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 2012

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 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	2	**2,027,857**	2,122,332
Cost of sales		**(1,679,775)**	(1,658,721)
Gross profit		**348,082**	463,611
Changes in fair value of biological assets less costs to sell		**(17,015)**	(790)
Other income		**12,504**	4,506
Selling and distribution expenses		**(175,819)**	(146,139)
Administrative expenses		**(170,914)**	(151,771)
Other operating expenses		**(48,551)**	(38,244)
(Loss)/profit from operations		**(51,713)**	131,173
Finance costs	4	**(2,313)**	(2,991)
(Loss)/profit before tax		**(54,026)**	128,182
Income tax expense	5	**(3,253)**	(9,023)
(Loss)/profit for the year	6	**(57,279)**	119,159
Attributable to:			
Owners of the Company		**(30,012)**	132,784
Non-controlling interests		**(27,267)**	(13,625)
		(57,279)	119,159
(Loss)/earnings per share	8		(Restated)
Basic		**HK(0.6 cent)**	HK3.2 cents
Diluted		**N/A**	HK3.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(57,279)**	119,159
Other comprehensive income:		
Exchange differences on translating foreign operations	**28,785**	35,510
Fair value change on available-for-sale financial assets	**(7,253)**	(14,404)
Impairment loss on available-for-sale financial assets reclassified to profit or loss	**7,253**	34,508
Other comprehensive income for the year, net of tax	**28,785**	55,614
Total comprehensive income for the year	**(28,494)**	174,773
Total comprehensive income attributable to:		
Owners of the Company	**(1,227)**	188,398
Non-controlling interests	**(27,267)**	(13,625)
	(28,494)	174,773

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets		**897,123**	648,209
Prepaid land lease payments		**469,179**	455,658
Construction in progress		**134,709**	335,109
Goodwill		**282,525**	282,525
Biological assets		**52,469**	55,357
Other intangible assets		**100,732**	106,391
Other assets		**141,092**	70,846
Investment in a club membership		**108**	108
Investments		**1,891**	9,144
		2,079,828	1,963,347
Current assets			
Inventories		**219,443**	220,561
Trade receivables	*9*	**435,896**	390,922
Prepayments, deposits and other receivables		**303,842**	305,032
Investments		**243**	424
Bank and cash balances		**725,642**	603,582
		1,685,066	1,520,521
TOTAL ASSETS		**3,764,894**	3,483,868
Capital and reserves			
Share capital		**54,554**	34,637
Reserves		**3,535,877**	3,198,434
Equity attributable to owners of the Company		**3,590,431**	3,233,071
Non-controlling interests		**(42,883)**	(16,378)
Total equity		**3,547,548**	3,216,693
Non-current liabilities			
Finance lease payables		**263**	846
Deferred tax liabilities		**3,271**	2,774
		3,534	3,620
Current liabilities			
Trade payables	*10*	**98,454**	98,755
Accruals and other payables		**10,928**	19,356
Borrowings		**82,679**	126,601
Finance lease payables		**552**	500
Current tax liabilities		**21,199**	18,343
		213,812	263,555
Total liabilities		**217,346**	267,175
TOTAL EQUITY AND LIABILITIES		**3,764,894**	3,483,868
Net current assets		**1,471,254**	1,256,966
Total assets less current liabilities		**3,551,082**	3,220,313

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 the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 July 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; 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. The Group has not applied other 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. TURNOVER

	2012	2011
	HK$'000	*HK$'000*
Sales of consumer goods	**815,456**	944,292
Sales of agri-products	**1,029,681**	983,845
Logistics services income	**182,720**	194,195
	2,027,857	2,122,332

3. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of fast moving consumer goods including packaged food, 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.

The chief operating decision makers have been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources and determine the reporting segments.

