,916**
Segment liabilities	**132,171**	**86,553**	**6,077**	**224,801**

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	Total *HK$'000*
Year ended 30 June 2010 (Restated)				
Revenue from external customers	1,097,939	1,064,646	204,434	2,367,019
Segment profit	131,781	53,686	80,783	266,250
Depreciation and amortisation	43,444	38,479	20,572	102,495
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	5,354	–	5,354
Additions to segment non-current assets	3,604	216,149	26,247	246,000
As at 30 June 2010				
Segment assets	1,121,230	1,206,018	647,628	2,974,876
Segment liabilities	204,491	57,046	3,484	265,021

Reconciliations of reportable segment revenue, profit, assets and liabilities:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**2,122,332**	2,367,019
Profit		
Total profit of reportable segments	**196,434**	266,250
Unallocated amounts:		
Impairment loss on available-for-sale financial assets	**(34,508)**	–
Other corporate expenses	**(42,767)**	(45,652)
Consolidated profit for the year	**119,159**	220,598
Assets		
Total assets of reportable segments	**3,360,916**	2,974,876
Unallocated amounts:		
Investments	**9,568**	24,060
Other corporate assets	**113,384**	31,961
Consolidated total assets	**3,483,868**	3,030,897
Liabilities		
Total liabilities of reportable segments	**224,801**	265,021
Unallocated amounts:		
Other corporate liabilities	**42,374**	156,557
Consolidated total liabilities	**267,175**	421,578

Geographical information:

For the years ended 30 June 2010 and 2011, over 95% of the Group's revenue, profit, assets and liabilities was 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.

Revenue from major customer:

For the years ended 30 June 2010 and 2011, the turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover and accordingly, no major customer information is presented.

4. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Interest on borrowings	**2,951**	3,916
Finance lease charges	**40**	8
	2,991	3,924

5. INCOME TAX EXPENSE

	2011 *HK$'000*	2010 *HK$'000*
Current tax – Overseas		
Provision for the year	**8,650**	13,728
Deferred tax	**373**	259
	9,023	13,987

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2011 as the Group did not generate any assessable profits arising in Hong Kong during the 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 a progressive rate from 9% to 12% (2010: 9% to 12%) on the estimated assessable profits for the year with the first two hundred thousand patacas assessable profits being free from tax. 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% (2010: 25%), 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 expenses at the effective tax rates are as follows:

	2011				2010			
	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	**335,221**	**(205,785)**	**(1,254)**	**128,182**	370,099	(149,567)	14,053	234,585
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**40,226**	**(33,954)**	**(313)**	**5,959**	44,412	(24,678)	3,513	23,247
Tax effect of income not taxable	**–**	**(221)**	**–**	**(221)**	–	(1)	(4)	(5)
Tax effect of expenses not deductible	**–**	**34,144**	**2,288**	**36,432**	–	24,237	3,042	27,279
Profits exempted from the Macau Complementary Tax	**(40,226)**	**–**	**–**	**(40,226)**	(44,412)	–	–	(44,412)
Tax effect of unused tax losses not recognised	**–**	**523**	**6,373**	**6,896**	–	784	6,890	7,674
Tax effect of utilisation of tax losses not previously recognised	**–**	**(350)**	**–**	**(350)**	–	(395)	–	(395)
Tax effect of unrecognised temporary difference	**–**	**(142)**	**675**	**533**	–	53	546	599
Income tax expense	**–**	**–**	**9,023**	**9,023**	–	–	13,987	13,987

6. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2011	2010
	HK$'000	*HK$'000*
Amortisation of other intangible assets, net of amount capitalised	**45,399**	44,267
Auditors' remuneration		
Statutory audit	**1,387**	1,310
Non-audit services	**5**	200
	1,392	1,510
Cost of inventories sold	**1,604,404**	1,758,555
Depreciation, net of amount capitalised	**41,748**	42,324
Fair value loss on financial assets at fair value through profit or loss	**88**	235
(Gain)/loss on disposal of fixed assets, net	**(150)**	637
Loss on disposal of subsidiaries	**–**	7,685
Trade receivables written off	**–**	28
Impairment loss on available-for-sale financial assets	**34,508**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**74,155**	45,973
Other equity-settled share-based payments	**5,954**	7,948
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**21,914**	27,840
Equity-settled share-based payments	**204**	16,399
Retirement benefits scheme contributions	**663**	841
	22,781	45,080

7. DIVIDENDS AND BONUS ISSUE OF SHARES

The Board does not recommend the payment of any final dividend (2010: HK1 cent per share of the Company ("Share(s)")) in respect of the year ended 30 June 2011. The Board also proposes a bonus issue of shares in the proportion of one bonus share for every twenty shares held by shareholders of the Company.

8. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$132,784,000 (2010: HK$226,034,000) and the weighted average number of ordinary shares of 3,261,439,547 (2010 restated: 2,876,417,067) in issue during the year after adjusting the effects of the bonus issue in January 2011. The basic earnings per share for 2010 had been adjusted accordingly.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$132,784,000 (2010: HK$226,034,000) and the weighted average number of ordinary shares of 3,289,293,483 (2010 restated: 2,906,564,254), being the weighted average number of ordinary shares of 3,261,439,547 (2010 restated: 2,876,417,067) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 27,853,936 (2010 restated: 30,147,187) 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 2010 had been adjusted for the effects of the bonus issue in current year.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 150 days (2010: 30 to 120 days).

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

	2011	2010
	HK$'000	*HK$'000*
1 – 30 days	**113,776**	167,385
31 – 60 days	**91,530**	140,109
61 – 90 days	**82,544**	71,421
Over 90 days	**103,072**	26,641
	390,922	405,556

At 30 June 2011 trade receivables of approximately HK$127,000 (2010: HK$126,000) 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 reporting period. The aging analysis of these trade receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
Up to 90 days	**110**	111
Over 90 days	**17**	15
	127	126

10. TRADE PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
1 – 30 days	**98,634**	95,880
31 – 60 days	**–**	780
61 – 90 days	**2**	36
Over 90 days	**119**	1,578
	98,755	98,274

11. COMPARATIVE FIGURES

Certain comparative figures relating to turnover and segment information have been reclassified to conform with the current year's presentation. 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 2010 had been adjusted for the effects of the bonus issue in current year.

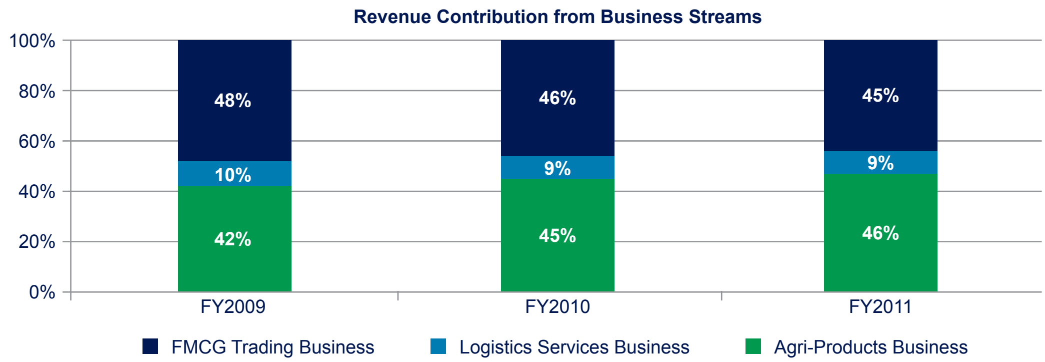
MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year under review, three business units contributed income to the Group and they were:

(i) The FMCG Trading Business: the trading of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products;

(ii) The Logistics Services Business: the provision of cold chain logistics services, mid-stream food processing and logistics services and value-added post-harvest food processing; and

(iii) The Agri-Products Business: an integrated supply chain that includes upstream cultivation and the sale and distribution of Agri-Products.



FINANCIAL PERFORMANCE AND REVIEW

The Group continued to shift the emphasis of the business strategy towards the Agri-Products Business. In the previous financial year, this and the FMCG Trading Business's income contribution were basically at parity. For the first time, the Agri-Products Business contributed the largest share of the Group's income representing approximately 46% of all revenues, up approximately 1% from FY2010 as compared with the FMCG Trading Business which contributed approximately 45% of revenue in FY2011 and approximately 46% in FY2010.

The following Heng Tai Product Datasheet shows more product-specific information:–

Heng Tai Product Datasheet:

Category:	**% of Revenue FY2011: (approximately)**	% of Revenue FY2010: (approximately)	**Product Type:**
Packaged Foods	**23%**	23%	Biscuits, candies, chocolate, condiments, margarine, milk powder products, health foods, noodles, snacks, rice, nourishing supplements, and exclusively licensed branded products
Beverages	**2%**	2%	Beers, wines, and soft drinks
Household Consumables	**2%**	1%	Toiletries including tissue paper, toilet paper, personal hygiene products, shampoo, conditioner, shower gels, and soaps
Cosmetics & Skincare Products	**7%**	8%	Make-up, perfumes, fragrances, skincare, and sun care products
Cold Chain Products	**11%**	12%	Frozen meats, seafood and dairy products
FMCG Trading Business Unit	**45%**	46%	**Packaged Foods, Beverage, Household Consumables, Cosmetics, and Cold Chain Products**
Cold Chain and Agri-Products Servicing	**8%**	8%	Food processing and cold chain logistics services
Third Party Logistics	**1%**	1%	Logistics solutions and services for non Heng Tai related businesses
Logistics Services Business	**9%**	9%	**Zhongshan Facilities: Cold Chain & Food Processing** **Shanghai & Beijing Facilities: Cold Chain Logistics & FMCG Solutions**
Imported Fruits & Vegetables	**42%**	43%	Apples, table grapes, tropical fruits including durian, longan and mangosteen
Domestic Fruits & Vegetables	**4%**	2%	Potatoes, carrots, onions, ginger, garlic, bok choy, mushrooms, choi sum, cabbage, broccoli, oranges, mandarins, tangerines
Agri-Products Business Unit	**46%**	45%	**Agri-Trading and Farming**

