HENG TAI CONSUMABLES GROUP LIMITED
亨泰消費品集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00197)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Turnover	2	**1,712,121**	1,902,075
Cost of sales		**(1,572,174)**	(1,692,897)
Gross profit		**139,947**	209,178
Changes in fair value of biological assets less costs to sell		**(23,104)**	(17,685)
Other income		**9,407**	17,457
Selling and distribution expenses		**(123,359)**	(172,244)
Administrative expenses		**(188,382)**	(213,328)
Other operating expenses		**(495,317)**	(40,427)
Loss from operations		**(680,808)**	(217,049)
Finance costs	4	**(486)**	(950)
Loss before tax		**(681,294)**	(217,999)
Income tax expense	5	**(1,133)**	(700)
Loss for the year	6	**(682,427)**	(218,699)
Attributable to:			
Owners of the Company		**(681,635)**	(179,185)
Non-controlling interests		**(792)**	(39,514)
		(682,427)	(218,699)
Loss per share	8		
Basic		**HK(12.5 cents)**	HK(3.3 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(682,427)**	(218,699)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**8,713**	–
Deferred tax liability on revaluation of buildings	**(2,178)**	–
	6,535	–
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,106)**	7,486
Exchange differences reclassified to profit or loss upon disposal of a subsidiary	**(255)**	–
Fair value changes on available-for-sale financial assets	**(30,780)**	76,701
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**(224)**	–
	(32,365)	84,187
Other comprehensive income for the year, net of tax	**(25,830)**	84,187
Total comprehensive income for the year	**(708,257)**	(134,512)
Attributable to:		
Owners of the Company	**(707,475)**	(94,998)
Non-controlling interests	**(782)**	(39,514)
	(708,257)	(134,512)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	30 June 2014 HK$'000	30 June 2013 HK$'000
Non-current assets			
Fixed assets		**712,419**	911,652
Prepaid land lease payments		**315,465**	409,143
Construction in progress		**114,834**	164,215
Goodwill		**230,627**	277,735
Biological assets		**75,762**	52,602
Other intangible assets		**58,833**	63,450
Other assets		**106,397**	123,191
Investments in a club membership		**108**	108
Investments		**97,302**	127,616
		1,711,747	2,129,712
Current assets			
Biological assets		**380**	210
Inventories		**193,593**	200,607
Trade receivables	9	**443,762**	422,194
Prepayment, deposits and other receivables		**246,721**	331,353
Investments		**32,805**	25,258
Bank and cash balances		**301,041**	545,156
		1,218,302	1,524,778
TOTAL ASSETS		**2,930,049**	3,654,490
Capital and reserves			
Share capital		**54,554**	54,554
Reserves		**2,668,385**	3,375,860
Equity attributable to owners of the Company		**2,722,939**	3,430,414
Non-controlling interests		**616**	697
Total equity		**2,723,555**	3,431,111
Non-current liabilities			
Finance lease payables		**71**	22
Deferred tax liabilities		**6,260**	3,711
		6,331	3,733
Current liabilities			
Trade payables	10	**116,366**	113,072
Accruals and other payables		**13,542**	14,578
Borrowings		**65,599**	87,844
Finance lease payables		**28**	241
Current tax liabilities		**4,628**	3,911
		200,163	219,646
Total liabilities		**206,494**	223,379
TOTAL EQUITY AND LIABILITIES		**2,930,049**	3,654,490
Net current assets		**1,018,139**	1,305,132
Total assets less current liabilities		**2,729,886**	3,434,844

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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 their 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 2013. 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 as stated below.