Segment profits do not include gain or loss from investments, certain finance costs and unallocated corporate expenses. 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 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 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	Agri-Products Business	Logistics Services Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2012				
Revenue from external customers	**815,456**	**1,029,681**	**182,720**	**2,027,857**
Segment profit	**5,037**	**3,719**	**33,581**	**42,337**
Depreciation and amortisation	**30,502**	**55,302**	**35,852**	**121,656**
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	**–**	**17,015**	**–**	**17,015**
Additions to segment non-current assets	**16,464**	**247,316**	**70,273**	**334,053**
As at 30 June 2012				
Segment assets	**1,061,614**	**1,769,350**	**659,712**	**3,490,676**
Segment liabilities	**112,555**	**63,564**	**5,607**	**181,726**

	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

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**2,027,857**	2,122,332
Profit		
Total profit of reportable segments	**42,337**	196,434
Unallocated amounts:		
Impairment loss on available-for-sale financial assets	**(7,253)**	(34,508)
Revaluation loss on buildings	**(26,826)**	–
Other corporate expenses	**(65,537)**	(42,767)
Consolidated (loss)/profit for the year	**(57,279)**	119,159
Assets		
Total assets of reportable segments	**3,490,676**	3,360,916
Unallocated amounts:		
Investments	**2,134**	9,568
Other corporate assets	**272,084**	113,384
Consolidated total assets	**3,764,894**	3,483,868
Liabilities		
Total liabilities of reportable segments	**181,726**	224,801
Unallocated amounts:		
Other corporate liabilities	**35,620**	42,374
Consolidated total liabilities	**217,346**	267,175

Geographical information:

For the years ended 30 June 2011 and 2012, 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.

Revenue from major customer:

For the years ended 30 June 2011 and 2012, 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

	2012	2011
	HK$'000	*HK$'000*
Interest on borrowings	**2,268**	2,951
Finance lease charges	**45**	40
	2,313	2,991

5. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**20**	–
Current tax – Overseas		
Provision for the year	**2,843**	8,650
Deferred tax	**390**	373
	3,253	9,023

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 30 June 2012. No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2011 since the Group has sufficient tax losses brought forward to set off against prior year's assessable profit.

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% (2011: 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. Furthermore, 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% (2011: 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:

	2012				2011			
	Macau	**Hong Kong**	**The PRC**	**Total**	Macau	Hong Kong	The PRC	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	**240,186**	**(249,767)**	**(44,445)**	**(54,026)**	335,221	(205,785)	(1,254)	128,182
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**28,822**	**(41,211)**	**(11,112)**	**(23,501)**	40,226	(33,954)	(313)	5,959
Tax effect of income not taxable	**–**	**(1,281)**	**(1,204)**	**(2,485)**	–	(221)	–	(221)
Tax effect of expenses not deductible	**–**	**42,099**	**3,475**	**45,574**	–	34,144	2,288	36,432
Profits exempted from the Macau Complementary Tax	**(28,822)**	**–**	**–**	**(28,822)**	(40,226)	–	–	(40,226)
Tax effect of unused tax losses not recognised	**–**	**429**	**5,018**	**5,447**	–	523	6,373	6,896
Tax effect of utilisation of tax losses not previously recognised	**–**	**(19)**	**–**	**(19)**	–	(350)	–	(350)
Tax effect of unrecognised temporary difference	**–**	**3**	**7,056**	**7,059**	–	(142)	675	533
Income tax expense	**–**	**20**	**3,233**	**3,253**	–	–	9,023	9,023

6. (LOSS)/PROFIT FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Amortisation of other intangible assets, net of amount capitalised	**43,399**	45,399
Auditors' remuneration		
Statutory audit	**1,392**	1,387
Non-audit services	**5**	5
	1,397	1,392
Cost of inventories sold	**1,592,679**	1,604,404
Depreciation, net of amount capitalised	**66,759**	41,748
Fair value loss on financial assets at fair value through profit or loss	**181**	88
Loss/(gain) of fixed assets disposals/written off, net	**99**	(150)
Allowance for trade receivables	**2,660**	–
Allowance for other receivables	**5,448**	–
Impairment loss on available-for-sale financial assets	**7,253**	34,508
Impairment loss on other intangible assets	**6,364**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**100,831**	74,155
Other equity-settled share-based payments	**551**	5,954
Rental income[#]	**(11,345)**	(961)
Revaluation loss on buildings	**26,826**	–
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**23,903**	21,914
Equity-settled share-based payments	**2,757**	204
Retirement benefits scheme contributions	**608**	663
	27,268	22,781

[#] Included in logistics services income in note 2.