"A YEAR OF TWO HALVES"

FY2011 was a peculiar year. The Group experienced record-breaking financial performance in the first half of the year, seemingly riding the momentum from the tail end of FY2010. Then the Group's business slowed to a snail's pace in the second half of the year, reversing all the good works during the interim period and ended the year underperforming in comparison to the previous year. In summary:

- The Group generated total revenue of approximately HK$2.12 billion as compared to approximately HK$2.37 billion for FY2010, representing a fall of approximately 10.3%; this decline in the Group's turnover was attributable to a sharp drop in the Group's overall sales volume, which was caused by a combination of unexpected factors that took place in the second half of the financial year. The Group's FMCG Trading business was hardest hit due to the tightening up of formalities regulating edible foodstuff control by the PRC Government, causing extremely restrictive regulatory conditions in the domestic market.

- Gross profit margin dropped slightly to approximately 21.8%, down approximately 1.3% from approximately 23.1% in FY2010; this reduction was the result of adjustments made to selling prices across all the Group's traded products.

- Gross profit was down approximately 15.1% to approximately HK$463.6 million from approximately HK$546.2 million in FY2010.

- Whilst the Group's net profit too a heavy hit, falling approximately 46.0% to approximately HK$119.2 million as compared with approximately HK$220.6 million in FY2010; the combination of lower turnover and gross profit margins, plus increases in administrative expenses by approximately 12.1% and a combined increase of approximately 283.6% in other operating expenses, all impacted on the decline of the Group's net profit.

- Selling and distribution expenses fell approximately 9.2% from approximately HK$161.0 million to approximately HK$146.1 million. These expenses represented approximately 6.9% of turnover and remained unchanged from the previous year. Selling and distribution expenses included expenses used for the development of sales and marketing channels, brand building and promotion, as well as distribution expenses all together spent in support of the Group's sales activities.

- Administration expenses increased approximately 12.1% to approximately HK$151.8 million, as compared to that of the previous financial year. This increase was mainly attributable to the Group's overall strategic transition to agriculture and specifically the up-stream farming business.

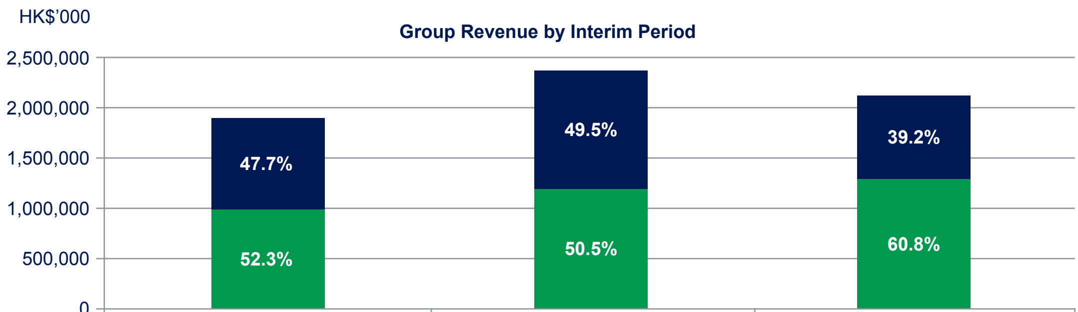
- Other operating expenses mainly represented the impairment loss of the value in the investment of China Zenith Chemical Group Limited (Stock Code: 362) ("China Zenith") made in accordance with HKFRSs, and costs incurred from several pilot cultivation programs carried out during the year as test cases before ramping up to full capacity.

- Finance costs decreased to approximately HK$3.0 million from approximately HK$3.9 million in the preceding financial year. The decrease in finance costs were mainly attributable to the low interest rate effect and a decreased level of utilization of the Group's banking facilities when compared with the preceding financial year.

- The decrease in the Group's net profit can be summarised as mainly attributable to an approximately 10.3% decrease in turnover, approximately 1.3% decrease in the Group's overall gross profit margin, approximately 12.1% increase in administrative expenses and approximately 283.6% increase in other operating expenses, while there were overall decreases of approximately 45.0% in changes in fair value of biological assets, finance costs and income tax expenses.