(a) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affected the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(b) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affected disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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

2. TURNOVER

	2014	2013
	HK$'000	*HK$'000*
Sales of consumer goods	**791,786**	748,112
Sales of agri-products	**867,774**	1,028,417
Logistics services income	**52,561**	125,546
	1,712,121	1,902,075

3. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of fast moving consumer goods ("FMCG") including packaged food, beverages, household consumable products, cold chain products and cosmetics and skincare 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 loss, 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 2014				
Revenue from external customers	**791,786**	**867,774**	**52,561**	**1,712,121**
Segment loss	**(7,582)**	**(584,764)**	**(62,791)**	**(655,137)**
Depreciation and amortization	**20,486**	**99,227**	**19,380**	**139,093**
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	**–**	**23,104**	**–**	**23,104**
Impairment loss recognised in profit or loss				
– goodwill	**–**	**47,108**	**–**	**47,108**
– fixed assets	**–**	**112,364**	**–**	**112,364**
– construction in progress	**–**	**83,647**	**37,795**	**121,442**
– prepaid land lease payments	**–**	**49,341**	**–**	**49,341**
– other assets and receivables	**–**	**84,397**	**–**	**84,397**
Additions to segment non-current assets	**21,598**	**137,808**	**65,312**	**224,718**
At 30 June 2014				
Segment assets	**795,749**	**1,334,608**	**579,996**	**2,710,353**
Segment liabilities	**84,139**	**66,774**	**8,368**	**159,281**

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	Total *HK$'000*
Year ended 30 June 2013				
Revenue from external customers	748,112	1,028,417	125,546	1,902,075
Segment loss	(20,886)	(106,290)	(7,039)	(134,215)
Depreciation and amortization	23,988	82,438	25,393	131,819
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	17,685	–	17,685
Additions to segment non-current assets	21,430	143,261	22,858	187,549
At 30 June 2013				
Segment assets	1,168,488	1,722,867	605,141	3,496,496
Segment liabilities	95,175	77,782	12,553	185,510

Reconciliations of reportable segment loss, assets and liabilities:

	2014	2013
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(655,137)**	(134,215)
Unallocated amounts:		
Other corporate expenses	**(27,290)**	(84,484)
Consolidated loss for the year	**(682,427)**	(218,699)
Assets		
Total assets of reportable segments	**2,710,353**	3,496,496
Unallocated amounts:		
Investments	**130,107**	152,874
Other corporate assets	**89,589**	5,120
Consolidated total assets	**2,930,049**	3,654,490
Liabilities		
Total liabilities of reportable segments	**159,281**	185,510
Unallocated amounts:		
Other corporate liabilities	**47,213**	37,869
Consolidated total liabilities	**206,494**	223,379

Geographical information:

For the years ended 30 June 2013 and 2014, 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 2013 and 2014, 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

	2014	2013
	HK$'000	*HK$'000*
Interest on borrowings	**478**	925
Finance lease charges	**8**	25
	486	950

5. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax:		
Provision for the year	**27**	69
Over-provision in prior years	**(20)**	–
	7	69
Current tax – Overseas:		
Provision for the year	**722**	237
Deferred tax	**404**	394
	1,133	700

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for 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% (2013: 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 rate of 25% (2013: 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:

	2014				2013			
	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	**59,979**	**(13,031)**	**(728,242)**	**(681,294)**	114,293	(34,678)	(297,614)	(217,999)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**7,197**	**(2,150)**	**(182,060)**	**(177,013)**	13,715	(5,722)	(74,403)	(66,410)
Tax effect of income not taxable	**–**	**(69)**	**(3,376)**	**(3,445)**	–	(331)	(3,627)	(3,958)
Tax effect of expenses not deductible	**–**	**2,544**	**182,206**	**184,750**	–	5,925	74,068	79,993
Profits exempted from the Macau Complementary Tax	**(7,197)**	**–**	**–**	**(7,197)**	(13,715)	–	–	(13,715)
Tax effect of unused tax losses not recognised	**–**	**30**	**4,184**	**4,214**	–	192	4,951	5,143
Tax effect of utilisation of tax losses not previously recognised	**–**	**(381)**	**–**	**(381)**	–	(6)	–	(6)
Tax effect of unrecognised temporary difference	**–**	**53**	**172**	**225**	–	11	(358)	(347)
Over-provision in prior year	**–**	**(20)**	**–**	**(20)**	–	–	–	–
Income tax expense	**–**	**7**	**1,126**	**1,133**	–	69	631	700