7. DIVIDENDS

The Board does not recommend the payment of final dividend (2011: Nil) in respect of the year ended 30 June 2012.

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$30,012,000 (2011: profit of HK$132,784,000) and the weighted average number of ordinary shares of 4,738,853,370 (2011: 4,171,055,037 as restated) in issue during the year after adjusting the effects of the bonus issue in December 2011 and open offer in April 2012. The basic earnings per share for 2011 had been adjusted accordingly.

Diluted earnings per share

No diluted earnings per share are presented as the effect of all potential ordinary shares are anti-dilutive for the year ended 30 June 2012.

The calculation of diluted earnings per share for the year ended 30 June 2011 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 and the restated weighted average number of ordinary shares of 4,206,677,436, being the restated weighted average number of ordinary shares of 4,171,055,037 in issue during the year used in the basic earnings per share calculation plus the restated weighted average number of ordinary shares of 35,622,399 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 2011 had been adjusted for the effects of the bonus issue and open offer in current year.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2011: 30 to 150 days).

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

	2012	2011
	HK$'000	*HK$'000*
1-30 days	**124,119**	113,776
31-60 days	**121,359**	91,530
61-90 days	**130,593**	82,544
Over 90 days	**59,825**	103,072
	435,896	390,922

At 30 June 2012, trade receivables of approximately HK$38,699,000 (2011: HK$127,000) 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:

	2012	2011
	HK$'000	*HK$'000*
Up to 90 days	**15,501**	110
Over 90 days	**23,198**	17
	38,699	127

10. TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
1-30 days	**96,999**	98,634
31-60 days	**1,046**	–
61-90 days	**132**	2
Over 90 days	**277**	119
	98,454	98,755

11. COMPARATIVE FIGURES

The basic and diluted earnings per share for 2011 had been adjusted for the effects of the bonus issue and open offer in current year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the financial year under review, the Group was principally engaged in (i) the trading of packaged food, beverages, household consumable products, cold chain products and cosmetics and skincare products (the "FMCG Trading Business"); (ii) the trading of agri-products and the upstream farming business (the "Agri-Products Business"); and (iii) the provision of cold chain logistics services and value-added post-harvest food processing (the "Logistics Services Business"). These three businesses came together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

The global economic turmoil and various tightening policies launched in China gave rise to a challenging and difficult year for the Group. In contrast to the buoyant outlook on China in the past few years, the economic growth in China has been slowing down since the second half of 2011, which has been driven by both external and internal factors. On the external front, the deteriorating sovereign debt issues in Europe and the lackluster economy in the United States have adversely affected China's manufacturing and export sectors. On the internal front, the China's government introduced several tightening measures such as interest rate hikes to curb inflation and property prices in 2011, resulting in severe liquidity contraction for most entrepreneurs and further dampening consumer confidence. All these factors eventually dragged down the growth of China's retail and consumer markets.

The above macroeconomic turbulence reduced customers' demand and revenue of the Group significantly. Many local enterprises in China encountered severe liquidity problems due to the aforesaid austerity measures and the resultant capital chain ruptures. They had to borrow funding at extremely expensive and unaffordable interest rates, and eventually went into bankruptcy which led to considerable amount of bad debts affecting the banking system and other companies. Therefore, the Group has been adopting a more stringent credit review assessment and did not supply products to those customers with weak credibility to avert any chances of material uncollectible debts. On the other hand, many customers deferred sales orders in order to keep a low inventory level due to weak demand and tight liquidity. Even worse, the competition from local brands has been increasing drastically and many local brands aggressively increased selling expenses in a bid to lift market share. Accordingly, the Group had to strengthen sales promotions and reduce price for certain products to maintain competitiveness.

