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 2015

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 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2015

	Note	**2015** **HK$'000**	2014 *HK$'000*
Turnover	*3*	**1,641,409**	1,712,121
Cost of sales		**(1,505,400)**	(1,572,174)
Gross profit		**136,009**	139,947
Changes in fair value of biological assets less costs to sell		**(24,051)**	(23,104)
Other gains and income		**50,104**	9,407
Selling and distribution expenses		**(95,290)**	(123,359)
Administrative expenses		**(119,767)**	(188,382)
Other operating expenses		**(18,776)**	(495,317)
Loss from operations		**(71,771)**	(680,808)
Finance costs	*5*	**(578)**	(486)
Loss before tax		**(72,349)**	(681,294)
Income tax expense	*6*	**(934)**	(1,133)
Loss for the year	*7*	**(73,283)**	(682,427)
Attributable to:			
Owners of the Company		**(73,241)**	(681,635)
Non-controlling interests		**(42)**	(792)
		(73,283)	(682,427)
			(Restated)
Loss per share	*9*		
Basic		**HK(1.1 cents)**	HK(11.5 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(73,283)**	(682,427)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**468**	8,713
Deferred tax liability on revaluation of buildings	**(118)**	(2,178)
	350	6,535
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(255)**	(1,106)
Exchange differences reclassified to profit or loss upon disposal of a subsidiary	**–**	(255)
Fair value change on available-for-sale financial assets	**191,905**	(30,780)
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**(52,865)**	(224)
	138,785	(32,365)
Other comprehensive income for the year, net of tax	**139,135**	(25,830)
Total comprehensive income for the year	**65,852**	(708,257)
Attributable to:		
Owners of the Company	**65,894**	(707,475)
Non-controlling interests	**(42)**	(782)
	65,852	(708,257)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	30 June 2015 HK$'000	30 June 2014 HK$'000
Non-current assets			
Fixed assets		**683,149**	712,419
Prepaid land lease payments		**264,796**	315,465
Construction in progress		**121,088**	114,834
Goodwill		**230,627**	230,627
Biological assets		**77,381**	75,762
Other intangible assets		**72,433**	58,833
Other assets		**125,019**	106,397
Investments in a club membership		**108**	108
Investments		**243,231**	97,302
		1,817,832	1,711,747
Current assets			
Biological assets		**–**	380
Inventories		**203,532**	193,593
Trade receivables	*10*	**465,919**	443,762
Prepayments, deposits and other receivables		**228,351**	246,721
Investments		**390**	32,805
Pledged bank deposits		**28,000**	–
Bank and cash balances		**348,128**	301,041
		1,274,320	1,218,302
TOTAL ASSETS		**3,092,152**	2,930,049
Capital and reserves			
Share capital		**65,545**	54,554
Reserves		**2,812,003**	2,668,385
Equity attributable to owners of the Company		**2,877,548**	2,722,939
Non-controlling interests		**574**	616
Total equity		**2,878,122**	2,723,555
Non-current liabilities			
Finance lease payables		**49**	71
Deferred tax liabilities		**6,720**	6,260
		6,769	6,331
Current liabilities			
Trade payables	*11*	**120,545**	116,366
Accruals and other payables		**17,068**	13,542
Borrowings		**64,472**	65,599
Finance lease payables		**22**	28
Current tax liabilities		**5,154**	4,628
		207,261	200,163
Total liabilities		**214,030**	206,494
TOTAL EQUITY AND LIABILITIES		**3,092,152**	2,930,049
Net current assets		**1,067,059**	1,018,139
Total assets less current liabilities		**2,884,891**	2,729,886

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2014:

Amendments to HKAS 16 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments clarify the requirements for the computation of the accumulated depreciation at the date of a revaluation when applying the revaluation method. The amendments did not have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also consider settlement mechanisms. The amendments did not have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments did not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments clarify the definitions of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition". The amendments are applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments to the standard's basis for conclusions only clarify that the liability to measure certain short-term receivables and payables on an undiscounted basis is retained. The amendments did not have a significant effect on the Group's consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2014. The Directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant for the Group's operation but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3. TURNOVER

	2015	2014
	HK$'000	*HK$'000*
Sales of consumer goods	**805,728**	791,786
Sales of agri-products	**786,069**	867,774
Logistics services income	**49,612**	52,561
	1,641,409	1,712,121

4. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of fast moving consumer goods including packaged foods, beverages, household consumable products, 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, pledged bank deposits 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 certain 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 revenue, profit/(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 2015				
Revenue from external customers	**805,728**	**786,069**	**49,612**	**1,641,409**
Segment profit/(loss)	**9,027**	**(108,157)**	**3,063**	**(96,067)**
Depreciation and amortisation	**20,459**	**55,852**	**19,575**	**95,886**
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	**–**	**24,051**	**–**	**24,051**
Additions to segment non-current assets	**58,012**	**29,587**	**21,321**	**108,920**
At 30 June 2015				
Segment assets	**946,181**	**1,324,903**	**531,161**	**2,802,245**
Segment liabilities	**79,908**	**76,543**	**10,167**	**166,618**

	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 amortisation	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

Reconciliations of reportable segment loss, assets and liabilities:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(96,067)**	(655,137)
Unallocated amounts:		
Other corporate gains/(expenses)	**22,784**	(27,290)
Consolidated loss for the year	**(73,283)**	(682,427)
Assets		
Total assets of reportable segments	**2,802,245**	2,710,353
Unallocated amounts:		
Investments	**243,621**	130,107
Other corporate assets	**46,286**	89,589
Consolidated total assets	**3,092,152**	2,930,049
Liabilities		
Total liabilities of reportable segments	**166,618**	159,281
Unallocated amounts:		
Other corporate liabilities	**47,412**	47,213
Consolidated total liabilities	**214,030**	206,494

Geographical information:

For the years ended 30 June 2014 and 2015, 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 2014 and 2015, 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.

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on borrowings	**568**	478
Finance lease charges	**10**	8
	578	486

6. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	27
Over-provision in prior years	**(20)**	(20)
	(20)	7
Current tax – Overseas		
Provision for the year	**612**	722
Deferred tax	**342**	404
	934	1,133

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year or has sufficient tax losses brought forward to set off against current year's assessable profit. The amount provided for the year ended 30 June 2014 was calculated at 16.5% based on the estimated assessable profit for that year.

Tax charges 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, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99/M 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% (2014: 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:

	2015				2014			
	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	**96,443**	**14,186**	**(182,978)**	**(72,349)**	59,979	(13,031)	(728,242)	(681,294)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**11,573**	**2,340**	**(45,745)**	**(31,832)**	7,197	(2,150)	(182,060)	(177,013)
Tax effect of income not taxable	**–**	**(7,041)**	**(3,922)**	**(10,963)**	–	(69)	(3,376)	(3,445)
Tax effect of expenses not deductible	**–**	**4,740**	**45,687**	**50,427**	–	2,544	182,206	184,750
Profits exempted from the Macau Complementary Tax	**(11,573)**	**–**	**–**	**(11,573)**	(7,197)	–	–	(7,197)
Tax effect of unused tax losses not recognised	**–**	**292**	**4,031**	**4,323**	–	30	4,184	4,214
Tax effect of utilisation of tax losses not previously recognised	**–**	**(378)**	**–**	**(378)**	–	(381)	–	(381)
Tax effect of unrecognised temporary difference	**–**	**47**	**903**	**950**	–	53	172	225
Over-provision in prior years	**–**	**(20)**	**–**	**(20)**	–	(20)	–	(20)
Income tax expense	**–**	**(20)**	**954**	**934**	–	7	1,126	1,133

7. LOSS FOR THE YEAR

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

	2015	2014
	HK$'000	*HK$'000*
Amortisation of other intangible assets, net of amount capitalised	**17,964**	25,110
Auditors' remuneration		
Statutory audit	**2,021**	1,582
Non-audit services	**–**	–
	2,021	1,582
Cost of inventories sold	**1,413,257**	1,479,046
Depreciation, net of amount capitalised	**54,478**	90,538
Exchange loss/(gain), net	**388**	(668)
Fair value loss on fixed assets	**3,544**	–
Gain on fixed assets disposal/written off, net	**(10)**	(52)
Gain on disposal of available-for-sale financial assets	**(41,861)**	(134)
Inventories written off	**273**	–
Trade receivables written off	**135**	–
Allowance for other receivables	**508**	14,865
Impairment loss on goodwill	**–**	47,108
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	**75,269**	107,388
Other equity-settled share-based payments	**7,095**	–
Rental income##	**(2,316)**	(3,818)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**28,914**	35,203
Equity-settled share-based payments	**2,180**	–
Retirement benefits scheme contributions	**713**	763
	31,807	35,966

\# The Group reviewed its business operations and changed its business plan in the upstream farming business and overall Agri-Products Business development. Impairment loss of related assets were recognised to profit or loss accordingly.