- The fact that all three businesses units experienced growth in the first half, then a sharp decay in fortunes in the second half, on top of which no individual business unit showed any signs of being a laggard nor did any of the business units show any sign of systemic faults in the business models, should give stakeholders relief and reinforce that the fundamental business structure is sound and effective (n.b. first half performance). Further analysis shows that a number of unexpected factors combined, impacted on the Group's performance leading to a reversal of what was looking like being another strong year for Heng Tai.

	FY2011	FY2010
	HK$'000	*HK$'000*
Turnover	**2,122,332**	2,367,019
FMCG Trading Business	**944,292**	1,097,939
Logistics Services Business	**194,195**	204,434
Agri-Products Business	**983,845**	1,064,646
Gross Profit	**463,611**	546,150
Gross Profit Margin	**21.8%**	23.1%
Net Profit	**119,159**	220,598



	FY2009	FY2010	FY2011
Jan to Jun	905,615	1,172,104	831,159
Jul to Dec	991,476	1,194,915	1,291,173

The First Half – "It was the Best of Times"

	FY2011 July to December 2010 *HK$'000*	FY2010 July to December 2009 *HK$'000*
Turnover	**1,291,173**	1,194,915
FMCG Trading Business	**592,380**	555,791
Logistics Services Business	**104,568**	97,040
Agri-Products Business	**594,225**	542,084
Gross Profit	**289,525**	264,735
Gross Profit Margin	**22.4%**	22.2%
Net Profit	**103,560**	104,931

Revenues generated for the first half of FY2011 were approximately HK$1.29 billion representing approximately 8.1% increase on revenues generated during the same period during FY2010 (approximately HK$1.19 billion). This represented our strongest top line performance for the Group for an interim period to date.

Gross profit grew by approximately 9.4%. At the same time, the Group managed to maintain gross margins (approximately 22.4% in the first half of FY2011 vs. approximately 22.2% in the same period of FY2010) in extremely competitive market conditions. Whilst the Group's competitors used tactics like discounts and cost cutting to compete, the Group stayed true to the pricing strategy, agreed upon with each product's brand owners and instead competed in the market place by spending more money on brand building and promotion to build brand equity and more awareness amongst consumers.

The Group believes that this will prove to be a more prudent move in the long term, where the stronger brand equity not only will keep paying dividends regarding sales, but also enhancing the Group's reputation when the time comes for attracting new brands to sign on with the Group, even though in the short term, the Group has to shoulder the burden of slightly higher operating expenses. This, coupled with higher administrative expenses, pushed the Group's net profit marginally down as compared with that of the previous period.

The Second Half – "It was the Worst of Times"

	FY2011 January to June 2011 *HK$'000*	FY2010 January to June 2010 *HK$'000*
Turnover	**831,159**	1,172,104
FMCG Trading Business	**351,912**	542,148
Logistics Services Business	**89,627**	107,394
Agri-Products Business	**389,620**	522,562
Gross Profit	**174,086**	281,415
Gross Profit Margin	**20.9%**	24.0%
Net Profit	**15,599**	115,667

It may not have been "the worst" per se, but regardless of unexpected factors this is not acceptable to Heng Tai. The Group has identified the shortcomings and is committed to address these issues with solutions over the coming year. There were a number of unexpected factors that had an adverse impact in the Group's financial performance that not only undid the gains posted in the first half of the year, but resulted in year-end numbers that were below that of FY2010. In contrast to the first half, the second half of FY2011 recorded revenues of approximately HK$831.2 million, down 29.1%, approximately, from FY2010's second half of approximately HK$1.17 billion.

Margins were down approximately 3.1% from approximately 24.0% in the second half of FY2010 to approximately 20.9% in the same period of FY2011. Gross profit dropped approximately 38.1% from approximately HK$281.4 million for the second half of FY2010 to approximately HK$174.1 million for the same period of FY2011.

Net profit for the second half of FY2011 fell to approximately HK$15.6 million, down a massive approximately 86.5% period-to-period.

So what happened to the business in the second half that turned such a promising year into one of disappointment? The following analysis on a business sub-unit-by-sub-unit basis helps explain what happened to Heng Tai in the second half of FY2011 that made it "the worst of times"….