Against the backdrop of these unfavourable factors, the Group will continue to reinforce each existing business. The FMCG Trading Business contributed approximately 40% of total revenue (FY2011: 45%) and remained as the core business of the Group. The Group will uphold the principle of importing high quality products to China through consumer-focused market research, continuously strengthening procurement channels and expanding distribution network. The Agri-Products Business was the largest contributor which accounted for approximately 51% of the Group's revenue (FY2011: 46%), thanks to the contribution from the upstream farming business. The Group will continue to put emphasis on the development of the upstream farming business and expects it will grow steadily over next few years. The Logistics Services Business contributed approximately 9% of the total revenue (FY2011: 9%) and strategically leverages, to certain extent, on the other two businesses. While the Group will seek expansion opportunities through acquisition and collaboration with local governments, the Group will also enhance operating efficiency and upgrade the existing logistics facilities in order to provide cutting-edge services to customers and strongest supports to the other two businesses.

Financial Performance

During the financial year under review, the Group generated total revenue of approximately HK$2,028 million as compared to approximately HK$2,122 million for FY2011, representing a fall of approximately 4.5%. The decline in revenue was mainly attributable to the decline in revenue of the FMCG Trading Business by approximately 13.6% as a result of (i) decrease in customers' demand due to persistent economic downturn in global and domestic markets and severe competition from local brands; (ii) a more stringent credit review assessment adopted by the Group following the deteriorating liquidity in the domestic market, thereby filtering out some customers with weak credibility; and (iii) the tightening up of formalities of regulating edible foodstuff control in China; but partly offset by the increase in revenue of Agri-Products Business by approximately 4.7% due to the higher contribution from the upstream farming business compared to that of FY2011.

Gross profit margin decreased from approximately 21.8% to 17.2% compared to FY2011. The decline in gross profit margin was mainly attributable to the FMCG Trading Business and the Agri-Products Business which were adversely affected by several unfavourable factors. Firstly, the Group reduced the selling price of some products in these two businesses to compete with local brands during FY2012. This situation may last for certain time until the overall consumption showing signs of improvement. Furthermore, the rising cost of goods stemming from various factors, including the stringent edible foodstuff formalities, the appreciation of foreign currencies, the adverse weather conditions in the respective markets of origination and the rising labour costs, have also put gross profit margin under downward pressure. The gross profit margin of the Logistics Services Business slightly edged up due to more favourable product-mix and the Group's shift away from the low margin business to the higher margin business.

Selling and distribution expenses increased by approximately 20.3% from approximately HK$146.1 million to approximately HK$175.8 million, representing approximately 8.7% of total revenue (FY2011: 6.9%). The increase was mainly attributable to the Group's reinforcement on sales promotion plans against the local brands' competition. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, as well as distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses increased by approximately 12.6% from approximately HK$151.8 million to approximately HK$170.9 million. The increase was mainly attributable to the rising rental and staff costs and part of capitalised items for the upstream farming business being depreciated since this financial year.

Other operating expenses increased by approximately 27.0% from approximately HK$38.2 million to approximately HK$48.6 million. The increase in other operating expenses was mainly attributable to the revaluation loss of approximately HK$26.8 million for the Group's properties, impairment loss of approximately HK$7.3 million for available-for-sale-financial assets, provision of approximately HK$8.1 million for trade and other receivables and impairment loss of approximately HK$6.4 million for certain distribution rights due to weaker demand for the year. Further, there had been a decrease of approximately HK$17.0 million in the fair value of biological assets as a result of the decrease in the selling price of their bearing fruits and increase in their plantation costs.

Finance costs decreased by approximately 22.7% from approximately HK$3.0 million to HK$2.3 million. The decrease in finance costs was mainly attributable to a decreased level of utilization of the Group's banking facilities compared with the preceding financial year.

Net loss for the year ended 30 June 2012 was approximately HK$57.3 million (FY2011: Net profit of approximately HK$119.2 million). The turnaround was mainly attributable to a combination of approximately 4.5% decrease in turnover, approximately 4.6% decrease in gross profit margin, approximately 20.3% increase in selling and distribution expenses, approximately 12.6% increase in administrative expenses and the aggregation of approximately 68.0% increase in the fair value of biological assets and the other operating expenses.