\## Included in logistics services income in note 3.

8. DIVIDENDS

The Board does not recommend the payment of final dividend (2014: Nil) in respect of the year ended 30 June 2015.

9. 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$73,241,000 (2014: HK$681,635,000) and the weighted average number of ordinary shares of 6,514,102,081 (2014: 5,924,538,218 as restated) in issue during the year after adjusting the effects of the open offer in December 2014. The basic loss per share for 2014 had been restated accordingly.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both the years ended 30 June 2015 and 30 June 2014.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2014: 30 to 120 days).

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

	2015	2014
	HK$'000	*HK$'000*
1 – 30 days	**118,084**	131,446
31 – 60 days	**145,536**	123,726
61 – 90 days	**133,751**	109,696
Over 90 days	**68,548**	78,894
	465,919	443,762

At 30 June 2015, trade receivables of approximately HK$4,707,000 (2014: HK$1,047,000) 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 aging analysis of these trade receivables is as follows:

	2015	2014
	HK$'000	*HK$'000*
Up to 90 days	**242**	611
Over 90 days	**4,465**	436
	4,707	1,047

11. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
1 – 30 days	**99,935**	107,325
31 – 60 days	**20,385**	8,559
61 – 90 days	**15**	2
Over 90 days	**210**	480
	120,545	116,366

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 further weakened from 7.5% to 7.0%; the retail sales growth dropped to 10% in April 2015, the lowest level over the past five years; the Manufacturing Purchasing Managers Index (PMI) has contracted for six straight months; both import and export growth decreased more than 8.0% in July compared to last year. Meanwhile, the Chinese government launched a number of loosening policies by way of cutting interest rates and required reserve ratios in a bid to boost the economy. All of these indicated that the overall operating environment has been deteriorating rapidly and China has been facing large downward economic pressure. Worse still, following the anti-extravagance campaign launched in China, the demand on high-end products were substantially reduced, which particularly affected the Group's trading business for imported fruits. On the other hand, as a result of the difficult operating environment, many local brands decreased their selling price to grasp market share, leading to fiercer competition compared to last year.

In the context of such challenging business environment, the Group continued to implement the strategic restructuring plan, including trimming unprofitable operations, reducing various expenses and redirecting resources to the FMCG Trading business. During the financial year under review, the Group successfully reduced a considerable amount of operating expenses such as labour, rental and other farming materials costs following the gradual cessation of the Group's leafy agricultural product plantations upon the expiration of the farming leases in Huidong. Although the Group still operated the plantations of fruits in the Jiangxi's farming base, a much more conservative approach was adopted for the scale and pace of the development. On the other hand, although the overall market condition has been deteriorating due to the economic slowdown, the Group managed to improve its revenue in the FMCG Trading Business and the agri-products trading business thanks to the restructuring plan whereby more resources had been allocated to support adding new sales channels. Going forward, the Group will continue to scrutinize various business operations based on market demands and internal resources to determine the optimal operational size of each business unit.