BUSINESS REVIEW

FMCG Trading Business

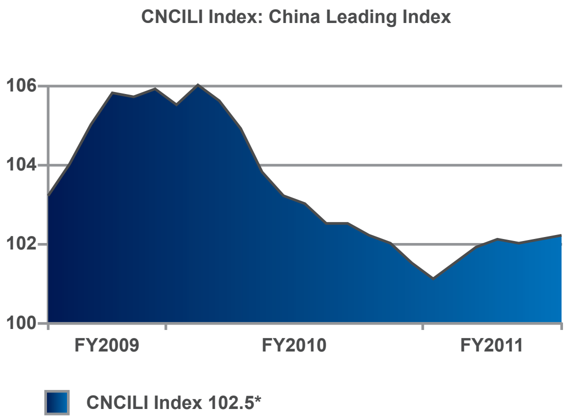
The FMCG products are mostly sourced through the Group's extensive overseas procurement networks, operating in major global markets including Southeast Asia, USA, Europe, Australia, and New Zealand. These products, in turn, are traded back into the domestic PRC market through wholesalers, retailers, and on-premise customers.

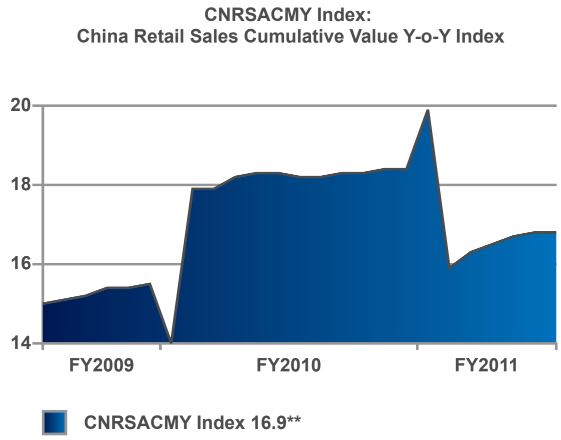
The FMCG Trading Business contributed approximately HK$944.3 million in revenues to the Group for FY2011, down approximately 14.0% from that contributed in FY2010. This business unit's gross margins fell 3.3% from approximately 23.2% in FY2010 to approximately 19.9% in FY2011. Once again the difference between first-half and second-half performance was shocking with revenues generated for the second half of FY2011 coming in approximately 40.6% lower than that generated during the first half of FY2011.

FMCG Trading Business	**FY2011** ***HK$'000***	FY2010 *HK$'000*
Distribution		
• Packaged Foods	**481,430**	536,893
• Beverages	**42,779**	38,673
• Household Consumables	**43,181**	38,234
Cold Chain Products	**234,833**	291,297
Cosmetics	**142,069**	192,842
Total Revenue	**944,292**	1,097,939
Distribution		
• Packaged Foods	**13.5%**	16.0%
• Beverages	**14.9%**	15.2%
• Household Consumables	**15.0%**	17.8%
Cold Chain Products	**24.6%**	26.9%
Cosmetics	**37.0%**	40.3%
Total Gross Profit Margin	**19.9%**	23.2%

With that said, after deducting certain directly incurred and allocated operating costs, the FMCG Trading Business was still able to generate a minimal approximately 6% net margin. Our industry peers get excited when they are able to squeeze net margin improvements from approximately 1.8% to approximately 2%, which goes to show that the Group's core business strategy is sound and that the business unit's "One-Stop Service Platform" is a solid operating model.

The performance of the FMCG Trading Business was affected by two factors. Firstly, the global economy experienced uncertainties during second half of FY2011. This uncertainty affected consumer confidence and as a result consumption affected even at a local level in the PRC (Ref. CNCILI* Index and CNRSACMY** Index below).





* Index is jointly developed by National Bureau of Statistics and Goldman Sachs.

** The China Retail Sales Cumulative Value Y-o-Y Index from Bloomberg.

The emerging signs of a global economic downturn were really brought to reality earlier this year, when the Tsunami hit Japan. With a major global economic superpower severely handicapped by nature and the potential of health and safety risks caused by the radiation leaks that ensued, the knock on effect that accelerated the rest of the world's economic stability really started to affect the decision making and spending habits amongst not only international citizens, but local PRC consumers. This has had an impact on our FMCG Trading Business, driving consumers to switch to cheaper locally produced alternatives, which is similar to what was experienced during the global financial crisis in FY2009.

Secondly, the PRC Government's concern with the number of food safety scandals, led to more new stringent administrative measures on food labelling and other processes to reduce the food safety risks. This has caused a significant increase in paperwork and disclosure, which has triggered caution in the markets, delay internally, and an overall reduction in the volumes that were traded in the food markets during the second half of FY2011.

Going into FY2012, there are some positives to take from this; firstly, the Group's financial performance reacted very quickly post-financial crisis when global economies rebounded. This looks very much like a downturn as a result of unexpected influences and not because of a systemic fault in the Group's business model. And during the second half of FY2011, much of the red tapes and headaches caused by the introduction of new food safety measures, were sorted out with all the new internal processes for handling the new safety measures outlined and the relevant employees trained.