Business Review

FMCG Trading Business

The FMCG Trading Business sells finished FMCG, cold chain and cosmetics products into the domestic Chinese market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported primarily from Australasia, Europe, the Americas and South East Asia. The FMCG Business contributed approximately HK$815.5 million in revenue to the Group for FY2012, down approximately 13.6% from that contributed in FY2011. The decline in revenue was largely attributable to the reduced customers demand due to the economic downturn and tightened liquidity environment. The Group adopted a more aggressive marketing strategy of lowering the selling prices to compete with local brands but the costs kept rising due to the strengthening currencies in the markets of origination and surging labour and materials costs. In addition, more stringent edible foodstuff formalities lengthened the entire cycle from sourcing, marketing to distributing of products and hence increased the costs associated with each step of the cycle. Nevertheless, the negative impact arising from the safety measures on edible foodstuff has been alleviating since the second half of FY2012 as the Group adopted various new processes including training the relevant employees, upgrading the internal system and enhancing communications with relevant authorities, vendors and distributors.

This business unit can be classified into five categories including packaged food, beverages, household consumable products, cold chain products and cosmetics and skincare products with their respective contribution of approximately 53%, 5%, 5%, 22% and 15%. Packaged food, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category, followed by cold chain products and cosmetics and skincare products. Because of the adverse factors aforesaid, the revenue of almost all categories recorded a fall compared to the same period last year.

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit has been the largest revenue contributor among the three businesses since last year, and it generated approximately HK$1,030 million for the FY2012, up 4.7% as compared to approximately HK$984 million generated in FY2011. The increase in revenue was attributable to the contribution from the upstream farming business located in Huidong's plantation during FY2012 and accounted for approximately 10% of the total revenue of this business unit (FY2011: 2%), whilst the conventional agri-products trading business indeed suffered from various negative factors resulting in a fall of approximately 3.7% in terms of revenue compared to the same period last year.

Agri-Products Trading

The agri-products trading business has encountered several challenges during FY2012. Many of our imported products are from New Zealand and Australia. During the year, the strengthening currencies in this region inevitably increased costs and undermined our competitiveness. Thailand is another important source of origination where a severe flooding occurred in the second half of 2011 that led to a shortfall of supply and a surge in cost of products. Last but not least, the slowdown of China's economy and declining consumer confidence had also adversely affected the performance of agri-products trading.

Albeit various challenges facing the Group's agri-products trading business, with the flooding issues fading out, leveraging on the strong and effective distribution network and the greater efforts on sales promotion, the Group managed to reduce the negative impact on revenue from the aforesaid unfavourable factors to the least extent. The revenue generated from the agri-products trading business was approximately HK$929 million, down approximately 3.7% compared to the same period last year.

Upstream Farming Business

During the financial year under review, the Group had farms located in Jiangxi, Huidong and Qingdao, the PRC. The variety of products in these farms included: (i) fruits such as early crop oranges, ponkans, ruby grapefruits, peaches and naval mandarins; (ii) leafy vegetables like cabbages, Chinese kales, lettuces, cauliflowers, spinaches; and (iii) non-leafy vegetables like gingers, onions, carrots, garlics, potatoes and broccolis. The Group also reserved approximately 5,000 Mu arable land in Jiangxi's farm base to develop Chinese medicinal plants. The initial product range would include some high value or huge consumed Chinese herbs, such as Honeysuckle, Sage, Balloon Flower and Catmint, which would provide a wider range of self-grown products.

This business unit commenced to contribute remarkable revenue stream to the Group during FY2012. Revenue of the upstream farming business for the year ended 30 June 2012 was approximately HK$101 million, represented approximately 10% of the revenue of the Agri-Products Business compared to 2% in the same period last year.

The Group had spent a lot of resources in this business unit in recent years, but it was understandable that the cultivations had to take time to develop. FY2012 was the first year that the upstream farming business contributed a remarkable amount of revenue to the Group. Of the three farmland bases, Huidong is the most mature one whose main products are leafy vegetables with a relatively short cultivation cycle. Qingdao and Jiangxi are expected to reach full cultivations in 2013 and 2015 respectively. Qingdao's farmland is a non-leafy vegetable plantation, which, similar to Huidong's operation for leafy vegetable, requires an intensive level of working labour for its plantation. Accordingly, the Group will focus on its development after Huidong's farmland stepping into a more mature stage. Jiangxi is an orchard for various fruits and a pilot plantation for Chinese herds, which requires longer cultivation cycle than those of the other two farm bases.