6. LOSS FOR THE YEAR

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

	2014	2013
	HK$'000	*HK$'000*
Amortisation of other intangible assets, net of amount capitalised	**25,110**	36,886
Auditors' remuneration		
Statutory audit	**1,582**	1,500
Non-audit services	**–**	–
	1,582	1,500
Cost of inventories sold	**1,479,046**	1,594,283
Depreciation, net of amount capitalised	**90,538**	90,024
Fair value gain on financial assets at fair value through profit or loss, net	**(16)**	(46)
Gain on fixed assets disposal/written off, net	**(52)**	(56)
Gain on disposal of available-for-sale financial assets	**(134)**	(226)
Trade receivables written off	**–**	3,671
Allowance for other receivables	**14,865**	2,795
Allowance for inventories	**–**	29,030
Impairment loss on goodwill	**47,108**	4,790
Impairment loss on fixed assets#	**112,364**	–
Impairment loss on construction in progress#	**121,442**	–
Impairment loss on prepaid land lease payments#	**49,341**	–
Impairment loss on deposits for acquisition of land use rights#	**42,172**	–
Impairment loss on deposits for contract farming business#	**42,225**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**107,388**	109,354
Other equity-settled share-based payments	**–**	9,140
Rental income##	**(3,818)**	(4,286)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**35,203**	31,404
Equity-settled share-based payments	**–**	4,774
Retirement benefits scheme contributions	**763**	624
	35,966	36,802

The Group reviewed its business operations and changed its business plan in the upstream farming business and overall agri business development. Impairment loss of related assets were recognised to profit or loss accordingly.

Included in logistics services income in note 2

7. DIVIDENDS

The Board does not recommend the payment of final dividend (2013: Nil) in respect of the year ended 30 June 2014.

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss 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$681,635,000 (2013: HK$179,185,000) and the weighted average number of ordinary shares of the Company of 5,455,375,891 (2013: 5,455,375,891) in issue during the year.

Diluted earnings per share

No diluted earnings per share are presented as the Company did no have any potentially dilutive ordinary shares for the year ended 30 June 2014. For the year ended 30 June 2013, no diluted earnings per share are presented as the effect of all potential ordinary shares is anti-dilutive.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2013: 30 to 120 days).

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

	2014	2013
	HK$'000	*HK$'000*
1 – 30 days	**131,446**	146,577
31 – 60 days	**123,726**	98,204
61 – 90 days	**109,696**	107,310
Over 90 days	**78,894**	70,103
	443,762	422,194

At 30 June 2014, trade receivables of approximately HK$1,047,000 (2013: HK$2,264,000) 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:

	2014	2013
	HK$'000	*HK$'000*
Up to 90 days	**611**	713
Over 90 days	**436**	1,551
	1,047	2,264

10. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
1 – 30 days	**107,325**	96,678
31 – 60 days	**8,559**	15,889
61 – 90 days	**2**	54
Over 90 days	**480**	451
	116,366	113,072

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the financial year under review, the Group are principally engaged in (i) the trading of packaged foods, 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 come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

China's economic growth continued to slow down during the year. China's GDP growth lingered around 7.5%; the retail sales growth dropped to 11.8% in February and March 2014 compared to five year average of about 14%; the Producer Price Index (PPI) decreased by 1.9% year-on-year. The figures mentioned above could indicate that the overall operating environment remained challenging. Worse still, while an advocate of anti-extravagance campaign negatively affected the demand on our high-end imported products, the competition from the local brands as well as domestic fresh produce and the rising cost inflation were more severe than last year.

Against the backdrop of the above unfavourable factors, the Group adopted various policies to counteract the adverse effects. The most significant one is our cost reduction initiatives by identifying and restructuring or discontinuing unprofitable operations. The Group has been carefully scrutinizing various business operations based on the existing and projected product demands, selling price and cost structures, by which the upstream farming business was the focus and had been thoroughly reviewed. This business unit persistently recorded losses over past few years, primarily stemmed from unpredictable weather conditions, rising labour and materials costs and lack of ability to increase price due to fragmented market structure, which particularly affected the cultivation business for leafy agricultural products because it is a labour intensive business and requires a lot of manpower for operations. Other than leafy agricultural products, the Group also reviewed some other unprofitable operations such as the cultivations of Chinese herbs and non-leafy agricultural products, which had contributed low revenues but constantly incurred substantial operating expenses over past few years. Taking into account different factors such as market demand and required ongoing capital commitment, the Group decided to pull out of leafy agricultural products cultivation as well as cut down some of unprofitable businesses mentioned above and will focus on agri-products trading, orchard plantations and their relevant logistics services businesses. Although this restructuring for the Agri-Products Business resulted in one time substantial impairment losses on the investments and assets in the upstream farming business during the year, it is expected that this move will not only considerably reduce operating expenses such as labour, rental and other cultivation costs for years to come, but also lessen capital requirement for the farming business and redirect internal resources to other profitable businesses.

The Group is in the midst of a restructuring plan by which the FMCG Trading Business will be the primary focus of the Group's development and more internal resources will be committed to this business unit and its relevant logistics facilities. For the Agri-Products Business, the Group will focus on the traditional agri-products trading business that the Group owns a well-established customer base and distribution network. As aforesaid, the Group would cease certain cultivations and carefully develop plans in cultivation of citrus and other fruits in Jiangxi farming base. As a result of more resources committed to the FMCG Trading Business, the contribution of this business increased to approximately 46% of total revenue for the year (FY2013: 39%) and is expected to be increasingly important for the Group's future development. The revenue of the Agri-Products Business decreased by 15.6% but was still the largest contributor during the year and accounted for approximately 51% of the Group's revenue for the year (FY2013: 54%). The Logistics Services Business contributed approximately 3% of total revenue (FY2013: 7%). Although the revenue contribution declined due to the decrease in agri-products trading business and some operation suspension due to the upgrade of part of logistics operations during the year, the Group will continue to invest in the Logistics Services Business which is vital to the development of the Group to strategically support the other two businesses.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$1,712.1 million as compared to HK$1,902.1 million for FY2013, representing a fall of approximately 10.0%. The decline in revenue was mainly attributable to the decline in revenue of the Agri-Products Business by approximately 15.6% as a result of (i) decrease in customers' demand due to sluggish economic conditions in the domestic market and severe competition from local grown produce; (ii) a tight liquidity environment and anti-extravagance sentiment in China reduced the demand for high-end imported fruits; (iii) a stringent credit review assessment adopted by the Group to reduce or even stopped taking orders from customers with gradually slow repayment pattern and weak credibility to ensure collectability; and (iv) the cutting down of certain unprofitable operations. On the other hand, the Group exerted every effort to strengthen the FMCG Trading Business during the year so that the revenue of the FMCG Trading Business showed signs of recovery. The revenue of the FMCG Trading Business increased by approximately 5.8% compared to the last financial year. On account of the decline in the business volume of the Agri-Products Business and short-term suspension of operations arising from the upgrade and modification of our logistics facilities, the contribution from the Logistics Services Business dropped to approximately 3% of overall revenues for the year, compared to approximately 7% in last year.

Gross profit margin decreased from approximately 11.0% to 8.2% compared to FY2013. The decline in gross profit margin was mainly attributable to the declining gross profit margins of the Agri-Products Business and its associated logistics income. The competition for the Group's agri-products was fierce, especially for high-end imported fruits which were affected by the tight liquidity environment and anti-extravagance sentiment in China. The Group had to reduce prices of certain agri-products as well as their associated logistics services charges to maintain competitiveness. In addition, an unexpected depreciation of Renminbi for the second half of FY2014 also put downward pressure on the gross profit margin. Notwithstanding the above, the gross profit margin of the FMCG Trading Business remained stable because the Group strived to manage a favourable product mix and introduce new products with reasonable profit margin.

Selling and distribution expenses decreased by approximately 28.4% from approximately HK$172.2 million to approximately HK$123.4 million, representing approximately 7.2% of total revenue (FY2013: 9.1%). The decrease was mainly attributable to the Group's cost saving initiatives to control operating expenses. During the year, the Group successfully reduced various expenses such as marketing and promotion costs, handling and distribution expenses and transportation costs by streamlining and cutting down unprofitable operations. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 11.7% from approximately HK$213.3 million to approximately HK$188.4 million. The decrease was mainly attributable to the implementation of cost saving initiatives during the year. The Group successfully trimmed and terminated some of unprofitable operations to reduce fixed overheads and operating expenses relating to the upstream farming business. Additionally, there was a one-time fair value charge of share based payment arising from the grant of share options last year while there was no such expense during the financial year under review.

Other operating expenses increased from approximately HK$40.4 million to approximately HK$495.3 million. The expenses mainly represented impairment losses and provisions for various assets, primarily relating to the upstream farming business, of approximately HK$409.0 million, provisions of approximately HK$14.9 million for other receivables and an impairment loss on goodwill of approximately HK$47.1 million. Further, there had been a decrease of approximately HK$23.1 million in the fair value of biological assets as a result of the increase in their plantation costs.

Finance costs decreased by approximately 48.8% from approximately HK$1.0 million to approximately HK$0.5 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 2014 was approximately HK$682.4 million (FY2013: Net loss of approximately HK$218.7 million). The increase in the net loss was mainly attributable to a combination of approximately 10.0% decrease in turnover, approximately 2.8% decrease in gross profit margin, approximately 28.4% decrease in selling and distribution expenses, approximately 11.7% decrease in administrative expenses and the significant increase of approximately HK$460.3 million for the aggregation of the other operating expenses and the changes in fair value of biological assets.

At 30 June 2014, the Group held 14.68% interest in China Zenith Chemical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited, as a medium to long term investment subject to the market conditions, with which a reduction on fair value change on this investment of approximately HK$30.8 million was recognized in the Group's reserves directly in accordance with the Hong Kong Financial Reporting Standards.

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$791.8 million in revenues to the Group for FY2014, up 5.8% from that contributed in FY2013. The increase in revenues was largely attributable to the Group's effort to redirect the focus and resources back to this business segment. During the year, the Group deployed more resources to enrich product portfolio by expanding procurement team, securing more brands and extending reach to other previously untapped regions, for instance South America, to source high quality products. Other than importation, the Group also attempted to cooperate with domestic brands and products which would complement the existing portfolio primarily consisting of high end imported products to include more mid-end products.

Additionally, in view of the rapid growth of online retailing, the Group continued to strengthen the collaboration with e-commerce operators so that more and more products could be launched and available for sales on various renowned online platforms. Over the past few years, the Group has built up a close rapport with famous e-commerce operators in China, with which the Group could keep abreast of the latest development in the field of e-commerce industry and become more confident to commit to the development of e-commerce business. In order to facilitate the Group's development in e-commerce field, an independent team has been set up to specialise in managing relationship with e-commerce operators and conducting market research for the online market. Furthermore, the Group has been proactively exploring the feasibility of creating own online trading platform in parallel with partnering with e-commerce operators. The Group's development in e-commerce business is still at the early stage but a satisfactory growth has been seen. On the other hand, the Group will continually reinforce the traditional offline channels via wholesalers and direct sales to on-premise customers in order to build a widespread sales network across both offline and online markets. Although the competition from the local brands was still keen, the Group managed to maintain stable revenue and gross profit margin for the FMCG Trading Business by introducing new products, strengthening marketing efforts to good quality customers and successfully developing online trading.

This business unit can be classified into five categories including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products with their respective contribution of approximately 73%, 4%, 5%, 11% and 7%. Packaged foods, 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. The Group owns an efficient and extensive distribution network for packaged foods, coupled with the Group's emphasis on sourcing and marketing the products of this category during the year, the revenue of packaged foods remarkably increased by approximately 16.0% compared to last year despite the keen market competition. Other categories recorded a fall because of the slowdown of the domestic market and keen competition as well as the Group's strategy of shifting focus to the packaged foods during the 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 was the largest revenue contributor among the three businesses and it generated HK$867.8 million for the FY2014, down 15.6% as compared to the HK$1,028.4 million generated in FY2013. The decrease in revenue was attributable to the decrease in the contribution from the agri-products trading business by approximately 14.1% and by approximately 23.3% from the upstream farming business.

Agri-Products Trading

The slowdown of China's economy and declining consumer confidence continuously affected the performance of the agri-products trading business. Worse still, the Chinese government's anti-extravagance policies leading to anti-extravagance sentiment adversely affected the market demand for the Group's high-end imported fruits. The rising cost inflation, the depreciation of Renminbi and higher discount given to good quality customers in the context of weak market demand further dampened the gross profit margin of this business unit. During the financial year under review, the Group thoroughly reviewed the operations of this business unit and implemented a number of remedial measures and initiatives to improve inventory and credit control to reduce risks for aging and slow-moving products and debt collection problems. In addition, the Group also streamlined the operations to reduce operating expenses for this business unit during the year. Going forward, the Group will continuously maintain high standard of quality control and implement cost reduction measures in order to turn this core business unit back to be profitable as it usually was over previous years.

Upstream Farming Business

During the financial year under review, the Group decided to significantly restructure this business unit by scaling down or discontinuing its unprofitable operations in the cultivation of leafy vegetables following an intensive review on its operation showing persistent unsatisfactory performance when the expiration of the farmland leases drew closer. The leafy vegetables cultivation is a labour-intensive business and incurs considerable amount of labour and rental costs every year, especially taking into account the rapid uptrend on labour costs in China. Therefore, the Group had thoroughly compared the benefits and costs of carrying on the cultivation of leafy vegetables and eventually determined to cease this unprofitable operation. Hence, a significant impairment loss for investments in leafy vegetables cultivation was recorded during the year, but it is believed that there will be substantial saving in labour, rental and other cultivation costs in future. Other operations such as Chinese herbs and non-leafy agricultural products were also scrutinized to determine the optimal operation and size. Going forward, the Group will put emphasis on the development in the upstream farming business for the plantations of fruits in the Jiangxi's farming base. In contrast to leafy vegetables cultivation, the cultivation of fruits in the Jiangxi's farming base is more of a capital-intensive operation, which requires high upfront capital expenditure but low recurring labour costs. After few years of development, the operations for the Jiangxi's farming base have been maturing and the revenue contribution has been steadily growing.

Although the Group has cut down the development in the upstream farming business, some existing projects will still be developed as planned. A research center located in Zhongshan is planned to set up for seed breeding and farming technology advancement. This research center will not only serve the Group's upstream farming business, but also provide consulting services to other third parties. In addition, the Group negotiated with a local business partner to enter a tenancy agreement for a term of 10 years with an option to acquire a site with premises in Huidong at the end of the lease during the year. These premises will be developed as the Group's third logistics center in China. Because the Group had halted the upstream farming business in Huidong's farming base, the logistics center will primarily serve the Group's agri-trading business as well as being a trading platform for third parties with logistics capabilities for storage, processing, packaging and value-added functions.