Logistics Services Business

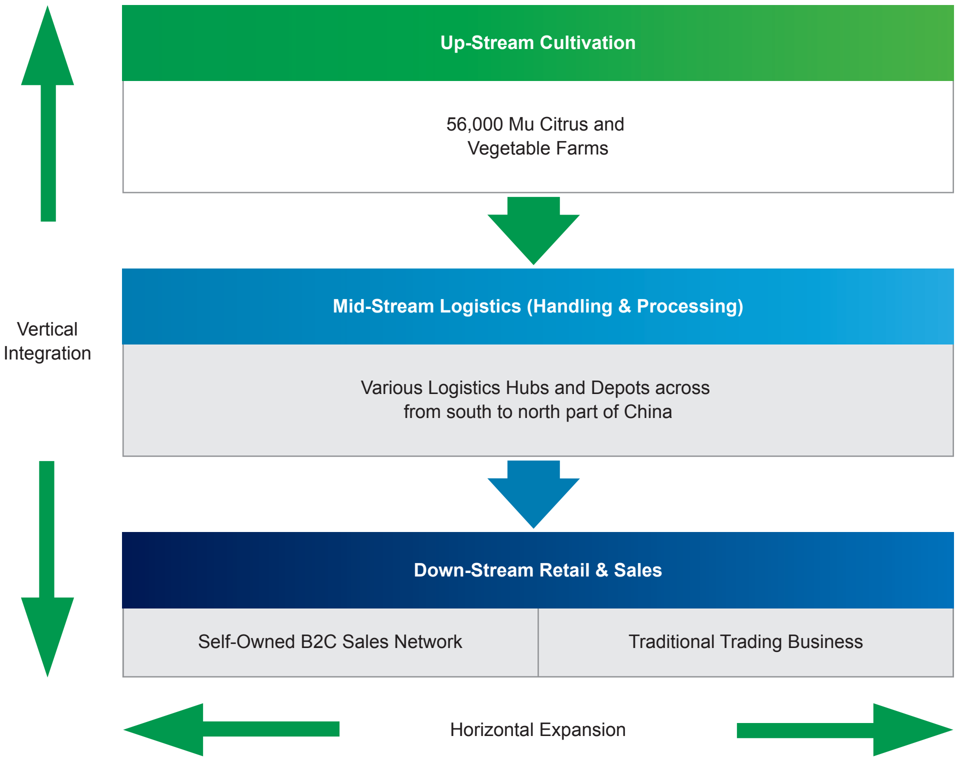
During the financial year under review, income from logistics services represented approximately 9.2% of the Group's turnover. The Logistics Services Business' fortune was very much linked to that of the Group's other two business units. The first half of FY2011 again had this unit showing strong financial performance but the second half's performance of this unit fell away with that of the Agri-Products Business and the FMCG Trading Business.

Logistics Services Business	**FY2011**	FY2010
	HK$'000	*HK$'000*
Cold chain and Agri-products	**183,841**	191,431
Third party logistics	**10,354**	13,003
Total Revenue	**194,195**	204,434
Cold chain and Agri-products	**52.3%**	51.5%
Third party logistics	**10.8%**	13.6%
Total Gross Profit Margin	**50.1%**	49.1%

Agri-Products Business

The Agri-Products Business generated approximately HK$983.8 million for FY2011, down approximately 7.6% as compared to approximately HK$1.06 billion generated in FY2010. This income was almost derived solely from the business unit's trading business whilst a negligible income was contributed by the Group's upstream farming business. Signs are encouraging though, with the Agri-Products Business becoming the largest income contributor to Group's revenues in FY2011. Gross profit for the year was down approximately 6.7% year-on-year, though the business unit did manage to maintain its gross profit margin at approximately 18%.

With this said, the Group is well on its way to realising the vision of operating an integrated Agri-Products Supply Chain. All components within the Up-Stream Cultivation, Mid-Stream Logistics, and Down-Stream Retail and Sales are in place, save that of the Retail Sales Network. Once the farming assets come online and contribute income to the Group, one will start to see the true impact and effectiveness of such a structure on the Group's overall financial performance.



Agri-Products Business	**FY2011**	FY2010
	HK$'000	*HK$'000*
Agri-Products Trading		
• Imported	**901,250**	1,018,735
• Domestic	**62,531**	26,551
Upstream Farming	**20,064**	19,360
Total Revenue	**983,845**	1,064,646
Agri-Products Trading		
• Imported	**18.3%**	17.9%
• Domestic	**13.1%**	11.6%
Upstream Farming	**27.0%**	26.9%
Total Gross Profit Margin	**18.1%**	17.9%

The Agri-Products Business performed well during first half of FY2011, generating approximately HK$594.2 million, up approximately 9.6% period-to-period. Like other business units, this performance fell away in the second half where second half income fell by approximately 25.4% as compared with the same period in FY2010. The import business underperformed as compared with the revenues generated in FY2010 and for the whole year was down approximately 11.5% year-on-year.

Exposure to the forces of exchange rate risk (and its effect on consumer behaviour) and increased competition from new entrants from emerging countries like South Africa, and those from South America and South East Asia, have begun to erode the market share and had their impacts on the business unit's financial performance. The Group's traditional import business has been bringing fruits and vegetables into the PRC from countries like New Zealand and Australia. These countries' currencies have been strong over the past few years. Coupled with the higher costs of growing and handling, more and more buyers from the PRC are now tapping the rapidly growing distribution abilities of South American, South African and South East Asian suppliers. This part of the business began to lose its competitive advantage against products from these emerging markets, allowing buyers savings on their cost of goods and cutting edge on exchange rates. The bright spot is that the domestic trading business posted record sales figures. FY2011's revenue grew approximately 135.5% as compared with FY2010. The team have worked tirelessly to further extend the domestic sales channels growing into Macau and bringing on board the major casino hotels as clients and deepening sales channels in Hong Kong by accessing different areas of existing clients' businesses.

Upstream Farming Business

The Upstream Farming Business did not contribute much income to the Group during FY2011. This was due to three reasons:

(i) China experienced adverse weather conditions that affected the Group's farming and growing season as well as nationwide cultivation as a whole. With China being so prone to natural disasters resulting from weather phenomenon, the Group was caught in two minds whether to go ahead and commit the working capital to start planting at the Group's farms or hold off for fear of falling foul of similar floods that affected the local area in 2010. As it turned out, the Group's decision to hold off on planting was an inspired decision. Bad local weather caused extensive flooding at times during the growing season, which would have wiped out millions of dollars worth of crops, not only reducing the farm's income contribution, but also leaving a large hole in the Group's earnings.

(ii) The acquisition of the farmland in Shandong Province did not take place as planned because of a delay in the availability of funding for the acquisition caused by the lengthy TDR application process, resulting in the Group not gaining full control of the asset until the planting season had passed.

(iii) The Group's citrus farm in Jiangxi Province was in its third growing year, with citrus farms traditionally requiring 4-5 years before the plantations yield enough fruit for a proper harvest.

Retail Sales Network

The acquisition of the targeted retail sales network, originally expected to be completed by the second quarter of 2011, was aborted finally due to unsatisfactory results found in our due diligence scrutiny. As a result, the Group was forced to abort this particular acquisition. With that said, the Group still views this as an important component of the overall strategic plan and is currently exploring alternative target as replacements to complete this transaction.

Investment in China Zenith

A non-operations related factor that has affected the reported net profit of the Group was an impairment loss on investment in China Zenith. The Group's strategic investment in China Zenith could trace back to 2004 and was held as a long-term investment and accounted for by way of equity accounting method then. Following the disposal of a major portion of China Zenith's shares in 2007, the investment in China Zenith's shares was no longer equity accounted for, but treated as available-for-sale financial assets and the difference between the cumulative costs and open market value of the remaining shares was recorded in the investment revaluation reserve account at each balance sheet date. Following several recent events that created objective evidence for the indication of a possible permanent decline in the fair value of China Zenith and hence an impairment on the investment, the accumulated deficit previously recorded in the investment revaluation reserve account has been reclassified to the profit and loss account in accordance with the HKFRSs in current year.

The Impact of the TDR Delay

The TDR ("Taiwan Depository Receipt") listing that was initiated in May 2010 and aborted in November 2010, caused adverse impacts to the Group's income performance. The delay caused by the TDR listing postponed the Group's FY2011's investment program to certain extent. Originally slated for a late September listing, the Group encountered formality hurdles as well as an unprecedented number of companies seeking the TDR listing process. From the resulting bottle neck, it was proposed to the Board that the Company should abort the listing application and revert to a more standard "Top-Up Placement", which was then proceeded in late November. The Company was then able to raise sufficient funding to finance the acquisition of the farmland in Shandong Province and other logistics facility construction, and potentially the retail network. Had the Group's development plans been funded as planned, there would have been a good chance that certain development plans would have been able to contribute income in the Q4 of FY2011.

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.

At 30 June 2011, the Group had interest-bearing borrowings of approximately HK$126.6 million (30 June 2010: HK$259.1 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all would mature within one year or beyond a year but with a repayment on demand clause. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees provided 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 or 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 2011.

At 30 June 2011, the Group's current assets amounted to approximately HK$1,520.5 million (30 June 2010: HK$1,371.2 million) and the Group's current liabilities amounted to approximately HK$263.6 million (30 June 2010: HK$419.3 million). The Group's current ratio improved to a level of approximately 5.8 at 30 June 2011 (30 June 2010: 3.3). At 30 June 2011, the Group had total assets of approximately HK$3,483.9 million (30 June 2010: HK$3,030.9 million) and total liabilities of approximately HK$267.2 million (30 June 2010: HK$421.6 million) with a gearing ratio of approximately 3.6% (30 June 2010: 8.5%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The improvement in gearing ratio was mainly attributable to the continued growth in total assets through enlarged shareholders' equity from earnings and Shares issued and the decrease in bank borrowing level for the year.

During the year, the Company issued 136,190,000 new Shares through exercise of share options by option holders with net proceeds of approximately HK$78.7 million.

On 1 December 2010, the Company issued 335,000,000 new Shares to independent placees at a placing price of HK$1.15 per Share pursuant to a top-up placing and subscription agreement dated 23 November 2010. The net proceeds of approximately HK$378 million had been planned to be used in the following manners: (i) approximately HK$100 million for establishing a retail network for the sale of fresh produce in Hong Kong; (ii) approximately HK$145 million for acquiring or leasing about 25,000 Chinese mu of agricultural land in Shandong Province, the PRC; (iii) approximately HK$50 million for constructing and improving the Group's farmland infrastructure in the PRC; (iv) approximately HK$45 million for payment of the advance plantation fee in respect of the Group's agri development; and (v) the remaining balance would be applied as general working capital of the Group.

On 11 January 2011, the Company made a bonus issue of 164,016,225 new Shares at a par value of HK$0.01 each by way of a special dividend on the basis of one bonus Share for every twenty existing Shares to the shareholders whose names appeared on the register of members of the Company on 28 December 2010.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2011, the Group had approximately 620 employees 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 announcement, a total of 140,869,051 share options remain unexercised.

UPCOMING DEVELOPMENTS FOR FY2012

As part of the macro-strategy, laid out for the Group by the Chairman and Executive Committee, the past few years have seen the Group make a number of major acquisitions, requiring huge amounts of CAPEX. Following such capital expenditure and rapid growth, the Group's main initiative during FY2012 is to consolidate and integrate all these new pieces of the Group's macro puzzle and start squeezing some financial performance out of the newly formed platform. On top of this, the Group proposes to initiate the following remedial measures to counteract the multiple unexpected factors that have negatively impacted the Group's financial performance this year as a move to ensure that the Group does not experience as negative an impact as it did, in the future.

Agri-Trading Network Expansion

The Group is exploring partnerships with international companies that have strong global procurement and aggregation capabilities. The Group is in discussions with companies that deal with South American, South African, and South East Asian countries, as well as broadening domestic sources.

The Group is continually enhancing the reach and quality of domestic distribution channels and product supply sources across Greater China. The Group can provide wider channels through which the products from these new relationships can shift produce.

Cultivation/Farming

In order to reduce the impact of the weather on the Group's Agri-Products Business, the Group has set up a task force to explore possible collaborations with recognised meteorological institutions in order to set up joint initiative(s) to measure and forecast weather systems and study the effects on cultivation in China. This will hugely benefit the Group's decision making process, not only for operational decision on cultivation matters, but also for obtaining better data for the analysis of the different options for trading cultivated products, when making acquisitions, and forming joint ventures or partnerships in unfamiliar rural locations.

The Group will continue to build out the current logistics network and infrastructure needed by each farm to maximize the performance of each operating base.

International Buying Office

The Group will set up a buying office to act as a window into and out of China. The Group is known for being an importer of foreign products. This initiative will enhance the reach of the Group's procurement capabilities overseas. At the same time, this buying office will help overseas buyers source food and consumer products from China by acting as a merchandiser.

DIVIDENDS

The Board does not recommend the payment of any final dividend (2010: HK1 cent) in respect of the year ended 30 June 2011.

PROPOSED BONUS ISSUE OF SHARES

The Board proposes to make a bonus issue of new Shares by way of a special dividend on the basis of one bonus Share for every twenty existing Shares to the shareholders whose names appear on the register of members of the Company on 14 December 2011. The bonus 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 with effect from the date of issue. Further details regarding the bonus issue will be set out in a circular containing, inter alias, the notice of the forthcoming annual general meeting of the Company, to be despatched to the shareholders of the Company in late October or early November 2011.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding directors' securities transactions (the "Model Code") on terms no less than the Model Code for Securities Transactions by Directors of Listed Issues as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors any non-compliance with the Model Code during the year ended 30 June 2011 and they have all confirmed their full compliance with the required standards set out in the Model Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the "Top-Up Placement" as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 30 June 2011 have been reviewed by the Audit Committee and agreed by the independent auditor of the Company, RSM Nelson Wheeler, whom are of the opinion that such annual results have complied 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, 30 September 2011

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.