Logistics Services Business

The Logistics Services Business provides a full range of services to customers including cold-chain facilities, warehousing, food processing production lines for fresh produces, as well as trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services represented approximately 9.0% of the Group's total revenue amounted to approximately HK$183 million, down 5.9% compared with that of FY2011. The Group continued to shift focus in higher margin third party logistics business, whose revenue as a percentage of the total revenue of this business unit increased from approximately 5.3% in FY 2011 to 9.9% in FY2012.

Although the overall market has been deteriorating during FY2012, the Group continuously reinforced existing logistics facilities and expanded customer base. During the financial year under review, the Group had completed the second phase expansion in Zhongshan logistics hub for its post-harvest and fresh cut processing lines for agri-products. In addition, during FY2012, the Group has signed a cooperation agreement with the Government of the Lianghua Town for the new logistics hub which will be in proximity to the Group's farming base in Huidong.

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 2012, the Group had interest-bearing borrowings of approximately HK$82.7 million (30 June 2011: HK$126.6 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 2012.

At 30 June 2012, the Group's current assets amounted to approximately HK$1,685.1 million (30 June 2011: HK$1,520.5 million) and the Group's current liabilities amounted to approximately HK$213.8 million (30 June 2011: HK$263.6 million). The Group's current ratio improved to a level of approximately 7.9 at 30 June 2012 (30 June 2011: 5.8). At 30 June 2012, the Group had total assets of approximately HK$3,764.9 million (30 June 2011: HK$3,483.9 million) and total liabilities of approximately HK$217.3 million (30 June 2011: HK$267.2 million) with a gearing ratio of approximately 2.2% (30 June 2011: 3.6%). 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 and the decrease in bank borrowing level for the year.

On 19 December 2011, the Company made a bonus issue of 173,186,536 new shares at 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 14 December 2011.

On 10 April 2012, the Company issued 1,818,458,630 new shares on the basis of one offer share for every two existing shares held on 12 March 2012 at the subscription price of HK$0.20 per offer share. The net proceeds of the open offer amounted to approximately HK$355 million, which would be used by the Group for the development of the new logistics center in Huidong as well as for the purpose of general working capital.

Number and Remuneration of Employees

At 30 June 2012, the Group had approximately 790 employees for its operations in China, 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 179,046,000 share options remain unexercised.

Development and Prospects

The preceding one and a half year was the most challenging period for the Group. A rapid and unprecedented deterioration of the business environment stemmed from the uncertainties of global economy and various tightening measures adopted by the China's government. The recent statistics showed that China had experienced a decelerating domestic economy with gross domestic product rising merely 7.6% in the second quarter from a year earlier, the slowest pace in three years.

From a micro perspective, the rising costs for labour and raw materials, unpredictable weather conditions and food safety concerns also significantly increased risks to the Group's businesses.

Although there are many uncertainties ahead, some positive factors have occurred. The China's government has shifted the focus from inflation control to upholding steady economic growth by boosting domestic demand and consumption since 2012. Different easing measures including People's Bank of China cutting interest rates twice in a month and the extensive infrastructure development plans, among others, could strengthen consumers' confidence to certain extent. In addition, some fundamentals such as the rising disposable income, acceleration of urbanization and improvement in pension plan will continue to underpin and be conducive to the growth of China's consumer market in long term. The management is confident that the Group is well poised to pass through the trough when the real economy bottoms out and resumes growth momentum.

The Group will take several strategic moves to cope with the rapid change of business environment and strengthen existing businesses. First of all, for the FMCG Trading Business and the Agri-Products Business, the Group will expand the sales network of second and third-tier cities in China, where the growth of the residents' disposal income is generally higher than the national average. In view of the fierce competition and the market saturation in the first-tier cities, tapping new markets would be a significant growth driver over coming years. In addition, the Group will continue to strengthen the procurement network in different areas, and promptly respond to the market demand by introducing new products with market niche and sourcing from the markets with favourable exchange rates and other competitive edges.