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 cross-border trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services represented approximately 3% of the Group's total revenue amounted to approximately HK$52.6 million. The decrease was mainly attributable to the decline in agri-products trading business which is highly correlated to the performance of the Logistics Services Business. Additionally, because the Group shifted focus back to FMCG Trading Business which needed additional logistics capacity to cope with future development, the Group has restructured part of its logistics services, including upgrade and modification of part of the Zhongshan Logistics Center and other logistics facilities to match the requirements of FMCG Trading Business. As such, certain logistics operations were affected during the modification which in turn decreased the revenue of this business unit. Going forward, in view of the development of the new logistics center in Huidong which will be a logistics and trading hub to serve the Group's Agri-Products Business, Zhongshan Logistics Center will be modified to become a multi-functional logistics hub to support the Group's FMCG Trading Business as well as provide high margin logistics services to third parties.

Although the revenue decreased significantly during FY2014 due to the abovementioned factors, the Group will continue to reinforce existing logistics facilities and develop the logistics center in Huidong as planned. Furthermore, the Group is proactively seeking other opportunities to expand this business unit, especially the projects relating to the FMCG Trading Business with strategic partners.

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 and banking facilities.

At 30 June 2014, the Group had interest-bearing borrowings of approximately HK$65.6 million (30 June 2013: HK$87.8 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 2014.

At 30 June 2014, the Group's current assets amounted to approximately HK$1,218.3 million (30 June 2013: HK$1,524.8 million) and the Group's current liabilities amounted to approximately HK$200.2 million (30 June 2013: HK$219.6 million). The Group's current ratio remained stable at a level of approximately 6.1 at 30 June 2014 (30 June 2013: 6.9). At 30 June 2014, the Group had total assets of approximately HK$2,930.0 million (30 June 2013: HK$3,654.5 million) and total liabilities of approximately HK$206.5 million (30 June 2013: HK$223.4 million) with a gearing ratio of approximately 2.2% (30 June 2013: 2.4%). 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 decrease in bank borrowing level for the year.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2014, the Group had approximately 770 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 457,046,000 share options remain unexercised.

DEVELOPMENT AND PROSPECTS

The economic conditions remained challenging in China for the preceding year. However, the Group is confident in the performance of China's consumer market for the coming years. The new leadership of the Chinese government has been launching various measures such as targeted reserve ratio cuts and acceleration of urbanisation to modestly support the economic growth. China's recent statistics including GDP growth and Purchasing Managers Index (PMI) have already shown signs of stabilisation. With increase in per capita income as well as the favourable policies towards consumption front, the demand for mid-end and high-end packaged foods is expected to increase. The Group will therefore strengthen product portfolio as aforesaid, not only focus in high-end imported products, but also mid-end and mass merchandise from both overseas and domestic suppliers. Although the product portfolio continues to be broadened, the Group will uphold the principle of assuring food safety and exerting every effort to keep the quality of products up to the standard. The Group will periodically review product portfolio to ensure good quality and safety in accordance with the respective food safety regulations and internal guidance, where slow-moving and aging products would be disposed when identified.

In order to leverage on the rapidly growing e-commerce industry in China, the Group is proactively developing its online business for the FMCG Trading Business. In addition to selling products via various famous China's online platforms, the Group is exploring the feasibility of establishing own online trading platform, which can provide a direct sales channel to enhance communication between the Group and our retail customers. To cope with the development plan in the FMCG Trading Business, the Group has been constantly upgrading the relevant logistics facilities. The logistics and distribution network is getting more and more crucial in tandem with the development in e-commerce industry. Many renowned e-commerce operators have made substantial investments in their expansion and enhancement of logistics facilities. Therefore, the Group is also seeking business opportunities to develop new logistics networks and facilities together with strategic partners in addition to the Group's current network. On the other hand, the Group will continue to maintain good relationship with traditional wholesalers and on-premise customers in parallel with the development in online business so that the Group can evolve itself from a traditional trading company to an integrated trader with an efficient sales network for both offline and online customers.

As mentioned earlier, the Group has been cutting down certain unprofitable cultivations such as its operation of leafy vegetables cultivation in order to reduce operating expenses and reallocate resources to other business segments. Going forward, the Group will focus on agri-products trading business which had profitable track record and could capitalise on the Group's distribution network. For the upstream farming business, the Group will carefully develop the plantations in the Jiangxi's farming base and conservatively review the market demand to determine the development pace. In addition, as one of the continuous cost reduction initiatives, the Group will keep on identifying and improving, or even discontinuing certain unprofitable operations of this business segment, where appropriate and necessary. Although the Group has already shifted focus to the FMCG Trading Business, the Group is cautiously optimistic on the Agri-Products Business in medium term, especially the Group's traditional trading business with competitive edge over other competitors.

For the Logistics Services Business, the Group will continue to strengthen the vertically integrated operations between the other two businesses and our logistics facilities. During the year, the Group entered into a 10 year tenancy agreement with a business partner for the land and the premises thereon which will be developed as the new logistics center in Huidong. The total rental for the 10 year lease is RMB18 million and the Group is able to acquire the whole project at the end of the lease for RMB42 million. The Group is also responsible for the modification and refurbishment of the premises before it is suitable for use as the new logistics center. The new logistics center is located at Lianghua Town which is an ancient town and well-developed agricultural town. Lianghua Town has an overall population of about 66,000, among which about 61,000 of them make up the agricultural population. Therefore, there will be large demand for a sizable trading and logistics hub to provide high quality logistics and other value-added services. In addition, the new logistics center will also support the agri-products trading business with the provision of processing, storage and logistics services. On the other hand, the Group will transform Zhongshan logistics center to a multi-functional hub to primarily serve the FMCG Trading Business and other third party businesses. As mentioned above, the Group will continue to identify investment opportunities for logistics assets which can support the FMCG Trading Business.

The Group is in the midst of a restructuring and transformation to shift focus back to the FMCG Trading Business and scale down the upstream farming business. As a result, substantial impairment losses were recorded and the financial performance was adversely affected for this financial year. However, the Group believes that such restructuring on the upstream farming business will benefit future financial performance by reducing various capital and operating expenditures as well as reallocating internal resources to other profitable businesses. In the medium term, with the support from the government's favourable policies to boost consumption and macro consumer market, the Group is confident that the repositioning strategy to put emphasis on the FMCG Trading Business will gradually increase the Group's competitiveness and improve financial performance.

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2014.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the financial year ended 30 June 2014, except with deviations from code provisions A.2.1 and A.6.7.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since March 2012, the Board has appointed Mr. Lam Kwok Hing ("Mr. Lam") as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operations. As a result of the appointment, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group and has over 26 years' experience in the consumer products industry. In the context of the challenging business environment, the Board believes that a consistent leadership, effective and efficient planning and implementation of business decisions and strategies are of utmost importance. By virtue of Mr. Lam's in-depth experience and understanding of the Group, therefore, vesting the roles of Chairman and Chief Executive Officer on Mr. Lam can generate benefits for the Group and the shareholders as a whole.

Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, among other things, should attend general meetings and develop a balanced understanding of the views of shareholders. All Directors, except Ms. Chan Yuk Foebe, the Non-executive Director, attended the annual general meeting of the Company held on 20 December 2013 (the "AGM") to address to queries of shareholders. Ms. Chan Yuk Foebe was unable to attend the AGM due to other business engagements. However, she was subsequently reported on the proceedings and views of shareholders in the AGM. As such, the Board considers that a balanced understanding of the views of shareholders among Directors was ensured.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding directors' securities transactions (the "Code") on terms no less than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Code applies to Directors, relevant employees and officers who are likely to be in possession of unpublished price-sensitive information of the Company. Having made specific enquiry of all Directors, each of them confirmed his/her compliance with the required standard set out in the Code throughout the financial year ended 30 June 2014.

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

Throughout the financial year ended 30 June 2014, 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 statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the related notes thereto for the financial year ended 30 June 2014 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.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2014 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the 2014 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and Company in due course.

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

Hong Kong, 29 September 2014

As at the date of this announcement, the Board comprises 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, namely Ms. Chan Yuk, Foebe; and three independent non-executive directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung, Newman.