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 49% of total revenue (FY2014: 46%), overtaking the Agri-Products Business as the largest contributor, and is expected to play a more important role for the Group's future development. The revenue of the Agri-Products Business decreased by 9.4% and accounted for approximately 48% of the Group's revenue (FY2014: 51%), the decrease in revenue of the Agri-Products Business was mainly attributable to the cut down of unprofitable cultivations, primarily leafy agricultural products. The Logistics Services Business was fairly stable and contributed approximately 3% of total revenue (FY2014: 3%). In the light of the prosperous development of e-commerce industry in China and the increasingly importance of its relevant logistics assets, the Group will continue to invest in and enhance logistics facilities to capitalize on the rapid growth of market demand.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$1,641.4 million as compared to HK$1,712.1 million for FY2014, representing a fall of approximately 4.1%. The decline in revenue was mainly attributable to the decline in revenue of the Agri-Products Business by approximately 9.4% as a result of the closure of certain unprofitable operations, in particular the cultivation of leafy vegetables. If the contribution of the upstream farming business is disregarded, the Group would record an increase in revenue which was mainly attributable to the continuous improvement in the revenue contributions from the FMCG Trading Business and the agri-products trading business. Although the macro environment was still sluggish and even worse than last year, the Group's efforts to strengthen the FMCG Trading Business and the agri-products trading business continued to get traction during the year. The revenue of the FMCG Trading Business increased by approximately 1.8% whereas that of the agri-products trading business increased by approximately 1.1% compared to the last financial year. The Logistics Services Business is highly correlated to the other two business units, owing to the gradual improvement in the FMCG Trading Business and the agri-products trading business, the contribution from the Logistics Services Business was fairly stable and accounted for approximately 3% of overall revenues for the year. However, the economic slowdown inevitably affected third party logistics business and thus slightly lowering the overall revenue of the Logistics Services Business.

Gross profit margin increased from approximately 8.2% to 8.3% compared to FY2014. The increase in gross profit margin was mainly attributable to the improving gross profit margins of the FMCG Trading Business and the agri-products trading business. As the core theme of the restructuring plan was to shift focus to the traditional trading businesses, the Group endeavoured to source niche products for target customers and snatch a more favourable product-mix. Although the market competition was fierce and the effect of the anti-extravagance still existed, the Group attempted to maintain stable pricing strategies with reasonable profit margins. While the Group proactively expanded clientele portfolio, the Group did not engage in price competition but by means of product quality and niche to attract new customers. In addition, favourable foreign exchange movement also improved gross profit margin to some extent. However, the operating environment for the upstream farming business was still difficult, its gross profit margin encountered large downward pressure and thus dragging the overall gross profit margin.

Selling and distribution expenses decreased by approximately 22.8% from approximately HK$123.4 million to approximately HK$95.3 million, representing approximately 5.8% of total revenue (FY2014: 7.2%). The decrease was mainly attributable to the Group's cost saving initiatives. During the year, the Group successfully reduced various expenses such as marketing and promotion costs, staff costs and transportation costs. 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 36.4% from approximately HK$188.4 million to approximately HK$119.8 million. The decrease was mainly attributable to the implementation of cost saving initiatives and the cut down of certain unprofitable operations. The substantial decrease in administrative expenses was another proof that the Group's restructuring plan and cost-saving initiatives were on track and effective. As a result of termination of certain unprofitable operations such as cultivation of leafy products, a considerable amount of agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses were saved. The upstream farming business has a relatively high portion of fixed administrative costs than those of other business units, hence the cut down of certain farming operations came to a particularly remarkable reduction in the overall administrative expenses.

Other gains and income increased from approximately HK$9.4 million to approximately HK$50.1 million. The gains and income of approximately HK$41.9 million mainly derived from the gain on disposal of certain shares of the Group's investment in China Zenith Chemical Group Limited ("China Zenith"), a company listed on the Stock Exchange.

Other operating expenses decreased from approximately HK$495.3 million to approximately HK$18.8 million. The decrease in other operating expenses was mainly attributable to the significant decrease of impairment losses on various assets primarily relating to the upstream farming business in last year whereas the other operating expenses was mainly attributable to restructuring costs for upstream farming business of approximately HK$14.3 million and fair value loss on buildings of approximately HK$3.5 million during the financial year under review. Further, there was a decrease of approximately HK$24.1 million in the fair value of biological assets as a result of the increase in their plantation costs.

Finance costs maintained at a similar level of approximately HK$0.6 million (FY2014: HK$0.5 million).

Net loss for the year ended 30 June 2015 was approximately HK$73.3 million (FY2014: HK$682.4 million). The decrease in the net loss was mainly attributable to a combination of approximately 22.8% decrease in selling and distribution expenses, approximately 36.4% decrease in administrative expenses, approximately HK$40.7 million increase in other gains and income, approximately HK$476.5 million decrease in other operating expenses and was offset by approximately 4.1% decrease in turnover.

At 30 June 2015, the Group held approximately 9.5% interest in China Zenith as a medium to long term investment subject to the market conditions, with which a net increase on fair value change on this investment of approximately HK$139.0 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 Trading Business contributed approximately HK$805.7 million in revenues to the Group for FY2015, up 1.8% from that contributed in FY2014. The increase in revenues was largely attributable to the Group's effort to expand sales channels, especially through online platforms, to extend our reach to new customers. In addition to the top line revenue, the gross profit margin also showed a stable improvement during the year. This was very much thanks to the Group's continuous efforts to source niche products to strengthen our competitiveness, such that the Group was able to adopt stable pricing strategies with reasonable profit margins. On the other hand, in order to cope with the rapidly changing environment, the Group adopted various strategic moves to accommodate market needs. For instance, in view of China's economic slowdown and weak market demand, the Group sourced more mid-level products from developing regions such as Southeast Asia and South America which were more competitive under current economic situation and could complement the Group's high end imported product portfolio. Furthermore, in order to take advantage of the devaluation of some currencies, the Group proactively established relationships with suppliers from some countries such as Japan and Australia to identify products with market niche, and simultaneously strengthened the well-established procurement network in other regions like Europe.

During the year, the Group's development in e-commerce was satisfactory. Its business volume in China has shown an admirable growing trend with stable profit margins, which was mainly attributable to the rapid growth of online retailing and the more fruitful cooperation with e-commerce operators. Apart from normal business-to-business relationship with e-commerce operators, the Group also established strategic collaboration in their logistics and storage operations. On the other hand, the Group commenced to negotiate with some business partners for the development of business-to-consumer online trading platform. The Group is confident the astonishing uptrend in China's e-commerce industry will continue and remain intact over coming years, and hence the progress of the Group's development in e-commerce business will be accelerated simultaneously. Notwithstanding the above, the Group will thoroughly review the financial and operational viability of every e-commerce project and will make any investment decision vigilantly. 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 set up a widespread sales network.

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 72%, 6%, 6%, 12% and 4%. 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. In view of the increasingly competitive market for cosmetics products, the Group has been gradually trimming this business such that its contribution further declined from approximately 7% in last year to approximately 4%. In contrast, the Group focused on packaged foods and beverage products and the increase in their contributions could counterweight the impact of the decline in the revenue of cosmetics products.

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 generated HK$786.1 million for the FY2015, down approximately 9.4% as compared to the HK$867.8 million generated in FY2014. The decrease in revenue was attributable to the substantial decrease in the contribution from the upstream farming business by approximately 70.0% caused by the cut down of certain unprofitable farming operations, primarily leafy vegetable cultivation in Huidong, but was partly offset by the increase in revenue of the agri-products trading business by approximately 1.1%.

Agri-Products Trading

The slowdown of China's economy and the government's anti-extravagance policies continuously affected the performance of the agri-products trading business. However, following the significant cut down of the upstream farming business, the Group could use more resources to boost the traditional trading business and adopted various policies to enhance the performance of this business unit. For instance, the Group expanded procurement team to source a wider range of imported agri-products and provided relevant cutting-edge food process services for target customers. In addition, the Group commenced to study the cooperation with e-commence operators for selling fresh produce. Online fresh produce retailing is a relatively new market in China, the average growth was higher than that of other products over the past few years, despite the fact that the transportation and storage costs are expensive. The Group will proactively cooperate with business partners to tap into the market. During the year, the Group also enhanced operational efficiency by streamlining supply chain and administration process to provide more timely delivery services. The uplift of product and service quality attracted new customers and the favourable currency movement for certain imported fruits also improved the competitiveness of our products against local grown produce. As a result, the revenue of the agri-products trading business recorded a steady growth together with an improvement in gross profit margin during the year.

Upstream Farming Business

During the financial year under review, the Group has been scaling down or ceasing unprofitable farming operations. The remaining farming operation is the plantations of fruits in the Jiangxi's farming base, which is a capital-intensive operation and requires much lower recurring expenses compared to leafy agricultural product cultivation. Nevertheless, although substantial operating expenses were reduced due to the discontinuation of leafy agricultural product cultivation and other unprofitable farming businesses, some adverse factors remained unchanged for the Group's citrus and fruit cultivations in Jiangxi. Inclement weather, rising labour costs and competitive selling price persistently affected the revenue and the gross profit margin of this business unit. In addition, the Group also liquidated perishable products coming from those ceased unprofitable operations via clearance pricing during the year, which further impeded the gross profit margin. In view of the difficult operating environment and no signs of near-term recovery, the Group adopted more stringent control over the developments in the Jiangxi's farming base, which were entirely driven by the market demand. Despite the above difficulties, the Group constantly acquired advanced farming technology to improve the quality of self-grown agricultural products. A research center is planned to set up for seed breeding and farming technology advancement in Zhongshan. With the improving product quality, the Group has explored the feasibility of export our self-grown agricultural products to overseas markets. On the other hand, in order to increase revenue stream and better utilize the Group's arable lands in Jiangxi, the Group has commenced to negotiate with the local government for the feasibility of agri-tourism by opening certain areas of the Jiangxi's farming base for public. This plan is at the preliminary stage of negotiation and highly depends on the development plan of the local government.

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$49.6 million, which was fairly stable compared to last year. The revenue of midstream logistics handling associated with the Group's FMCG Trading Business and the agri-products trading business was broadly in line with the movement of these two business units. However, the income arising from third party supply chain services including rental and storage income recorded a moderate fall owing to the adverse impact from the weak macroeconomic environment. During the year, the Group continued to modify and upgrade the logistics hubs in Zhongshan ("Zhongshan Logistics Center") and Shanghai to cope with the increasing needs of the FMCG Trading Business. The development in the new logistics center in Huidong ("Huidong Logistics Center") was under modification and refurbishment works to fit the standards required by various bureaus and the operational needs. The Huidong Logistics Center will overtake the Zhongshan Logistics Center in relation to its food processing and logistics services for fresh produces and will also strengthen our agri-products trading business. The Zhongshan Logistics Center will then be modified to become a multi-functional logistics hub to support the Group's FMCG Trading Business and agri-products trading business, as well as provide high margin supply chain services to third parties. Currently, a number of transitional matters relating to the transfer of agri-products supply chain functions from the Zhongshan Logistics Center to the Huidong Logistics Center are being prepared. Furthermore, the Group also enlarged the operational capacities of exiting logistics network by upgrading logistics equipment and leasing additional storage facilities, in particular in Northeast China. In addition to the existing investment plan, the Group has been negotiating with e-commerce operators about the collaboration for logistics and storage operations to create a long-term strategic alliance with them.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 16 December 2014, the Company issued 1,091,075,178 ordinary shares, on the basis of one offer share for every five shares held, to the shareholders of the Company at a subscription price of HK$0.07 per share through an open offer. The net proceeds of approximately HK$75.6 million would be used for the expansion of the FMCG Trading Business and the Logistics Services Business by leasing additional long-term logistics and storage facilities and upgrading existing logistics facilities in order to cater for expected additional storage and logistics business demand and enhance their competitive edges.

At 30 June 2015, the Group had interest-bearing borrowings of approximately HK$64.5 million (30 June 2014: HK$65.6 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all would mature within one year. 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 and a charge over the Group's held-to-maturity investments and some bank deposits in carrying amount of approximately HK$46.5 million (30 June 2014: HK$26.3 million).

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 exchange rate of Hong Kong dollars against Renminbi was relatively stable during the year under review, even considering the abrupt devaluation of Renminbi by the PRC government subsequent to the end of the reporting period. Therefore the Directors consider that the operations of the Group were not exposed to significant foreign currency exchange risk during the year under review and the Group did not have any significant hedging instrument outstanding as at 30 June 2015. However, the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary.

At 30 June 2015, the Group's current assets amounted to approximately HK$1,274.3 million (30 June 2014: HK$1,218.3 million) and the Group's current liabilities amounted to approximately HK$207.3 million (30 June 2014: HK$200.2 million). The Group's current ratio maintained to a level of approximately 6.1 at 30 June 2015 (30 June 2014: 6.1). At 30 June 2015, the Group had total assets of approximately HK$3,092.2 million (30 June 2014: HK$2,930.0 million) and total liabilities of approximately HK$214.0 million (30 June 2014: HK$206.5 million) with a gearing ratio of approximately 2.1% (30 June 2014: 2.2%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained fairly stable as at 30 June 2015.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2015, the Group had approximately 590 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 for the purpose of providing incentives and rewards to eligible participants who contribute success of the Group's operations.

DEVELOPMENT AND PROSPECTS

The economic conditions remained challenging in China for the year under review. The Chinese government will stay the course on economic reforms, aiming at transitioning from investment-based to consumption-based growth that will inevitably lead to slower growth in short term in return for a more sustainable long term growth. Therefore, the China economy is expected to grow at a relatively slow rate over coming few years and the operating environment will continue to be challenging.

Notwithstanding the above, the Group's restructuring plan is successfully gaining traction, the traditional trading business has already shown signs of recovery due to the Group's efforts to expand sales channels and enrich product portfolio. Going forward, the Group will continue to put emphasis on the trading business as well as its associated logistics services business. The Group will reinforce the procurement team for a wider geographical coverage and product range, such that the product portfolio can be quickly adjusted in response to the rapidly changing market demands. On the other hand, the Group will accelerate the development of own online retailing platform to complement the well-established traditional offline and business-to-business sales channels. On the external front, the Group will proactively expand clientele base by attracting new e-commerce business partners and on-premise customers in order to underpin the sustainability of the recovery of the Group's trading business.

In contrast to the Group's trading business, the upstream farming business is still at the bottom of the business cycle and has not showed signs of recovery. Therefore, the Group will constantly scrutinize this business unit and scale down or even discontinue unprofitable operations. The Group will also implement different austerity measures to reduce costs such as the increase in the use of outsourcing for certain harvesting and logistics operations. While awaiting the recovery of the farming industry in China, the Group will continue to explore other ancillary incomes such as agri-tourism as mentioned earlier and the possibility of export our self-grown agricultural products to overseas markets. With the conservative approach to developing and operating the upstream farming business, the Group is confident the financial performance of this business unit will improve when the farming industry in China can pass through the trough and resume recovery.

Continuous enhancement and expansion of the logistics facilities is one of key moves for the Group's future development. During the year, the Group has constantly upgraded various existing logistics facilities and invested in the Huidong Logistics Center. Going forward, the Group will continue to seek investment opportunities for suitable logistics assets to cater for the development of the FMCG Trading Business, especially through reinforcement of the collaboration between the Group and various e-commerce operators for their logistics and storage operations.

On 16 December 2014, the Company issued 1,091,075,178 ordinary shares, on the basis of one offer share for every five shares held, to the shareholders of the Company at a subscription price of HK$0.07 per share through an open offer. The net proceeds of approximately HK$75.6 million would be used for the expansion of the FMCG Trading Business and the Logistics Services Business by leasing additional long-term logistics and storage facilities and upgrading existing logistics facilities in order to cater for expected additional storage and logistics business demand and enhance their competitive edges.

The Group's mission is to evolve itself from a traditional trading company to an integrated company to provide our customers with one-stop services via both offline and online platforms. China's economy is facing downward pressure that would inevitably affect the operating environment, but the Group's restructuring plan is on the right track to improve its competitiveness in response to the weak economic conditions and the increased competition. Meanwhile, the Group will consistently maintain a healthy and strong financial position and adopt a conservative approach towards capital investments, which will primarily focus on logistics assets and e-commerce development. Save for any unforeseen adverse circumstances, the Group is cautiously optimistic that the financial performance will be improving gradually in near term.

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2015.

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 (the "Listing Rules") throughout the financial year ended 30 June 2015, 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 25 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 of the CG Code, 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. Hung Sau Yung Rebecca ("Ms. Hung"), the Executive Director, Ms. Chan Yuk Foebe ("Ms. Chan"), the Non-executive Director, and Ms. Mak Yun Chu ("Ms. Mak"), the Independent Non-executive Director, attended the annual general meeting of the Company held on 23 December 2014 (the "AGM") to address to queries of shareholders. Ms. Hung and Ms. Mak were unable to attend the AGM as both of them were not in Hong Kong at that time. Ms. Chan was unable to attend the AGM due to other business engagements. However, all of Ms. Hung, Ms. Chan and Ms. Mak were 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had fully complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2015.

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

Throughout the financial year ended 30 June 2015, 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 2015 as set out in the this announcement have been reviewed by the Audit Committee of the Company 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 2015 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 2015 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 2015

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.