The Group is continually focusing in the development of the upstream farming business by reinforcing research and development for new products and seeds germination, proactively introducing advanced technology, improving the productivity of each cultivation base, and expanding nationwide sales network. Furthermore, the Group has been developing Chinese medicinal plants carefully in its Jiangxi's farm base to produce Chinese herbs. The Group will also attempt to collaborate with reputable business partners in Chinese healthcare sector to manufacture and brand Chinese medical products made from herbs. Chinese herbs are of high distinctive value for medical use and its consumption market in China is tremendous. Looking forward, the Twelfth Five-year Development Plan of China with respect to agricultural industry favourably supports large-scale players and the Group will take the advantage of the relevant governmental policies to develop this business in line with such policies.

The Group also puts emphasis on food safety and has been taking much effort to assure the quality of products. The relevant measures include establishing stringent internal food safety guidance and get relevant staff well-trained into it, enhancing communications with relevant authorities and adopting green and ecological methodology for our cultivation and post-harvest processing. In addition to the above having done on food safety matter, the Group will exert every effort to ensure products being safe and of best quality unswervingly on a continuous basis.

For the Logistics Services Business, the Group will continue to strengthen the vertically integrated operations between the other two businesses and our logistics facilities including advanced food processing equipment, cold-chain warehouses and highly-rated and efficient truck fleets in order to efficiently deliver our fresh produce and processed products across different areas in China. While the Group will continue to expand and upgrade the existing facilities, the Group will also identify investment opportunities and seek collaborations with local governments to reinforce logistics business.

On 26 January 2012 and 4 July 2012, the Group had entered into the memorandum of cooperation and the cooperation agreement with the government of Lianghua Town in Huidong respectively to develop a new logistics center in Huidong. The logistics center will be operated as a wholesale market for agri-products with storage and processing facilities, with which the crops in Huidong's plantation will possess a significant trading platform and processing base to suit customers' needs.

On 10 April 2012, the Company issued 1,818,458,630 new shares on the basis of one offer share for every two existing shares held on 12 March 2012 at the subscription price of HK$0.20 per offer share. The net proceeds of the open offer amounted to approximately HK$355 million, which would be used by the Group for the development of the new logistics center in Huidong as well as for the purpose of general working capital.

The Group's vertically integrated business model has proven successful over years. The disappointment of the financial results largely hinges on the uncertainties of the macroeconomic conditions but the Group would identify the shortcomings by all means and be committed to address these issues with solutions over the coming years. In the context of the various stimulus packages in different nations to spur economic growth, the Group will endeavour to develop and reinforce existing businesses based on a pragmatic and conservative approach. In the long run, with the in-depth experience in food industry with proven track record as well as owning healthy and strong financial position, the Group is confident that it is well-positioned to implement its diversification process in the consumer market in China.

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2012.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("CG Code") throughout the financial year ended 30 June 2012, only with deviation from code provision A.2.1 of the CG Code following the resignation of Mr. Chu Ki, the former Chief Executive Officer of the Company. Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Being a transitional arrangement, the Board has appointed Mr. Lam Kwok Hing ("Mr. Lam") as Chief Executive Officer. As a result, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is one of the founders of the Group and possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. The Board believes that vesting the roles of Chairman and Chief Executive Officer on Mr. Lam provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and at the same time, generates benefits for the Company and the shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding directors' securities transactions ("Model Code") on terms no less than the Model Code for Securities Transactions by Directors of Listed Issuers 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 financial year ended 30 June 2012 and they have all confirmed their full compliance with the required standards as set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the financial year ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated income statement, consolidated statements of comprehensive income and financial position and the related notes thereto for the financial year ended 30 June 2012 as set out in the this announcement have been reviewed by the Audit Committee and agreed by the Group's external auditor, 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 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 September 2012

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin Joecy, Ms. Hung Sau Yung Rebecca and Ms. Gao Qin Jian; one non-executive Director, Ms. Chan Yuk Foebe; and three independent non-executive Directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman.