Heng Tai Consumables Group Limited
亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 0197)

Annual Report 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian

Non-Executive Director:
Ms. Chan Yuk Foebe

Independent Non-Executive Directors:
Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman

COMPANY SECRETARY
Mr. Wong Siu Hong

INDEPENDENT AUDITOR
RSM Nelson Wheeler
Certified Public Accountants

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
31st Floor, Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

PRINCIPAL BANKERS
China Citic Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
LUSO International Banking Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank Limited
Wing Lung Bank Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Union Registrars Limited
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Fook Lee Commercial Centre, Town Place
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COMPANY WEBSITE
www.hengtai.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Heng Tai Consumables Group Limited (the "Company" or "Heng Tai"), it is my great privilege to present to our shareholders the Annual Report for the Company and its subsidiaries (together the "Group") for the financial year ended 30 June 2013 ("FY2013").

FINANCIAL PERFORMANCE

The operating environment remained difficult and challenging in FY2013. The persistent uncertainty over the global financial markets, the slowdown in China's economy and the fierce competition were the three main reasons for the decline in the Group's financial performance. China's GDP growth continued to drop in the third quarter of 2012 to approximately 7.4% from a year earlier, the slowest pace in three years, and the lukewarm 7.5-7.9% growth for the subsequent quarters, indicating a weak market demand to a certain extent. In order to avert any chances of material uncollectible debts, the Group continued to adopt a stringent credit review assessment and reduced or even did not supply products to those customers with weak credibility, whereas the Group had reduced some product prices to attract good quality customers. On the other hand, the competition from local brands has also been increasing drastically during the year, the impact was particularly apparent in some categories such as cold chain, cosmetics and skincare products. Notwithstanding the above, the Group has adopted several policies to enhance the performance including seeking a better market positioning, expanding sales channels and taking cost-saving initiatives, those measures are expected to show their effects gradually in the years ahead.

Revenues fell approximately 6.2% to approximately HK$1.9 billion in FY2013. The net loss for FY2013 was approximately HK$218.7 million, compared to the net loss of approximately HK$57.3 million for the preceding financial year ("FY2012"). The increase in the net loss was mainly attributable to the decrease in revenues and gross profit margin as well as the increase in administrative expenses. Additionally, a gain on fair value change of approximately HK$76.7 million was recognized in the Group's reserves for our investment in China Zenith.

BUSINESS REVIEW

The Group's trading business of fast moving consumable goods had been adversely affected by the decrease in sales volume due to weakening market demand and keen competition in China's consumer market. During the financial year under review, the Group has continuously strengthened the procurement network and introduced new brands and products to the market, particularly for the packaged foods, thus increasing the revenue of this category compared to the same period last year. However, revenues of other categories such as cold chain products and cosmetics and skincare products have declined as a result of facing severe competitions. Meanwhile, the Group also adopted a more aggressive marketing strategy to attract good quality customers, which would cause a squeeze on gross profit margin to a certain extent. Going forward, the Group will shift focus in this business unit through expanding sales and procurement network, especially leveraging on the rapid growth of online retail market in China. The Group has established a close collaboration with various e-commerce operators through which some products are available for sales on some renowned online trading platforms. The Group will continue to reinforce the cooperation with the e-commerce operators and widen product range on the online platforms. The Group will also give same weight to the traditional sales channels and strengthen the relationships with wholesalers and on-premise customers. On the other hand, the Group will keep enriching the product portfolio by expanding the procurement team and conducting in-depth market research.

The Group's agri-products business contains trading fresh produce such as fruits and vegetables imported from countries like Australasia and South East Asia as well as upstream cultivations in China. Similar to the FMCG trading business, the agri-products trading business has encountered several challenges during FY2013, including weak demand and rising cost inflation. For the upstream farming business, both farming bases located in Huidong and Jiangxi have already contributed income stream during FY2013 and it is believed that their contributions will be growing steadily if no severe weather occurs. The Chinese medicinal plantation plan is also on the right track and we have already established a network to develop this business. Going forward, the Group will focus on improving crop yield and developing effective downstream distribution channels in order to advance profit margins. As the upstream farming business requires substantial commitment, the Group will take a prudent view on new developments and expansions until the existing farming bases become mature and effective sales channels are formed.

Revenue from logistics business represented approximately 7% of the Group's total revenue. During FY2013, the Group continued to shift away from the low margin business to the higher margin business such as third party logistics and warehousing services, but the total revenue of this business was inevitably affected by the setback in the trading business of fast moving consumable goods and agri-products because of its strategic position and high correlation with them.

CHAIRMAN'S STATEMENT

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2013. In view of the unpredictable global economic conditions, the Board decided to maintain adequate cash reserves to prepare for the ongoing commitments to reinforce existing businesses and any unforeseen expenditure that might come up.

LOOKING AHEAD

In the coming year, the Group will put emphasis on the trading business of fast moving consumable goods and carefully operate the other two businesses. The Group has faith in the Chinese consumer market in long run and believes that our high end products will have the edge over other local competitors in light of the gradual improvement in consumer confidence. In addition to the well-entrenched rapport with traditional wholesalers, the Group has started to tap into online retailing during the year and will continue to expand the business with this platform. For our agricultural businesses, the Group will focus in the development of the two existing farming bases and invest in the downstream sales channels in order to enhance profit margins. The new logistics center located in Huidong is in progress and will be developed as an integrated business platform with functions of storage, food processing, packaging, wholesaling and distributing of fresh produce, among which the wholesaling function will make the logistics center become an important downstream sales channel for our self-grown products.

Looking forward, we will maintain a strong and healthy financial position to weather any unforeseen adverse events. We believe there are still many challenges and uncertainties ahead of us. The recovery of the global economy may be slow and be affected by the bond tapering in the United States. The Group would reduce the scale of or even abandon unprofitable sectors and expand businesses conservatively. In the long run, the Group is confident in China's economic performance and hence its consumer market growth. With the in-depth experiences and well-established sales and procurement networks, we are cautiously optimistic that the Group's financial performance will be improving in tandem with the recovery of the global and Chinese markets.

CORPORATE SUSTAINABILITY

The Group believes that the vertically integrated business model, incorporating the functions of producers, traders, marketing agent and supply chain solution providers in the fast moving consumable goods and agri-products in China, can provide a high degree of sustainability in its operations. With the support of our strong and healthy financial position, the Group will make continuous efforts to reinforce the existing business model and the sustainability of the operations so as to achieve long-term business growth and objectives.

APPRECIATION

Once again, on behalf of the Board, I would like to extend my sincere appreciation for their faith, effort, and commitment of my colleagues, and to our shareholders and business partners for their support and trust. We will do all our best and we wish you all the best for the coming year.

LAM Kwok Hing
Chairman

Hong Kong, 30 September 2013

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.

Following a tough year in FY2012, the operating environment remained challenging during the financial year under review. The ongoing uncertainty over the global financial markets and the economic slowdown in China had unavoidably dampened consumer confidence. China's GDP growth continued to drop in the third quarter of 2012 to approximately 7.4% from a year earlier, the slowest pace in three years and the subsequent quarters remained uninspiring to fall within the range of 7.5% to 7.9%. Simultaneously, the rising cost inflation and the fierce competition from the local brands further impeded the Group's financial performance and squeezed the gross profit margin.

The above macroeconomic turbulence reduced customers' demand and revenue of the Group to certain extent. Furthermore, the Group had also implemented a more stringent credit control policy to customers in view of the overall difficult operating environment. The Group had reduced or even stopped taking orders from customers with gradually slow repayment pattern and weak credibility to ensure collectability. This measure inevitably affected the turnover but was necessary to lower risk during the period of great uncertainty. To counteract the above headwinds, the Group had adopted various strategies to maintain competitiveness such as strengthening sales promotion and expanding sales network.

Notwithstanding the challenging operating environment, the Group continued to reinforce each existing business by scrutinising the market conditions and grasping every opportunity that was fruitful to the Group's long term development. The FMCG Trading Business contributed approximately 39% of total revenue (FY2012: 40%) and remained as the core business of the Group. The Group will focus on strengthening this business and uphold the principle of importing high quality products to China so as to maintain a leading position when the China's consumer market restores robust growth. The Agri-Products Business was the largest contributor during the year and accounted for approximately 54% of the Group's revenue (FY2012: 51%) thanks to the increased contribution from the upstream farming business. Although the market demand was weak, the agri-products trading business was the most important income stream during the year. The Logistics Services Business contributed approximately 7% of total revenue (FY2012: 9%) and strategically supports the other two businesses. The Group has been seeking expansion opportunities through acquisition and collaboration with local governments as well as enhancing operating efficiency of the existing logistics facilities in order to provide cutting-edge services to customers and strongest supports to the other two businesses.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$1,902.1 million as compared to HK$2,027.9 million for FY2012, representing a fall of approximately 6.2%. The decline in revenue was mainly attributable to the decline in revenue of the FMCG Trading Business by approximately 8.3% as a result of (i) decrease in customers' demand due to persistent economic uncertainties in global and domestic markets and severe competition from local brands; and (ii) a more 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. The Agri-Products Business declined by approximately 0.1% which was a mixture of the decrease in the agri-products trading business being offset by the increase in the upstream farming business. On account of the decline in the business volume of the FMCG Trading Business and the agri-products trading business, the contribution from the Logistics Services Business dropped to approximately 7% of overall revenues for the year, compared to approximately 9% in last year.

Gross profit margin decreased from approximately 17.2% to 11.0% compared to FY2012. The decline in gross profit margin was mainly attributable to the declining gross profit margins of the FMCG Trading Business and the Agri-Products Business as well as an unfavourable product mix during the year. The Group had reduced the selling price of some products to attract more sales orders from good quality customers in view of the challenging operating environment. On the other hand, the rising labour and agricultural raw materials costs of the upstream farming business, coupled with unfavourable product mix such as decline in sales of frozen and cosmetics products and revenue from logistics services which are of higher gross profit margin, also adversely affected the gross profit margin.

Selling and distribution expenses decreased by approximately 2% from approximately HK$175.8 million to approximately HK$172.2 million, representing approximately 9.1% of total revenue (FY2012: 8.7%). The decrease was mainly attributable to the Group's cost saving initiatives to control operating expenses. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, incentivized share based payments as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses increased by approximately 24.8% from approximately HK$170.9 million to approximately HK$213.3 million. The increase was mainly attributable to the rising rental and staff costs and more capitalised items for the upstream farming business being depreciated since this financial year. The increase was also attributable to the higher fixed administrative costs in staff headcounts, travel and utilities and other overheads associated with the larger scale of our upstream cultivation bases during the year. In addition, staff costs had also increased during the year due to the charging of fair value of the share based payments arising from the grant of share options under the existing share option scheme.

Other operating expenses decreased by approximately 16.7% from approximately HK$48.6 million to approximately HK$40.4 million. The expenses mainly represented provisions of approximately HK$6.5 million for trade and other receivables and approximately HK$29.0 million for inventories and an impairment loss on goodwill of approximately HK$4.8 million. Further, there had been a decrease of approximately HK$17.7 million in the fair value of biological assets as a result of the increase in their plantation costs.

Finance costs decreased by approximately 58.9% from approximately HK$2.3 million to approximately HK$1.0 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 2013 was approximately HK$218.7 million (FY2012: Net loss of approximately HK$57.3 million). The increase in the net loss was mainly attributable to a combination of approximately 6.2% decrease in turnover, approximately 6.2% decrease in gross profit margin, approximately 24.8% increase in administrative expenses, partly offset by approximately 2% decrease in selling and distribution expenses, and the aggregation of approximately 11.4% decrease in the other operating expenses and the changes in fair value of biological assets.

At 30 June 2013, the Group held 14.64% interest in China Zenith as a medium to long term investment subject to the market conditions, with which a gain on fair value change on this investment of approximately HK$76.7 million was recognized in the Group's reserves directly in accordance with Hong Kong Financial Reporting Standards.

MANAGEMENT DISCUSSION AND ANALYSIS

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$748.1 million in revenues to the Group for FY2013, down approximately 8.3% from that contributed in FY2012. The decline in revenues was largely attributable to the reduced customers demand due to economic uncertainties and the fierce competition from local brands. Notwithstanding the unfavourable operating environment, the Group had adopted various policies to mitigate the negative impact. The Group has been expanding sales channels through participating in online business whereby some of the Group's products are available for sales on renowned online platforms in China. E-commerce industry in China has been experiencing an unprecedented uptrend and the Group would proactively develop the FMCG Trading Business with this platform and maintain close collaboration with e-commerce operators in order to keep abreast of the development and latest trends of the online retail market. Furthermore, the Group also strengthened sales promotion for good quality customers to maintain our competitiveness in view of the challenging business environment. The product portfolio is another important area where the Group put emphasis on sourcing different kinds of products that are suitable and competitive in the China's consumer market by expanding the procurement team and conducting in-depth market research. The Group will continue to uphold importing high quality products for the customers as the core value and strategy to compete with other local brands.

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 67%, 6%, 6%, 13% and 8%. 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. During the financial year under review, the Group has continuously strengthened the packaged foods procurement network and introduced new brands and products to the market, thus increasing the revenue of this category compared to the same period last year, whereas other categories recorded a fall because of the slowdown of the domestic market and keen competition.

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 approximately HK$1,028.4 million for the FY2013, down 0.1% as compared to the HK$1,029.7 million generated in FY2012. The decrease in revenue was attributable to the decrease in the contribution from the agri-products trading business by approximately 7.3% but partly offset by the increase in the contribution from the upstream farming business. The upstream farming business during FY2013 accounted for approximately 16% of the total revenue of this business unit (FY2012:10%).

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 cost inflation has increased substantially but the selling price could not be lifted up accordingly due to the weak demand, thus further dampening the gross profit margin of this business unit. During the financial year under review, allowance for inventories was made due to slower inventory turnover as a result of the sluggish market demand and rising credit risks of certain customers. In order to ensure good quality and safety of our food products, the Group had conducted a thorough review to identify and provide allowance for aging and slow-moving products that would have otherwise been sold under normal economic condition and credit environment. Going forward, the Group will maintain high standard of quality control and periodically review our products to assure food safety and quality. In addition, the Group will also cautiously procure products and maintain a suitable inventory level to meet market demand.

Upstream Farming Business

During the financial year under review, the Group had reinforced its development in the upstream farming business carefully. The Huidong's farming base has been contributing revenue since the fourth quarter of 2011 with steady growth and the Jiangxi's farming base also started an initial contribution during this financial year. The products in Huidong were primarily leafy vegetables like Chinese cabbage, leaf mustard, broccoli, cauliflower and snap beans. The Jiangxi's farming base is an orchard for various fruits and a pilot plantation for Chinese herbs, mainly honeysuckle at present. The key products in Jiangxi's farming base included early crop oranges, ponkans, naval mandarins, grapefruits and pear. Although both farming bases started to contribute revenue, the rapidly rising labour costs and agricultural raw materials costs and persistent rainy weather affecting the crop volume in Huidong during the last quarter of the financial year have put great pressure on the gross profit margin of this business.

The Group had spent a lot of resources in this business unit over years, but it was understandable that the cultivations had to take time to develop. The Group will continue to foster the development of this business, particularly the productivity enhancement of the existing farming bases and the establishment of downstream sales channels. As the upstream farming business requires substantial commitment, the Group will take a prudent view on new developments and expansions until the existing farming bases become mature and effective sales channels are formed.

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 7% of the Group's total revenue amounted to approximately HK$125.5 million. The Group continued to shift focus in higher margin third party logistics business, whose revenue as a percentage of the total revenues of this business unit increased from approximately 10% in FY2012 to approximately 20% in FY2013. Nevertheless, the decline in the business volume of the FMCG Trading Business and the agri-products trading business negatively impacted the overall revenues of this business unit because of the high correlation amongst them.

Although the overall market has been deteriorating during FY2013, the Group continuously reinforced existing logistics facilities and expanded customer base. During the financial year under review, the Group had carried out negotiation with the local government and the relevant parties for the development of a new logistics center in Huidong.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

At 30 June 2013, the Group had interest-bearing borrowings of approximately HK$87.8 million (30 June 2012: HK$82.7 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 2013.

At 30 June 2013, the Group's current assets amounted to approximately HK$1,524.8 million (30 June 2012: HK$1,685.1 million) and the Group's current liabilities amounted to approximately HK$219.6 million (30 June 2012: HK$213.8 million). The Group's current ratio decreased to approximately 6.9 at 30 June 2013 (30 June 2012: 7.9). At 30 June 2013, the Group had total assets of approximately HK$3,654.5 million (30 June 2012: HK$3,764.9 million) and total liabilities of approximately HK$223.4 million (30 June 2012: HK$217.3 million) with a gearing ratio of approximately 2.4% (30 June 2012: 2.2%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The gearing ratio remained at a fairly stable level during the financial year under review.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2013, the Group had approximately 810 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 report, a total of 457,046,000 share options remain unexercised.

DEVELOPMENT AND PROSPECTS

The economic conditions remained difficult in China as well as other major countries for the preceding year. The rising costs for labour and raw materials, unpredictable weather conditions and food safety concerns also significantly increased risks to the Group's businesses.

Although there are many uncertainties ahead, some positive factors have been seen. China's recent statistics including retail sales growth and trade data have shown signs of stabilisation after a slowdown in the first half of 2013. More importantly, the government's stance and various favourable policies to emphasis consumption as the major driver for the future economic growth will continuously increase consumer confidence and thus stimulate spending. In addition, some fundamentals such as the rising disposable income and acceleration of urbanization remain intact to underpin the growth of China's consumer market in medium term.

Therefore, the Group is confident in the performance of China's consumer market and the FMCG Trading Business will be the focus in the years ahead. As aforesaid, the Group has been adopting various measures to reinforce distribution channels and product portfolio. The Group manages to maintain close collaborations with various wholesalers as well as e-commerce operators and we will capitalise this advantage to further expand both offline and online sales networks. Furthermore, the Group will also strengthen promotion for on-premise customers and conduct in-depth market research to know their needs and desires. On the other hand, the Group will continue to strengthen the procurement network in different areas and expand the procurement team to identify new products and brands.

The Group believes that the Agri-Products Business has passed through the trough and stepped into a stable stage. The agri-products trading business hinges on the macro-economic conditions and a stable supply of fresh produce. The Group will continue to expand the procurement network to source fresh produce from different corners of the globe, including domestic products in China, to ensure the stability of supply. Additionally, the Group will carefully develop self-grown products via our upstream farming business. Although the Group had spent a lot of resources to develop the upstream farming business over the past few years, the peak in investment is close to an end. Going forward, the Group will focus on the research and development for new products and productivity enhancement. While the Group will conservatively review the market demand and the internal resources for other new plantation developments in addition to the farming bases in Huidong and Jiangxi, the Group will proactively explore and develop downstream sales channels to cope with the development of the upstream farming business in order to form a vertically integrated business model to maximize its return. Furthermore, the Group will carefully develop plans in cultivation of Chinese herbs that require substantial expertise for cultivation, good weather condition and efficient distribution channels for the success. The Group has already teamed up with several experts and business partners to tap into China's medical product market when the herb plantations start to mature.

Food safety has become a top concern for consumers. The Group puts emphasis on food safety and exerts every effort to assure the quality of products up to the standard. The Group would periodically review our product portfolio to ensure good quality and safety in accordance with the respective food safety regulations and internal guidance, at which slow-moving and aging products would be disposed when identified. The Group also adopts green and ecological methodology for the upstream farming business and post-harvest processing, uses high quality raw materials and implements stringent control over quality from seeding through delivering the products to the customers.

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 had carried out negotiation with the local government and the relevant parties for the development of a new logistics center in Huidong following the signings of the memorandum of cooperation and the cooperation agreement in 2012. The negotiation has stepped into a mature phase where the Group and the counterparts endeavour to finalize the detailed transaction structure and the relevant legal agreements. The new logistics center is expected to be operated as more of a function of wholesaling platform for fresh produces along with other ancillary facilities for storage and processing functions. With an easily accessible location which is in close proximity to the Group's Huidong's farming base, the new logistics center will be an important trading and processing base for our upstream farming business.

The Group's vertically integrated business model has proven successful over years. The disappointment of the financial results primarily stems from the uncertainties of the macroeconomic conditions but the Group would identify the shortcomings by all means and be committed to address these issues with solutions over the coming years. The Group will put emphasis on the FMCG Trading Business and carefully operate other businesses over the coming years in order to leverage on the government's favourable policies towards consumption and an improvement in consumer confidence. On the other hand, the Group would adopt a pragmatic and conservative approach for future expansion plan and review the current operations to identify the unprofitable sectors that will be reduced in scale or abandoned. Our management is cautiously optimistic that the Group is well positioned in the China's consumer market through our well established sales network, in-depth industry experiences and strong and healthy financial position.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, *Chairman, Managing Director, Executive Director and Chief Executive Officer*
Mr. Lam Kwok Hing, aged 57, has been appointed the Executive Director since April 2001. Mr. Lam is the overall strategic visionary of the Group. He manages the strategic planning, corporate policy development, marketing strategy and high level management for the Group's macro business activities. Over the past 10 years, Mr. Lam was instrumental in shaping the development and evolution of the Group and building the business from a small-scale packaged food trading house to an integrated food production and distribution enterprise. Mr. Lam has led the Group to initiate its business development since the Group's inception in 1994. Mr. Lam has over 25 years of experience in the consumer products industry. He had spent 10 years in a reputable trading company's consumer sales division, started from the fundamental and worked his way up the corporate ladder. Following the withdrawal of that trading company from the Hong Kong and PRC markets, Mr. Lam founded the original group company with other founding shareholders in 1994. Mr. Lam is the spouse of Ms. Lee Choi Lin Joecy, who is also the Executive Director and co-founder of the Company. Mr. Lam is also a director of Best Global Asia Limited, the substantial shareholder of the Company under Securities and Futures Ordinance.

Ms. Lee Choi Lin Joecy, *Executive Director*
Ms. Lee Choi Lin Joecy, aged 53, has been appointed the Executive Director since April 2001. Ms. Lee is responsible for the general administration and management of the Group. She has over 15 years of experience in marketing and distribution of fast moving consumer goods. Ms. Lee founded the original group company with other founding shareholders in 1994. Ms. Lee is the spouse of Mr. Lam Kwok Hing, who is the Chairman and Executive Director of the Company.

Ms. Hung Sau Yung Rebecca, *Executive Director*
Ms. Hung Sau Yung Rebecca, aged 47, has been appointed the Executive Director since January 2012. Ms. Hung received her Bachelor Degree in Business majoring in accounting from Queensland University of Technology in Australia. Ms. Hung has over 20 years of experience in accounting and administration. Prior to joining the Group in 1998, she worked as an administration and accounting manager in a Hong Kong trading company.

Ms. Gao Qin Jian, *Executive Director*
Ms. Gao Qin Jian, aged 53, has been appointed the Executive Director since January 2012. Ms. Gao received her Bachelor Degree in Business, majoring in business administration from Fudan University in the PRC. Ms. Gao has over 20 years of experience in accounting and finance, as well as extensive managerial experience in the distribution and logistics industries. Prior to joining the Group in 2004, she was the deputy general manager of one of the renowned retail chain stores in the PRC.

NON-EXECUTIVE DIRECTOR

Ms. Chan Yuk Foebe, *Non-executive Director*
Ms. Chan Yuk Foebe, aged 44, was appointed the Executive Director in May 2002 and has been re-designated to the Non-executive Director since December 2005. Ms. Chan holds a Bachelor Degree in Accountancy from Queensland University of Technology in Australia. Ms. Chan has over 10 years of experience in corporate finance and management. Prior to joining the Group, Ms. Chan held senior positions in a listed company and an investment company. Ms. Chan is also the chairman, executive director and chief executive officer of China Zenith Chemical Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. John Handley, *Independent Non-executive Director*
Mr. John Handley, aged 69, has been appointed the Independent Non-executive Director since November 2001. Mr. Handley holds a Postgraduate Diploma in Export Marketing and has over 30 years of experience in marketing consumer products in Australia and the Far East. During the past 20 years, he has completed a number of business consultancy contracts in the PRC and Asia for major European manufacturers. Mr. Handley is a member of the Institute of Export in United Kingdom and the Hong Kong Institute of Marketing and since July 2013, he has been appointed as an Honorary Voting Member of the Hong Kong Jockey Club.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Mak Yun Chu, *Independent Non-executive Director*
Ms. Mak Yun Chu, aged 55, has been appointed the Independent Non-executive Director since April 2004. Ms. Mak is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years of experience in accounting and administration. Ms. Mak is also an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr. Poon Yiu Cheung Newman, *Independent Non-executive Director*
Mr. Poon Yiu Cheung Newman, aged 58, has been appointed the Independent Non-executive Director since November 2003. Mr. Poon holds a Bachelor of Arts Degree, majoring in accounting and economics from the University of Alberta in Canada. Mr. Poon is a senior executive in a multinational insurance company and has over 25 years of experience in insurance and accounting.

SENIOR MANAGEMENT

Mr. Wong Siu Hong, *Chief Financial Officer and Company Secretary*
Mr. Wong Siu Hong, aged 45, joined the Group in March 2003. Mr. Wong holds a Bachelor Degree in Business, majoring in accounting and commercial law in Australia. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining the Group, Mr. Wong worked in a multinational accounting firm and has over 15 years of experience in accounting and auditing. He is responsible for the Group's financial planning and management and overseeing the corporate governance function. Mr. Wong is also an independent non-executive director of CECEP COSTIN New Materials Group Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Chu Yi Chit Javin, *Chief Investment and Corporate Relations Officer*
Mr. Chu Yi Chit Javin, aged 36, joined the Group in May 2012. Mr. Chu holds a Master of Science Degree in Accounting and Finance from the London School of Economics with Distinction and a Bachelor of Business Administration Degree from the Hong Kong University of Science and Technology. He is a member of the CFA Institute and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chu had worked for several sizable and renowned corporations and has over 12 years of experience in corporate finance and accounting. He is responsible for overseeing the Group's project investments and all external communication with the financial and investor community.

Mr. Wong Kam Wing, *General Manager*
Mr. Wong Kam Wing, aged 60, joined the Group in September 1995 and is currently the General Manager, overseeing the Fresh Produce Division of the Group. Mr. Wong has over 25 years of experience in the consumer goods industry. Mr. Wong is responsible for managing the operations and development of the Group's logistics and food processing facility based at Zhongshan in Guangdong Province. He is also responsible for overseeing the sales and distribution operations for fresh produces covering southern China including Hong Kong and Macau.

Mr. Ong Chew Sheng, *Senior Business Development Manager*
Mr. Ong Chew Sheng, aged 43, joined the Group in April 2005. Mr. Ong is responsible for business development of the agri-products business, working at the Group's Zhongshan logistics facility. Mr. Ong obtained a Bachelor of Arts Degree in Business Organisation from Edinburgh in Scotland and has over 15 years of experience in Sino-Malaysian sales and marketing business.

Ms. Tong Lai Choi Katrina, *Human Resources Manager*
Ms. Tong Lai Choi Katrina, aged 58, joined the Group in May 2010. Ms. Tong holds a Master Degree of Business in Australia. Ms. Tong is responsible for overseeing human resources function of the Group in Hong Kong and the PRC. She has over 20 years of experience in the human resources management.

The directors ("Directors") of Heng Tai Consumables Group Limited (the "Company", together with its subsidiaries, the "Group") have pleasure in presenting the annual report and the audited consolidated financial statements for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND FINANCIAL POSITION

The results of the Group for the financial year ended 30 June 2013 are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 25 and 26.

The state of affairs of the Group as at 30 June 2013 are set out in the Consolidated Statement of Financial Position on pages 27 to 28.

RESERVES

The movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 29. The movements in the reserves of the Company are set out in note 34(b) to the financial statements.

DIVIDENDS

The board of Directors (the "Board") does not recommend the payment of a final dividend to the shareholders of the Company for the financial year ended 30 June 2013.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2013, reserves of the Company available for distribution to the shareholders of the Company were approximately HK$2,325,560,000 (2012: HK$2,357,424,000). Under the Companies Law of the Cayman Islands (2010 Revised), the share premium account of the Company of approximately HK$2,135,688,000 (2012: HK$2,135,688,000) is distributable to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account of the Company may also be distributed in the form of fully paid bonus shares to be issued to members.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and purchases attributable to the Group's five largest supplying principals accounted for less than 30% of the Group's total purchases for the year.

At all times during the year, no Director, their associate or any shareholder of the Company (which, to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interests in the major customers or suppliers noted above.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian

Non-executive Director

Ms. Chan Yuk Foebe

Independent Non-executive Directors

Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman

In accordance with the articles of association of the Company, Mr. Lam Kwok Hing, Ms. Chan Yuk Foebe and Mr. Poon Yiu Cheung Newman shall retire and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules, and considers all Independent Non-executive Directors are independent.

Details of the Directors' emoluments have been set out in note 12 to the financial statements on named basis.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company. Save for Mr. Lam Kwok Hing and Ms. Lee Choi Lin Joecy, all Directors were appointed for a term of 3 years.

Each of Mr. Lam Kwok Hing and Ms. Lee Choi Lin Joecy entered into service contracts with the Company for an initial term of 3 years commencing on 1 July 2001 renewable automatically for successive terms of 1 year after the expiry of each of the then current term until terminated by not less than 3 months' notice in writing served by either party.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, other than a contract of service with any director or engagement with any full-time employee, were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2013, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long Positions

Director	Note	**Capacity of interests**	**Number of shares in interest**	**Approximate percentage of the issued shares**
Mr. Lam Kwok Hing ("Mr. Lam")	1	Interest in controlled corporation and family interest	852,451,895	15.63%
Ms. Lee Choi Lin Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	852,451,895	15.63%
Ms. Hung Sau Yung, Rebecca	2	Beneficial owner	30,000,000	0.55%
Ms. Gao Qin Jian	2	Beneficial owner	30,000,000	0.55%
Ms. Chan Yuk Foebe	2	Beneficial owner	19,183,500	0.35%
Mr. John Handley	2	Beneficial owner	21,394,500	0.39%
Ms. Mak Yun Chu	2	Beneficial owner	21,394,500	0.39%
Mr. Poon Yiu Cheung Newman	2	Beneficial owner	21,394,500	0.39%

Notes:

1. The two references to 852,451,895 shares relate to the same block of ordinary shares in the Company. Of these 852,451,895 shares, (i) 629,284,948 shares were held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI") wholly and beneficially owned by Mr. Lam; and (ii) 223,166,947 shares were held by World Invest Holdings Limited, a company incorporated in the BVI wholly and beneficially owned by Ms. Lee. Ms. Lee is the spouse of Mr. Lam. By virtue of SFO, each of Mr. Lam and Ms. Lee was deemed to be interested in 852,451,895 shares.

2. These shares in interest are share options granted by the Company to the respective Directors. Further details of the share options are set out in note 35 to the financial statements.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section titled "Directors' Interests in Securities", at no time during the financial year were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or where there such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTIONS

Particulars of the share option scheme of the Company are set out in note 35 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2013, the interests of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of Directors were as follows:

Long Positions

Shareholder	Note	**Capacity of interests**	**Number of shares in interest**	**Approximate percentage of the issued shares**
Best Global	1	Corporate interests	629,284,948	11.54%

Note:

1. These shares were in duplicate the interests held by Mr. Lam and Ms. Lee as stated in the section titled "Directors' Interests in Securities".

Save as disclosed above, as at 30 June 2013, no person, other than a Director and chief executive of the Company whose interests are set out in the section titled "Directors' Interests in Securities" above, had any interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float of not less than 25% of the Company's total issued shares held by the public.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no Director, controlling shareholder or their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) is considered to have any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

EMOLUMENT POLICY

The Group's remuneration policy was adopted by the Board on the basis of the experience, level of responsibility, contribution and effectiveness of the Group's employees.

The emoluments of the Directors are decided by the Board, as authorised by the shareholders at annual general meetings, having regard to the individual performance, duties and responsibilities with the Company and the prevailing market conditions.

The Remuneration Committee was set up in July 2005, advising the Board on the emoluments of the Directors and senior management. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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

Throughout the financial year ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 80.

CORPORATE GOVERNANCE

Details of the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 18 to 23.

INDEPENDENT AUDITOR

RSM Nelson Wheeler, the independent auditor of the Company, shall retire and a resolution will be submitted to re-appoint RSM Nelson Wheeler as auditor at the forthcoming annual general meeting.

By order of the Board
LAM Kwok Hing
Chairman

Hong Kong, 30 September 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Heng Tai Consumables Group Limited (the "Company", together with its subsidiaries, the "Group") is committed to establish and maintain good corporate governance practices and procedures which are the important elements for risk management along with the growth and expansion of the Company. The Company emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures. The board of directors (the "Directors") (the "Board") believes that a well-balanced corporate governance system enables the Group to achieve business excellence and fulfill the Company's vision and missions. Throughout the financial year ended 30 June 2013, the Company has applied the principles of the Corporate Governance Codes (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") (the "Listing Rules") and complied with all the applicable code provisions of the CG Code, except with deviations from code provisions A.2.1 and A.6.7. Details of such deviations with considered reasons are set out in the following sections titled "Chairman and Chief Executive" and "Directors' attendance in meetings" respectively.

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 2013.

BOARD OF DIRECTORS

During the year ended 30 June 2013, the Board comprised of the following:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian

Non-executive Director

Ms. Chan Yuk Foebe

Independent Non-executive Directors

Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman

In recognition of their contributions and services to the Group, Directors are remunerated with annual directors' fees or monthly salaries that are commensurable with their duties, individual performance and the prevailing market conditions. Directors' fees or salaries are decided by the Board, as authorised by the shareholders in annual general meetings. Directors may also be granted options to subscribe for shares of the Company under the share option scheme of the Company in order to provide them with an opportunity to participate in the equity of the Company and to motivate them to optimise their performance. In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management the Group.

Save as disclosed in the section titled "Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship between Board members and chief executive.

There is a clear division of responsibilities between the Board and the management. The principle function of the Board is to supervise the overall management of the Company, which includes formulating business strategies, directing and supervising the Company's affairs, approving interim reports and annual reports, announcements of interim and final results and considering dividend policy, major acquisitions, and other significant operational and financial matters of the Company. The Board has delegated to the management team of day-to-day management, strategies implementation and other administrative and operational matters of the Company and each respective subsidiary.

All Directors newly appointed are subject to re-election by shareholders at the next annual general meeting following their appointments and every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every 3 years in accordance with the articles of association of the Company.

The Company provided regular financial updates and presentations on the business development of the Group, as well as providing materials and articles explaining on the latest development regarding Listing Rules and other applicable statutory requirements to Directors, including every newly appointed Director, to ensure their contributions to the Board remained informed and relevant. During the year ended 30 June 2013, all Directors have participated in appropriate continuous professional development activities either by attending courses or seminars relevant to directors' profession, or by reading materials relating to the Listing Rules, Companies Ordinance and other statutory requirements and developments on business, economic and political environments. The Company will continue to arrange or fund trainings for Directors as a continuous professional training programme.

NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules.

The Board noted that each of Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman has served the Board for more than 9 years. Save for the aforesaid, each of them fully satisfied with the factors of independence as set out in Rule 3.13 of the Listing Rules and there is no evidence that the tenure has had any impact on his/her independence. Accordingly, the Board considers Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman are still independent to serve in the capacity of Independent Non-executive Directors. For the purpose of the CG Code, further appointment of each of Independent Non-executive Directors shall be subject to a separate resolution submitted to the shareholders for approval in the forthcoming annual general meeting.

All Non-executive Directors (including Independent Non-executive Directors) were appointed with specific terms and are subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the articles of association of the Company.

DIRECTORS' ATTENDANCE IN MEETINGS

The Board meets regularly for reviewing and discussing the Group's business updates and strategies. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting for the financial year ended 30 June 2013 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Lam Kwok Hing	6/6	N/A	2/2	4/4	1/1
Ms. Lee Choi Lin Joecy	6/6	N/A	N/A	N/A	1/1
Ms. Hung Sau Yung Rebecca	6/6	N/A	N/A	N/A	1/1
Ms. Gao Qin Jian	6/6	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Chan Yuk Foebe	6/6	2/2	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. John Handley	6/6	N/A	N/A	N/A	1/1
Ms. Mak Yun Chu	6/6	2/2	2/2	4/4	1/1
Mr. Poon Yiu Cheung Newman	6/6	2/2	2/2	4/4	1/1

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 21 December 2012 (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.

CHAIRMAN AND CHIEF EXECUTIVE

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.

AUDIT COMMITTEE

The members of the Audit Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Ms. Chan Yuk Foebe, Non-executive Director

The Audit Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to reviewing the Group's financial reporting system, the internal control procedures and the Group's financial statements, as well as the independence of external auditors.

During the financial year ended 30 June 2013, the Audit Committee held 2 meetings with all committee members attended and the external auditors joined to consider the appointment and independence of external auditors, reviewing and supervising the financial control process and internal control of the Group and monitoring and reviewing the interim and annual consolidated financial statements of the Group.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2012 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2013, the Audit Committee reviewed with external auditor, internal auditors and senior management the annual results of the Group as well as the accounting principles and practices being adopted, internal control and financial reporting matters.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in July 2005. The members of the Remuneration Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Lam Kwok Hing, Executive Director

The Remuneration Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, and reviewing and approving the compensation package of Executive Directors and senior management.

The Remuneration Committee held 2 meetings with all committee members attended during the financial year ended 30 June 2013, for assessing the performance of Executive Directors, reviewing and discussing the present remuneration policies of the Group and has made recommendations to the Board in relation to the salaries, bonuses, allowances, share options, and retirement benefits scheme contributions paid to the Directors and senior management of the Group, taking into account the individual performance, duties and responsibilities with the Company and the prevailing market condition. It has also reviewed the terms and conditions of the grant of options during the year to eligible participants who have contributed their efforts to the Group in the past and as an incentive for their continuing commitment to the Group in future.

Remuneration of Directors and Senior Management

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration together with the equity-settled share-based payments, if any, of the members of the senior management by band for the year ended 30 June 2013 is set out below:

Remuneration Bands (HK$)	**Number of individuals**
Nil to 1,000,000	3
1,000,001 – 1,500,000	1
2,500,001 – 3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 12 to the financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee in July 2005. The members of the Nomination Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Lam Kwok Hing, Executive Director

The Nomination Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to making recommendations to the Board on the appointment or re-appointment of Directors and assessing the independence of Independent Non-executive Director.

During the financial year ended 30 June 2013, the Nomination Committee held 4 meetings with all committee members attended, for reviewing the structure, size and composition including the skills, knowledge and experience of the Board, assessing the independence of the Independent Non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors taking into account their experience and qualifications.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board believes that a well-designed system of internal control is crucial to safeguard the assets of the Group and to ensure reliability of the financial reporting as well as compliance with the relevant rules and regulations. The Company has set up an internal audit team, with the intention to prevent material misstatements and losses and to manage rather than eliminate risks of failure in operational systems so as to achieve the Group's objectives.

The Board has overall responsibility for the Group's internal control, financial control and risk management system and shall monitor their effectiveness regularly as well as the scopes of the internal audit reviews according to risk assessment. Special reviews from internal audit functions may also be performed on areas of concern identified by management or the Audit Committee from time to time.

During the financial year under review, the Board has performed a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review has been reported to the Audit Committee. The Directors shall, where necessary, initiate appropriate procedures to improve and reinforce the internal control system.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including Independent Non-executive Directors), senior management and external auditor shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 20 clear business days' notice of the date, venue and agenda of such meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the Stock Exchange.

In accordance with the articles of association of the Company, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Secretary to convene extraordinary general meetings and put forward proposals at such meetings of which not less than 21 days' notice has been duly given. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company at 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in (i) the articles of association of the Company available on the websites of the Company and the Stock Exchange; and (ii) the guidelines titled "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" on the Company's website.

INVESTOR RELATIONS

The Company has established an Investor Relations Policy, which describes the general guidelines and defines the responsibilities in relation to the handling of material information and the communication with financial market. It is in the interest of the Company to maintain effective communication with the financial community and other stakeholders in order to achieve a fair valuation on the Company's securities and at the same time, enhance shareholders' value. The critical element of effective communication process is to provide accurate, complete and transparent information of the Company, along with a timely update on any material changes that occur. The integrity of the capital market is based on full and fair disclosure so that all investors have equal access to material information of the Company. During the year, the Company arranged site visits for representatives of various institutional investors and analysts and conducted regular shareholder analysis in order to provide an in-depth understanding for our shareholders.

AUDITORS' SERVICES AND REMUNERATION

An analysis of the remuneration payable to the Group's independent auditors to perform audit and non-audit services for the financial year ended 30 June 2013 is as follows:

Services rendered

	2013	2012
	HK$'000	HK$'000
Audit service	**1,500**	1,392
Non-audit service	**–**	133
	1,500	1,525

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and other rules and statutory requirements.

AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The responsibilities of the independent auditor to the shareholders are set out in the Independent Auditor's Report on page 24.

INDEPENDENT AUDITOR'S REPORT

RSM
Audit • Tax • Advisory

TO THE SHAREHOLDERS OF
HENG TAI CONSUMABLES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 79, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2013, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	6	**1,902,075**	2,027,857
Cost of sales		**(1,692,897)**	(1,679,775)
Gross profit		**209,178**	348,082
Changes in fair value of biological assets less costs to sell		**(17,685)**	(17,015)
Other income	7	**17,457**	12,504
Selling and distribution expenses		**(172,244)**	(175,819)
Administrative expenses		**(213,328)**	(170,914)
Other operating expenses		**(40,427)**	(48,551)
Loss from operations		**(217,049)**	(51,713)
Finance costs	9	**(950)**	(2,313)
Loss before tax		**(217,999)**	(54,026)
Income tax expense	10	**(700)**	(3,253)
Loss for the year	11	**(218,699)**	(57,279)
Attributable to:			
Owners of the Company		**(179,185)**	(30,012)
Non-controlling interests		**(39,514)**	(27,267)
		(218,699)	(57,279)
Loss per share	15		
Basic		**HK(3.3 cents)**	HK(0.6 cent)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(218,699)**	(57,279)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**7,486**	28,785
Fair value change on available-for-sale financial assets	**76,701**	(7,253)
Impairment loss on available-for-sale financial assets reclassified to profit or loss	**–**	7,253
Other comprehensive income for the year, net of tax	**84,187**	28,785
Total comprehensive income for the year	**(134,512)**	(28,494)
Attributable to:		
Owners of the Company	**(94,998)**	(1,227)
Non-controlling interests	**(39,514)**	(27,267)
	(134,512)	(28,494)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Fixed assets	16	**911,652**	897,123
Prepaid land lease payments	17	**409,143**	469,179
Construction in progress	18	**164,215**	134,709
Goodwill	19	**277,735**	282,525
Biological assets	20	**52,602**	52,469
Other intangible assets	21	**63,450**	100,732
Other assets	22	**123,191**	141,092
Investment in a club membership	23	**108**	108
Investments	24	**127,616**	1,891
		2,129,712	2,079,828
Current assets			
Biological assets	20	**210**	–
Inventories	25	**200,607**	219,443
Trade receivables	26	**422,194**	435,896
Prepayments, deposits and other receivables		**331,353**	303,842
Investments	24	**25,258**	243
Bank and cash balances	27	**545,156**	725,642
		1,524,778	1,685,066
TOTAL ASSETS		**3,654,490**	3,764,894
Capital and reserves			
Share capital	32	**54,554**	54,554
Reserves	34(a)	**3,375,860**	3,535,877
Equity attributable to owners of the Company		**3,430,414**	3,590,431
Non-controlling interests		**697**	(42,883)
Total equity		**3,431,111**	3,547,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Finance lease payables	30	**22**	263
Deferred tax liabilities	31	**3,711**	3,271
		3,733	3,534
Current liabilities			
Trade payables	28	**113,072**	98,454
Accruals and other payables		**14,578**	10,928
Borrowings	29	**87,844**	82,679
Finance lease payables	30	**241**	552
Current tax liabilities		**3,911**	21,199
		219,646	213,812
Total liabilities		**223,379**	217,346
TOTAL EQUITY AND LIABILITIES		**3,654,490**	3,764,894
Net current assets		**1,305,132**	1,471,254
Total assets less current liabilities		**3,434,844**	3,551,082

Approved by Board of Directors on 30 September 2013

LAM Kwok Hing
Chairman

LEE Choi Lin Joecy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Attributable to owners of the Company											
	Share capital (note 32) HK$'000	Share premium account (note 34(c)(i)) HK$'000	Legal reserve (note 34(c)(ii)) HK$'000	Foreign currency translation reserve (note 34(c)(iii)) HK$'000	Share-based payment reserve (note 34(c)(iv)) HK$'000	Property revaluation reserve (note 34(c)(v)) HK$'000	Investment revaluation reserve (note 34(c)(vi)) HK$'000	Special reserve (note 34(c)(vii)) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2011	34,637	1,750,030	97	160,593	8,142	929	–	–	1,278,643	3,233,071	(16,378)	3,216,693
Total comprehensive income for the year	–	–	–	28,785	–	–	–	–	(30,012)	(1,227)	(27,267)	(28,494)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	762	762
Bonus issue	1,732	–	–	–	–	–	–	–	(1,732)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	3,308	–	–	–	–	3,308	–	3,308
Shares issued on open offer	18,185	337,094	–	–	–	–	–	–	–	355,279	–	355,279
Change in equity for the year	19,917	337,094	–	28,785	3,308	–	–	–	(31,744)	357,360	(26,505)	330,855
At 30 June 2012	54,554	2,087,124	97	189,378	11,450	929	–	–	1,246,899	3,590,431	(42,883)	3,547,548
At 1 July 2012	54,554	2,087,124	97	189,378	11,450	929	–	–	1,246,899	3,590,431	(42,883)	3,547,548
Total comprehensive income for the year	**-**	**-**	**-**	**7,486**	**-**	**-**	**76,701**	**-**	**(179,185)**	**(94,998)**	**(39,514)**	**(134,512)**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**21,075**	**-**	**-**	**-**	**-**	**21,075**	**-**	**21,075**
Transfer of reserve upon lapse of share options	**-**	**-**	**-**	**-**	**(1,159)**	**-**	**-**	**-**	**1,159**	**-**	**-**	**-**
Purchase of non-controlling interests (note 36)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(86,094)**	**-**	**(86,094)**	**83,094**	**(3,000)**
Change in equity for the year	**-**	**-**	**-**	**7,486**	**19,916**	**-**	**76,701**	**(86,094)**	**(178,026)**	**(160,017)**	**43,580**	**(116,437)**
At 30 June 2013	**54,554**	**2,087,124**	**97**	**196,864**	**31,366**	**929**	**76,701**	**(86,094)**	**1,068,873**	**3,430,414**	**697**	**3,431,111**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(217,999)**	(54,026)
Adjustments for:		
Amortisation of other intangible assets	**36,886**	43,399
Amortisation of prepaid land lease payments	**25,734**	18,678
Changes in fair value of biological assets less costs to sell	**17,685**	17,015
Depreciation	**90,024**	66,759
Finance costs	**950**	2,313
(Gain)/loss on fixed assets disposals/written off, net	**(56)**	99
Gain on disposal of available-for-sale financial assets	**(226)**	–
Impairment loss on available-for-sale financial assets	**–**	7,253
Impairment loss on other intangible assets	**–**	6,364
Impairment loss on goodwill	**4,790**	–
Revaluation loss on buildings	**–**	26,826
Interest income	**(6,590)**	(4,596)
Equity-settled share-based payments expenses	**21,075**	3,308
Trade receivables written off	**3,671**	2,660
Allowance for other receivables	**2,795**	5,448
Allowance for inventories	**29,030**	–
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	**(46)**	181
Other payables waiver	**(4,894)**	–
Operating profit before working capital changes	**2,829**	141,681
Increase in biological assets	**(1,452)**	–
(Increase)/decrease in inventories	**(17,877)**	1,118
Decrease/(increase) in other assets	**17,981**	(48,228)
Decrease/(increase) in trade and other receivables, prepayments and deposits	**2,199**	(54,018)
Increase/(decrease) in trade and other payables	**21,116**	(8,729)
Cash generated from operations	**24,796**	31,824
Income taxes paid	**–**	(7)
Interest paid	**(925)**	(2,268)
Finance lease charges paid	**(25)**	(45)
Net cash generated from operating activities	**23,846**	29,504

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit paid for investment in a joint venture	**–**	(3,704)
Deposit paid for acquisition of land use rights	**(80)**	(18,314)
Interest received	**6,590**	4,596
Proceeds from disposals of fixed assets	**416**	5
Proceeds from disposal of a subsidiary	**296**	–
Proceeds from disposal of available-for-sale financial assets	**449**	–
Purchases of fixed assets	**(67,271)**	(3,639)
Purchases of available-for-sale financial assets	**(49,247)**	–
Purchase of held-to-maturity investments	**(24,969)**	–
Purchase of non-controlling interests (note 36)	**(3,000)**	–
Purchase of other intangible assets	**–**	(44,500)
Payment for prepaid land lease payments	**–**	(32,165)
Increase in construction in progress	**(74,646)**	(134,129)
Net cash used in investing activities	**(211,462)**	(231,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders	**–**	762
Repayment of bank loans	**(97,933)**	(137,933)
Drawdown of bank loans	**118,000**	135,000
Decrease in import loans	**(14,902)**	(40,989)
Repayment of capital element of finance leases	**(552)**	(531)
Net proceeds from issue of share capital	**–**	355,279
Net cash generated from financing activities	**4,613**	311,588
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(183,003)**	109,242
Effect of foreign exchange rate changes	**2,517**	12,818
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**725,642**	603,582
CASH AND CASH EQUIVALENTS AT END OF YEAR	**545,156**	725,642
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**545,156**	725,642

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); 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.

Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled "Presentation of Items of Other Comprehensive Income" introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs 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.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD") which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation *(continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Fixed assets

Buildings comprise mainly trading platform, warehouses and offices. Buildings are carried at fair values, based on periodic valuations by external independent valuers or directors' best estimation, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	The shorter of the lease terms and 50 years
Farmland infrastructure	5 – 15 years
Leasehold improvements	5 years
Plant and machinery	5 – 20 years
Furniture, office equipment and motor vehicles	5 – 10 years

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

The residual values, useful lives and depreciated method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings and farmland infrastructure under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives.

(f) Other intangible assets

Other intangible assets are measured initially at purchase cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 to 10 years.

(g) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Biological assets

Biological assets are plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets into agricultural produce. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, cost incurred and expected yield of the crops. Gain or loss on initial recognition and from subsequent changes in fair value less costs to sell is included in profit or loss for the period in which it arises.

Agricultural produce is initially measured at its fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local area. Gain or loss on initial recognition at fair value less costs to sell is included in profit or loss for the period in which it arises.

The fair value less costs to sell at the time of harvest of agricultural produce becomes their cost for the measurement of inventories. Such inventories are subsequently stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Logistics services income is recognised when the service is rendered.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,250 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the People's Republic of China (the "PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Share-based payments

The Group issues equity-settled share-based payments to eligible participants in accordance with its share option scheme.

Equity-settled share-based payments to the directors and employees are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to other eligible participants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties

A related party is a person or entity that is related to the Group:

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(v) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, biological assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimations, which are dealt with below.

(a) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(b) Operation of agricultural activities

The Group entered into subcontracting and management agreements for establishment and subsequent maintenance of its fruit tree cultivation and plantation. The directors considered that the Group has been engaging into agricultural activities as the Group has exercised its control on the cultivation development and process although the maintenance work is assigned to subcontractors. Therefore, the Group recognised the biological assets at fair value less costs to sell at initial recognition and at the end of the reporting period under HKAS 41 "Agriculture".

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fixed assets and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Other intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$277,735,000 after an impairment loss of HK$4,790,000 was recognised during 2013. Details of the impairment test are explained in note 19 to the financial statements.

(e) Allowance for bad and doubtful debts

The Group makes allowance for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying amount of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Fair values of fixed assets

In determining the fair values of the buildings, the directors have exercised their best estimation and judgements and satisfied that the valuation is reflective of their fair value.

(h) Valuation of biological asset

The Group's biological assets are valued at fair value less costs to sell. In determining the fair value less costs to sell of the biological assets, the directors and the professional valuer have applied the net present value approach and market approach. The net present value approach requires a number of key assumptions and estimates to be made such as discount rate, harvest profile, costs incurred, growth, harvesting and establishment. The market approach requires the input of the market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the biological assets. Any change in the estimates may affect the fair value of biological assets significantly. The directors and the professional valuer have exercised their judgement and are satisfied that the valuation is reflective of their fair value.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Financial assets at fair value through profit or loss – held for trading	**289**	243
Available-for-sale financial assets	**127,616**	1,891
Held-to-maturity investments	**24,969**	–
Loans and other receivables (including cash and cash equivalents)	**1,217,636**	1,374,111
Financial liabilities		
Financial liabilities at amortised cost	**212,642**	189,414

(b) Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk, interest rate risk and business risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the principal operating entities of the Group, such as United States dollars ("USD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2013 **HK$'000**	2012 HK$'000
ASSETS		
RMB	**186,084**	151,203
USD	**41,059**	41,474
LIABILITIES		
RMB	**–**	–
USD	**96,523**	83,736

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HKD is pegged with USD. At 30 June 2013, if HKD had weakened/strengthened 3% (2012: 2%) against RMB with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2013 would have been approximately HK$5,583,000 lower/higher (2012: HK$3,024,000), arising mainly as a result of the foreign exchange gain/loss on deposits and other receivables denominated in RMB.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(ii) Price risk

The Group's investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

If the prices of the Group's investments had been 10% higher/lower with all other variables held constant, the consolidated loss after tax and investment revaluation reserve for the year would be decreased/increased by approximately HK$29,000 (2012: HK$213,000) and increased/decreased by approximately HK$12,762,000 (2012: HK$Nil) respectively as a result of changes in fair value of listed equity securities.

(iii) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The credit risk on bank and cash balances is limited because the counterparties are financial institutions in Hong Kong, Macau and the PRC and registered institutions in Hong Kong.

The credit risk on investments is limited because the counterparties are registered securities broker firms in Hong Kong.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturity at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(iv) Liquidity risk *(continued)*

Specifically, for borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2013					
Trade payables	**–**	**113,072**	**–**	**–**	**113,072**
Accruals and other payables	**–**	**11,726**	**–**	**–**	**11,726**
Borrowings subject to a repayment on demand clause	**87,844**	**–**	**–**	**–**	**87,844**
Finance lease payables	**–**	**250**	**21**	**10**	**281**
	87,844	**125,048**	**21**	**10**	**212,923**
At 30 June 2012					
Trade payables	–	98,454	–	–	98,454
Accruals and other payables	–	8,281	–	–	8,281
Borrowings subject to a repayment on demand clause	82,679	–	–	–	82,679
Finance lease payables	–	576	250	31	857
	82,679	107,311	250	31	190,271

The table that follows summaries the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2013	**87,329**	**736**	**–**	**88,065**
At 30 June 2012	79,255	2,977	736	82,968

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(v) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and borrowings. These deposits and borrowings bear interests at fixed interest rates and variable rates varied with the then prevailing market condition.

The Group's fixed bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The directors of the Company consider the Group's exposure to interest rate risk on fixed bank deposits is not significant.

The Group's cash flow interest rate risk primarily relates to variable-rate bank deposits and borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable-rate bank deposits and borrowings at the end of the reporting period and prepared assuming the amount of bank deposits and borrowings outstanding at the end of each reporting period was outstanding for the whole year.

If interest rate had been 1% higher with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2013 would be increased by approximately HK$509,000 (2012: HK$92,000), arising mainly as a result of higher interest expense on borrowings.

If interest rate had been 1% lower with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2013 would be decreased by approximately HK$509,000 (2012: HK$45,000), arising mainly as a result of lower interest expense on borrowings.

The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors of the Company monitor the Group's exposure in ongoing basis and will consider hedging interest rate risk should the need arise.

(vi) Business risk

The Group is exposed to risks arising from fluctuations in the prices of agri-products which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors.

(vii) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurements of the Group's investments in available-for-sale financial assets and financial assets at fair value through profit or loss are using the Level 1 of the fair value hierarchy (2012: Level 1).

6. TURNOVER

	2013 HK$'000	2012 HK$'000
Sales of consumer goods	**748,112**	815,456
Sales of agri-products	**1,028,417**	1,029,681
Logistics services income	**125,546**	182,720
	1,902,075	2,027,857

7. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Exchange gain	**3,785**	7,228
Fair value gain on financial assets at fair value through profit or loss, net	**46**	–
Gain on disposal of available-for-sale financial assets	**226**	–
Government grants	**742**	612
Interest income	**6,590**	4,596
Other payables waiver	**4,894**	–
Sub-underwriting commission	**750**	–
Sundry income	**424**	68
	17,457	12,504

8. 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 of directors (the "Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources and determine the reporting segments.

The accounting policies of the reporting segments are the same as those described in note 3 to the financial statements. 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.

8. SEGMENT INFORMATION *(continued)*

Information about reportable segment (loss)/profit, assets and liabilities:

	FMCG Trading Business HK$'000	**Agri-Products Business HK$'000**	**Logistics Services Business HK$'000**	**Total HK$'000**
Year ended 30 June 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 amortisation	**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**
As 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**

	FMCG Trading Business HK$'000	Agri-Products Business HK$'000	Logistics Services Business HK$'000	Total HK$'000
Year ended 30 June 2012				
Revenue from external customers	815,456	1,029,681	182,720	2,027,857
Segment profit	5,037	3,719	33,581	42,337
Depreciation and amortisation	30,502	55,302	35,852	121,656
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	17,015	–	17,015
Additions to segment non-current assets	16,464	247,316	70,273	334,053
As at 30 June 2012				
Segment assets	1,061,614	1,769,350	659,712	3,490,676
Segment liabilities	112,555	63,564	5,607	181,726

8. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment revenue, (loss)/profit, assets and liabilities:

	2013 HK$'000	2012 HK$'000
Revenue		
Total revenue of reportable segments	**1,902,075**	2,027,857
(Loss)/Profit		
Total (loss)/profit of reportable segments	**(134,215)**	42,337
Unallocated amounts:		
Impairment loss on available-for-sale financial assets	**–**	(7,253)
Revaluation loss on buildings	**–**	(26,826)
Other corporate expenses	**(84,484)**	(65,537)
Consolidated loss for the year	**(218,699)**	(57,279)
Assets		
Total assets of reportable segments	**3,496,496**	3,490,676
Unallocated amounts:		
Investments	**152,874**	2,134
Other corporate assets	**5,120**	272,084
Consolidated total assets	**3,654,490**	3,764,894
Liabilities		
Total liabilities of reportable segments	**185,510**	181,726
Unallocated amounts:		
Other corporate liabilities	**37,869**	35,620
Consolidated total liabilities	**223,379**	217,346

Geographical information:

For the years ended 30 June 2012 and 2013, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in 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 2012 and 2013, 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.

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on borrowings	**925**	2,268
Finance lease charges	**25**	45
	950	2,313

10. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	69	20
Current tax – Overseas		
Provision for the year	237	2,843
Deferred tax (note 31)	394	390
	700	3,253

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% (2012: 9% to 12%) on the estimated assessable profits for the year with the first two hundred thousand patacas assessable profits being free from tax. However, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Furthermore, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rates of 25% (2012: 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:

	2013				2012			
	Macau HK$'000	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000	Macau HK$'000	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Profit/(loss) before tax	114,293	(34,678)	(297,614)	(217,999)	240,186	(38,714)	(255,498)	(54,026)
Applicable income tax rate	12.00%	16.50%	25.00%		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	13,715	(5,722)	(74,403)	(66,410)	28,822	(6,388)	(63,875)	(41,441)
Tax effect of income not taxable	-	(331)	(3,627)	(3,958)	–	(132)	(2,944)	(3,076)
Tax effect of expenses not deductible	-	5,925	74,068	79,993	–	6,127	57,978	64,105
Profits exempted from the Macau Complementary Tax	(13,715)	-	-	(13,715)	(28,822)	–	–	(28,822)
Tax effect of unused tax losses not recognised	-	192	4,951	5,143	–	429	5,018	5,447
Tax effect of utilisation of tax losses not previously recognised	-	(6)	-	(6)	–	(19)	–	(19)
Tax effect of unrecognised temporary difference	-	11	(358)	(347)	–	3	7,056	7,059
Income tax expense	-	69	631	700	–	20	3,233	3,253

11. LOSS FOR THE YEAR

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

	2013 HK$'000	2012 HK$'000
Amortisation of other intangible assets, net of amount capitalised	**36,886**	43,399
Auditors' remuneration		
Statutory audit	**1,500**	1,392
Non-audit services	**–**	5
	1,500	1,397
Cost of inventories sold	**1,594,283**	1,592,679
Depreciation, net of amount capitalised	**90,024**	66,759
Gain on disposal of available-for-sale financial assets	**(226)**	–
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	**(46)**	181
(Gain)/loss on fixed assets disposals/written off, net	**(56)**	99
Trade receivables written off	**3,671**	2,660
Allowance for other receivables	**2,795**	5,448
Allowance for inventories	**29,030**	–
Impairment loss on available-for-sale financial assets	**–**	7,253
Impairment loss on other intangible assets	**–**	6,364
Impairment loss on goodwill	**4,790**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**109,354**	100,831
Other equity-settled share-based payments	**9,140**	551
Rental income#	**(4,286)**	(11,345)
Revaluation loss on buildings	**–**	26,826
Staff costs (excluding directors' emoluments – note 12)		
Staff salaries, bonus and allowances	**31,404**	23,903
Equity-settled share-based payments	**4,774**	2,757
Retirement benefits scheme contributions	**624**	608
	36,802	27,268

Included in logistics services income in note 6

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, were as follows:

	2013 HK$'000	2012 HK$'000
Fees	**300**	270
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**5,173**	5,107
Retirement benefits scheme contributions	**43**	39
Equity-settled share-based payments	**7,161**	–
	12,677	5,416

The emoluments of individual director for the year were as follows:

(a) Independent non-executive directors

The fees paid/payable to independent non-executive directors were as follows:

	2013 HK$'000	2012 HK$'000
Fees		
Mr. John Handley	**100**	50
Mr. Poon Yiu Cheung, Newman	**100**	50
Ms. Mak Yun Chu	**100**	50
	300	150

	2013 HK$'000	2012 HK$'000
Equity-settled share-based payments		
Mr. John Handley	**1,023**	–
Mr. Poon Yiu Cheung, Newman	**1,023**	–
Ms. Mak Yun Chu	**1,023**	–
	3,069	–

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Executive and non-executive directors

	Fees HK$'000	Salaries, bonuses, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Equity–settled share-based payments HK$'000	Total emoluments HK$'000
2013					
Mr. Lam Kwok Hing	**–**	**2,183**	**15**	**–**	**2,198**
Ms. Lee Choi Lin, Joecy	**–**	**579**	**13**	**–**	**592**
Ms. Chan Yuk, Foebe	**–**	**–**	**–**	**–**	**–**
Ms. Hung Sau Yung, Rebecca	**–**	**1,359**	**15**	**2,046**	**3,420**
Ms. Gao Qin Jian	**–**	**1,052**	**–**	**2,046**	**3,098**
	–	**5,173**	**43**	**4,092**	**9,308**
2012					
Mr. Lam Kwok Hing	–	1,995	12	–	2,007
Mr. Chu Ki (note (i))	–	1,495	9	–	1,504
Ms. Lee Choi Lin, Joecy	–	505	12	–	517
Ms. Chan Yuk, Foebe	120	–	–	–	120
Ms. Hung Sau Yung, Rebecca (note (ii))	–	610	6	–	616
Ms. Gao Qin Jian (note (ii))	–	502	–	–	502
	120	5,107	39	–	5,266

Notes: (i) Resigned on 31 March 2012
(ii) Appointed on 1 January 2012

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2012: HK$Nil).

The five highest paid individuals in the Group during the year included three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2012: two) individuals are set out below:

	2013 HK$'000	2012 HK$'000
Salaries, bonuses, allowances and benefits in kind	**1,574**	2,205
Retirement benefits scheme contributions	**30**	22
Equity-settled share-based payments	**2,387**	2,757
	3,991	4,984

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2012: HK$Nil).

13. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK$33,023,000 (2012: profit HK$28,405,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

The Board does not recommend the payment of final dividend (2012: Nil) in respect of the year ended 30 June 2013.

15. 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$179,185,000 (2012: HK$30,012,000) and the weighted average number of ordinary shares of 5,455,375,891 (2012: 4,738,853,370) in issue during the year.

Diluted earnings per share

No diluted earnings per share are presented as the effect of all potential ordinary shares is anti-dilutive for the years ended 30 June 2013 and 2012.

16. FIXED ASSETS

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 July 2011	365,515	154,889	23,611	197,608	55,835	797,458
Additions	–	–	34	–	3,605	3,639
Transfer from construction in progress	–	308,841	–	25,688	–	334,529
Disposals/written off	–	–	(1)	–	(489)	(490)
Adjustment on revaluation	(37,613)	–	–	–	–	(37,613)
Exchange differences	13,199	–	507	800	1,091	15,597
At 30 June 2012 and 1 July 2012	341,101	463,730	24,151	224,096	60,042	1,113,120
Additions	–	47,095	–	18,535	1,641	67,271
Transfer from construction in progress	–	45,140	–	–	–	45,140
Disposals/written off	–	–	(42)	–	(2,045)	(2,087)
Adjustment on revaluation	(10,068)	–	–	–	–	(10,068)
Exchange differences	4,153	–	177	295	416	5,041
At 30 June 2013	335,186	555,965	24,286	242,926	60,054	1,218,417
Accumulated depreciation						
At 1 July 2011	–	18,419	20,900	74,079	35,851	149,249
Charge for the year	10,787	25,213	1,898	31,596	6,732	76,226
Disposals/written off	–	–	(1)	–	(385)	(386)
Adjustment on revaluation	(10,787)	–	–	–	–	(10,787)
Exchange differences	–	–	468	540	687	1,695
At 30 June 2012 and 1 July 2012	–	43,632	23,265	106,215	42,885	215,997
Charge for the year	10,068	46,848	422	39,060	5,406	101,804
Disposals/written off	–	–	(42)	–	(1,685)	(1,727)
Adjustment on revaluation	(10,068)	–	–	–	–	(10,068)
Exchange differences	–	–	177	273	309	759
At 30 June 2013	–	90,480	23,822	145,548	46,915	306,765
Carrying amount						
At 30 June 2013	335,186	465,485	464	97,378	13,139	911,652
At 30 June 2012	341,101	420,098	886	117,881	17,157	897,123

16. FIXED ASSETS *(continued)*

The analysis of the cost or valuation of fixed assets is as follows:

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
At 30 June 2013						
At cost	**–**	**555,965**	**24,286**	**242,926**	**60,054**	**883,231**
At valuation 2013	**335,186**	**–**	**–**	**–**	**–**	**335,186**
	335,186	**555,965**	**24,286**	**242,926**	**60,054**	**1,218,417**
At 30 June 2012						
At cost	–	463,730	24,151	224,096	60,042	772,019
At valuation 2012	341,101	–	–	–	–	341,101
	341,101	463,730	24,151	224,096	60,042	1,113,120

The Group's buildings included above are held under medium term leases in the PRC.

Depreciation charge for the year is analysed as follows:

	2013 HK$'000	2012 HK$'000
Charge to profit or loss	**90,024**	66,759
Capitalised as biological assets	**11,780**	9,467
	101,804	76,226

At 30 June 2013, the directors have exercised their best estimation and judgement to determine that the carrying amount of the buildings is reflective of their fair value. As at 30 June 2012, the Group's buildings were revalued on the depreciated replacement cost basis by BMI Appraisals Limited, a firm of independent professional valuers.

The carrying amount of the Group's buildings would have been approximately HK$343,657,000 (2012: HK$350,096,000) had they been stated at cost less accumulated depreciation.

At 30 June 2013 the carrying amount of office equipment and motor vehicles held by the Group under finance leases amounted to approximately HK$997,000 (2012: HK$1,734,000).

It is the Group's policy to lease out certain buildings under operating leases. The average lease term is 1 to 3 years. All leases are on a fixed rental basis and do not include contingent rentals.

16. FIXED ASSETS *(continued)*

The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**1,194**	2,541
In the second to fifth years inclusive	**417**	1,423
	1,611	3,964

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments of the land element of leasehold properties located in the PRC which are held under medium term leases and prepaid operating lease payments of the farmland in the PRC under short to medium term leases.

18. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2011	335,109
Additions	134,129
Transfers	(334,529)
At 30 June 2012 and 1 July 2012	134,709
Additions	74,646
Transfers	(45,140)
At 30 June 2013	164,215

19. GOODWILL

	HK$'000
Cost	
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	282,525
Accumulated impairment	
Impairment loss recognised in the current year and at 30 June 2013	4,790
Carrying amount	
At 30 June 2013	277,735
At 30 June 2012	282,525

Goodwill acquired in a businesses combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment loss, the carrying amount of goodwill had been allocated as follows:

	2013 HK$'000	2012 HK$'000
Distribution of cosmetic products business ("Cosmetic CGU")	**89,472**	89,472
Cultivation and distribution of agri-products business	**112,473**	112,473
Provision of cold chain facilities and logistics services business	**11,535**	11,535
Distribution of cold chain products business	**69,045**	69,045
	282,525	282,525

19. GOODWILL *(continued)*

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of CGUs is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years with the residual period using the growth rate of 3% (2012: 5%). The discount rate applied to cash flow projections is 11.5%. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is pre-tax rate and reflects specific risks relating to the CGUs.

At 30 June 2013, before impairment testing, goodwill of approximately HK$89,472,000 was allocated to Cosmetic CGU within the Group's FMCG Trading Business segment. Due to changes in market condition, the Group has revised its cash flow forecast for Cosmetic CGU. The goodwill allocated to Cosmetic CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$4,790,000 (included in other operating expenses) during the year.

20. BIOLOGICAL ASSETS

	Citrus trees HK$'000	**Vegetables HK$'000**	**Total HK$'000**
At 1 July 2011	55,357	–	55,357
Increase due to purchase/raising	14,127	–	14,127
Loss arising from changes in fair value less costs to sell	(17,015)	–	(17,015)
At 30 June 2012 and 1 July 2012	52,469	–	52,469
Increase due to purchase/raising	21,583	4,636	26,219
Decrease due to harvest	(4,583)	(3,611)	(8,194)
Loss arising from changes in fair value less costs to sell	(16,868)	(817)	(17,685)
Exchange differences	1	2	3
At 30 June 2013	52,602	210	52,812

Included in increase to the Group's biological assets are mainly depreciation of fixed assets, amortisation of other intangible assets, operating lease charges in respect of land and buildings and sub-contracting raising cost of approximately HK$11,867,000 (2012: HK$9,467,000), HK$396,000 (2012: HK$396,000), HK$2,510,000 (2012: HK$2,138,000) and HK$2,216,000 (2012: HK$2,126,000) respectively.

At 30 June 2013, the commitments for development and acquisition of biological assets amounted to approximately HK$22,963,000 (2012: HK$22,988,000), which have been included in note 39.

Biological assets as at 30 June 2013 and 2012 are stated at fair values less costs to sell and are analysed as follows:

	Citrus trees HK$'000	**Vegetables HK$'000**	**2013 HK$'000**	2012 HK$'000
Non-current portion	**52,602**	**–**	**52,602**	52,469
Current portion	**–**	**210**	**210**	–
	52,602	**210**	**52,812**	52,469

20. BIOLOGICAL ASSETS *(continued)*

Physical measurement of biological assets at 30 June is as follows:

	Citrus trees (Chinese Mu)
2013	**2,000**
2012	2,000

In accordance with the valuation report issued by Grant Sherman Appraisal Limited, a firm of independent professional valuers, the fair value less costs to sell of the citrus trees is determined with reference to the present value of expected net cash flows from the citrus trees discounted at a current market-determined pre-tax rate.

The fair value less costs to sell of the vegetables is determined by the directors' best estimation and judgement with reference to the market conditions.

The quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year were as follows:

	2013	2012
Quantity		
Citrus (kg'000)	**1,685**	–
	HK$'000	HK$'000
Amount		
Citrus	**4,583**	–

The Group is exposed to a number of risks related to its citrus tree and vegetables plantations:

Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC where it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the prices and sales volumes of citrus and vegetables. When possible the Group will manage this risk by aligning its harvest volumes to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure will be in line with the market and to ensure that projected harvest volumes will be consistent with the expected demand.

Climate and other risks

The Group's citrus tree and vegetables plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

21. OTHER INTANGIBLE ASSETS

	Distribution rights (a) HK$'000	Customer networks (b) HK$'000	Technical know-how (c) HK$'000	Trademark HK$'000	Total HK$'000
Cost					
At 1 July 2011	113,318	97,443	17,216	1,500	229,477
Additions	44,500	–	–	–	44,500
Retirement	(25,000)	–	–	–	(25,000)
At 30 June 2012 and 1 July 2012	132,818	97,443	17,216	1,500	248,977
Retirement	(51,318)	–	–	(1,500)	(52,818)
At 30 June 2013	81,500	97,443	17,216	–	196,159
Accumulated amortisation and impairment					
At 1 July 2011	63,832	48,722	9,182	1,350	123,086
Amortisation for the year	20,714	19,488	3,443	150	43,795
Impairment loss	6,364	–	–	–	6,364
Retirement	(25,000)	–	–	–	(25,000)
At 30 June 2012 and 1 July 2012	65,910	68,210	12,625	1,500	148,245
Amortisation for the year	14,350	19,489	3,443	–	37,282
Retirement	(51,318)	–	–	(1,500)	(52,818)
At 30 June 2013	28,942	87,699	16,068	–	132,709
Carrying amount					
At 30 June 2013	52,558	9,744	1,148	–	63,450
At 30 June 2012	66,908	29,233	4,591	–	100,732

The intangible assets included above have finite useful lives, over which the assets are amortised.

(a) The Group acquired rights for distribution of certain packaged food and fresh fruit products and cosmetics products in Hong Kong, Macau and the PRC. The carrying amount of distribution rights at 30 June 2013 approximates to HK$52,558,000 (2012: HK$66,908,000). The Group carried out reviews of the recoverable amount of its distribution rights, having regard to the market conditions of the Group products. These assets are used in the Group's FMCG Trading Business and Agri-Products Business segments. The review led to the recognition of an impairment loss of approximately HK$Nil (2012: HK$6,364,000) that have been recognised in profit or loss (included in other operating expenses). The average remaining amortisation period for these distribution rights is 5.3 years (2012: 6.0 years). The amortisation for the year is included in cost of sales of approximately HK$10,350,000 (2012: HK$10,350,000) and selling and distribution expenses of approximately HK$4,000,000 (2012: HK$10,364,000).

21. OTHER INTANGIBLE ASSETS *(continued)*

(b) The Group acquired certain customer networks for distribution of fresh produce products and cold chain products in the PRC. The carrying amount of the customer networks at 30 June 2013 approximates to HK$9,744,000 (2012: HK$29,233,000). The remaining amortisation period for the customer networks is 0.5 year (2012: 1.5 years). The amortisation for the year is included in selling and distribution expenses.

(c) The technical know-how on the citrus tree plantation for the development of the Group's agricultural activities is amortised over 5 years. The remaining amortisation period for the technical know-how is 0.3 year (2012: 1.3 years). The amortisation for the year is included in administrative expenses.

22. OTHER ASSETS

	2013 HK$'000	2012 HK$'000
Prepaid operating leases for pack houses facilities	**24,884**	44,887
Prepaid operating leases for logistics license and resources	**8,852**	25,739
Prepaid subcontracting charges for seedling plantation	**66,706**	37,560
Prepaid consultancy services fee for agri-development	**4,355**	10,888
Deposit for acquisition of land use rights	**18,394**	18,314
Deposit for investment in a joint venture	**–**	3,704
	123,191	141,092

23. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2012: HK$108,000) at 30 June 2013 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

24. INVESTMENTS

	2013 HK$'000	2012 HK$'000
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	**127,616**	1,891
Current assets		
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	**289**	243
Held-to-maturity investments	**24,969**	–
	25,258	243

The fair value of the equity securities is based on quoted market price.

The carrying amounts of the above financial assets at fair value through profit or loss are held for trading and classified as current assets.

The held-to-maturity investments represent a structured fixed deposit investment where the interest payments are indexed to the currency pair USD/RMB on the maturity date. The carrying amount of the above held-to-maturity investments was stated at amortised cost and the directors considered that the fair value of the option component was immaterial as at 30 June 2013.

25. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**179**	–
Packing materials	**186**	111
Finished goods	**200,242**	219,332
	200,607	219,443

26. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2012: 30 to 120 days).

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

	2013 HK$'000	2012 HK$'000
1 – 30 days	**146,577**	124,119
31 – 60 days	**98,204**	121,359
61 – 90 days	**107,310**	130,593
Over 90 days	**70,103**	59,825
	422,194	435,896

At 30 June 2013, trade receivables of approximately HK$2,264,000 (2012: HK$38,699,000) 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:

	2013 HK$'000	2012 HK$'000
Up to 90 days	**713**	15,501
Over 90 days	**1,551**	23,198
	2,264	38,699

27. BANK AND CASH BALANCES

At 30 June 2013, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$269,107,000 (2012: HK$285,842,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. TRADE PAYABLES

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

	2013 **HK$'000**	2012 HK$'000
1 – 30 days	**96,678**	96,999
31 – 60 days	**15,889**	1,046
61 – 90 days	**54**	132
Over 90 days	**451**	277
	113,072	98,454

29. BORROWINGS

	2013 **HK$'000**	2012 HK$'000
Portion of bank loans due for repayment within one year, secured (note 37)	**87,110**	79,012
Portion of bank loans due for repayment after one year which contain a repayment on demand clause, secured (note 37)	**734**	3,667
	87,844	82,679

The borrowings, including the bank loans repayable on demand, are carried at amortised cost. None of the portion of bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as current liability is expected to be settled within one year.

The borrowings are repayable as follows:

	2013 **HK$'000**	2012 HK$'000
On demand or within one year	**87,110**	79,012
In the second year (note)	**734**	3,667
	87,844	82,679

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the Group's borrowings are denominated in HKD.

29. BORROWINGS *(continued)*

The range of effective interest rates at 30 June was as follows:

	2013	2012
Bank loans	**1.71% to 3.25% p.a.**	1.90% to 3.25% p.a.

The bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

30. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**250**	576	**241**	552
In the second to fifth years, inclusive	**31**	281	**22**	263
	281	857	**263**	815
Less: Future finance charges	**(18)**	(42)	**–**	–
Present value of lease payables	**263**	815	**263**	815
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(241)**	(552)
Amount due for settlement after 12 months			**22**	263

It is the Group's policy to lease certain of its office equipment and motor vehicles under finance leases. The average lease term is 3 to 5 years. For the year ended 30 June 2013, the effective borrowing rate was in the range from 1.70% to 14.89% (2012: 1.70% to 14.89%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the office equipment and motor vehicles at nominal prices.

All finance lease payables are denominated in HKD.

The Group's finance lease payables are secured by the lessors' title to the leased assets.

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group.

	Revaluation of buildings and accelerated tax depreciation HK$'000
At 1 July 2011	2,774
Charge to profit or loss for the year (note 10)	390
Exchange differences	107
At 30 June 2012 and 1 July 2012	3,271
Charge to profit or loss for the year (note 10)	394
Exchange differences	46
At 30 June 2013	3,711

At the end of the reporting period, the following deductible temporary differences have not been recognised as deferred tax asset:

	2013 HK$'000	2012 HK$'000
Prepaid land lease payments	**7,468**	7,003
Revaluation of buildings	**36,860**	35,831
Decelerated tax depreciation	**10,894**	14,698
Unused tax losses	**148,803**	133,979
	204,025	191,511

Deferred tax asset has not been recognised in respect of the above deductible temporary differences due to the unpredictability of future profit streams. The tax losses are subject to approval of tax bureau. Included in unrecognised tax losses are losses of approximately HK$116,025,000 (2012: HK$103,943,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

32. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 30 June 2012 and 2013		10,000,000,000	100,000
Issued and fully paid:			
At 1 July 2011		3,463,730,725	34,637
Bonus issue	(a)	173,186,536	1,732
Open offer	(b)	1,818,458,630	18,185
At 30 June 2012, 1 July 2012 and 30 June 2013		5,455,375,891	54,554

Notes:

(a) On 19 December 2011, 173,186,536 ordinary shares of HK$0.01 each in the Company were issued by way of a special dividend on the basis of one bonus share for every twenty existing shares of the Company to the shareholders whose names appear on the register of members of the Company on 14 December 2011.

(b) In April 2012, 1,818,458,630 ordinary shares of HK$0.01 each in the Company were issued at HK$0.2 per share by way of open offer. The gross proceeds of approximately HK$363,692,000 are intended for the business development and as general working capital of the Group. The excess of the consideration received over the nominal value of the share issued net of expenses, in the amount of approximately HK$337,094,000, was credited to the share premium account.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 30 June 2012 and 2013.

The only externally imposed capital requirement for the Company to maintain its listing status on the main board of The Stock Exchange of Hong Kong Limited is that it has to have a public float of at least 25% of the shares. The Company receives a report from the share registrars on substantial share interests and it demonstrates continuing compliance with the 25% limit throughout the year. As at 30 June 2013, over 25% (2012: over 25%) of the shares were in public hands.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Fixed assets	**40**	68
Investment in a subsidiary	**47,780**	47,780
Prepayment, deposits and other receivables	**12**	433
Due from a subsidiary	**2,381,742**	2,299,303
Bank and cash balances	**25,957**	101,778
Accruals and other payables	**(1,051)**	(934)
Borrowings	**(43,000)**	(25,000)
Net assets	**2,411,480**	2,423,428
Share capital	**54,554**	54,554
Reserves	**2,356,926**	2,368,874
Total equity	**2,411,480**	2,423,428

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2011	1,798,594	8,142	195,063	2,001,799
Bonus issue (note 32(a))	–	–	(1,732)	(1,732)
Recognition of equity-settled share-based payments	–	3,308	–	3,308
Share issued on open offer (note 32(b))	337,094	–	–	337,094
Profit for the year	–	–	28,405	28,405
At 30 June 2012	2,135,688	11,450	221,736	2,368,874
At 1 July 2012	**2,135,688**	**11,450**	**221,736**	**2,368,874**
Recognition of equity-settled share-based payments	**–**	**21,075**	**–**	**21,075**
Transfer of reserve upon lapse of share options	**–**	**(1,159)**	**1,159**	**–**
Loss for the year	**–**	**–**	**(33,023)**	**(33,023)**
At 30 June 2013	**2,135,688**	**31,366**	**189,872**	**2,356,926**

34. RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium account

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation on 3 December 2001 over the nominal value of the share capital of the Company issued in exchange; (ii) the premium arising from the capitalisation issue of shares in prior years; and (iii) the premium arising from the issue of new shares.

(ii) Legal reserve

Legal reserve represented reserve retained in accordance with the Article 377 of the Macao Commercial Code for the entities incorporated in Macao.

(iii) Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c) to the financial statements.

(iv) Share-based payment reserve

Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants recognised in accordance with the accounting policy adopted for share-based payments in note 3(q) to the financial statements.

(v) Property revaluation reserve

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 3(d) to the financial statements.

(vi) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(k)(iii) to the financial statements.

(vii) Special reserve

The special reserve of the Group comprises the excess of the fair value of consideration payable for the acquisition of additional interest in a subsidiary over the decrease in the carrying value of the non-controlling interests.

35. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme adopted on 21 December 2009 (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The SO Scheme will remain in force for 10 years from that date. Eligible participants of the SO Scheme include the Company's directors (including non-executive and independent non-executive directors), other employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and other groups or classes of participants as determined by the directors.

The maximum number of shares which may be issued upon exercise of all options to be granted under the SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the SO Scheme, unless a fresh approval is obtained from the shareholders in general meeting. The maximum number of shares issued and to be issued upon exercise of share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at the time of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all of the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 10 days from the date of the offer, upon payment of a nominal option price by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the SO Scheme, if earlier.

35. SHARE-BASED PAYMENTS *(continued)*

Equity-settled share option scheme *(continued)*

The following share options were outstanding under the SO Scheme during the year:

Name or category of participants	Number of share options: At 1 July 2012	Granted during the year	Lapsed during the year	At 30 June 2013	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$
Executive directors							
Ms. Hung Sau Yung, Rebecca	–	30,000,000	–	30,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Ms. Gao Qin Jian	–	30,000,000	–	30,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Non-executive director							
Ms. Chan Yuk, Foebe	19,183,500	–	–	19,183,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
Independent non-executive directors							
Mr. John Handley	6,394,500	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
	–	15,000,000	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Mr. Poon Yiu Cheung, Newman	6,394,500	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
	–	15,000,000	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Ms. Mak Yun Chu	6,394,500	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
	–	15,000,000	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Employees (in aggregate)	–	70,000,000	(17,000,000)	53,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Other eligible participants (in aggregate)	115,101,000	–	–	115,101,000	15 June 2011	15 June 2011 to 14 June 2016	0.621
	12,789,000#	–	–	12,789,000#	15 June 2011	1 January 2012 to 31 December 2016	0.621
	12,789,000##	–	–	12,789,000##	15 June 2011	1 January 2013 to 31 December 2017	0.621
	–	120,000,000	–	120,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
	179,046,000	295,000,000	(17,000,000)	457,046,000			

35. SHARE-BASED PAYMENTS *(continued)*

Equity-settled share option scheme *(continued)*

Name or category of participants	Number of share options At 1 July 2011	Transfer	Lapsed during the year	At 30 June 2012	Date of grant of share options	Exercise period of share options	Exercise prices of share options (Note) HK$
Non-executive director							
Ms. Chan Yuk, Foebe	19,183,500*	–	–	19,183,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
Independent non-executive directors							
Mr. John Handley	6,394,500*	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
Mr. Poon Yiu Cheung, Newman	6,394,500*	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
Ms. Mak Yun Chu	6,394,500*	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
Employees (in aggregate)	12,789,000*	(12,789,000)	–	–	15 June 2011	1 January 2012 to 31 December 2016	0.621*
	12,789,000*	(12,789,000)	–	–	15 June 2011	1 January 2013 to 31 December 2017	0.621*
Other eligible participants (in aggregate)	1,111,428*	–	(1,111,428)	–	30 April 2002	1 May 2002 to 30 April 2012	0.150*
	115,101,000*	–	–	115,101,000	15 June 2011	15 June 2011 to 14 June 2016	0.621*
	–	12,789,000	–	12,789,000#	15 June 2011	1 January 2012 to 31 December 2016	0.621*
	–	12,789,000	–	12,789,000##	15 June 2011	1 January 2013 to 31 December 2017	0.621*
	180,157,428	–	(1,111,428)	179,046,000			

* The number of share options and exercise prices have been adjusted to reflect the bonus issue and open offer during the year ended 30 June 2012.

These share options have a vesting period from 15 June 2011 to 31 December 2011.

These share options have a vesting period from 15 June 2011 to 31 December 2012.

35. SHARE-BASED PAYMENTS *(continued)*

Equity-settled share option scheme *(continued)*

Note:

The exercise price of the share options is subject to adjustment in the case of a right or bonus issue, or other similar changes in the Company's share capital.

The number and weighted average exercise price of the share options are as follows:

	2013		2012	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**179,046,000**	**0.621**	180,157,428*	0.618*
Granted during the year	**295,000,000**	**0.205**	–	–
Lapsed during the year	**(17,000,000)**	**0.205**	(1,111,428)	0.150
Outstanding at the end of the year	**457,046,000**	**0.368**	179,046,000	0.621
Exercisable at the end of the year	**457,046,000**		166,257,000	

* The number of share options and exercise prices have been adjusted to reflect the bonus issue and open offer during the year ended 30 June 2012.

Share options granted to other eligible participants were incentive for their services to assist the Group expanding its business network and exploring new business opportunities. The fair value of such benefit could not be measured reliably by reference to any available market value and as a result, the fair values of these share options are measured by reference to the fair values at the measurement dates.

During the year, options were granted on 6 November 2012. The fair value of options granted during the year ended 30 June 2013 determined at the date of grant using the Black-Scholes Model was approximately HK$21,207,000 (2012: HK$Nil). The significant inputs into the model were as follows:

Grant date	**6 November 2012**
Option value – HK$	0.07
Share price at date of grant – HK$	0.205
Exercise price – HK$	0.205
Volatility	64.18%
Risk-free interest rate	0.100%
Expected life of options	730 days
Expected dividend yield	0.00%

35. SHARE-BASED PAYMENTS *(continued)*

Equity-settled share option scheme *(continued)*

The expected volatility was determined by calculating the historical volatilities of the Company's share price over a period that is equal to the expected life of the options before the dates of grant. The expected lives of the options were determined with reference to the Company's historical share price records as extracted from Bloomberg.

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.69 years (2012: 4.04 years) and the exercise prices range from HK$0.205 to HK$0.621 (2012: HK$0.621).

At 30 June 2013, the Company had 457,046,000 (2012: 179,046,000) share options outstanding under the SO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 457,046,000 (2012: 179,046,000) additional ordinary shares and additional share capital of HK$4,570,460 (2012: HK$1,790,460) and share premium of approximately HK$163,607,106 (2012: HK$109,397,106) (before share issue expenses).

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Purchase of non-controlling interests

During the year, the Group acquired 30% interests in a 70% subsidiary from a non-controlling shareholder at a cash consideration of HK$3,000,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net liabilities in the subsidiary acquired	83,094
Fair value of consideration	3,000
Difference recognised directly in equity	86,094
Net cash outflow arising in purchase:	
Consideration	3,000

37. BANKING FACILITIES

At 30 June 2013, the Group's banking facilities in respect of overdrafts, term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company.

38. CONTINGENT LIABILITIES

At 30 June 2013, the Group did not have any significant contingent liabilities (2012: HK$Nil).

39. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2013 HK$'000	2012 HK$'000
Contracted but not provided for		
– Construction in progress	**40,676**	52,345
– Seedling plantation	**10,563**	10,741
	51,239	63,086

40. OPERATING LEASE COMMITMENTS

At 30 June 2013, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**6,353**	8,489
In the second to fifth years, inclusive	**20,988**	5,641
After five years	**522**	–
	27,863	14,130

Leases are negotiated for terms ranged from 1 to 3 years and 3 to 15 years for office premises and farmland in the PRC respectively and rental are fixed over the lease terms and do not include contingent rentals.

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2013 are as follows:

Name	**Place of incorporation/ registration and operations**	**Issued/ paid-up capital**	**Percentage of ownership interest/ voting power/ profit sharing**	**Principal activities**
Amazing Victory Ltd.	BVI	Ordinary US$1	100%	Distribution of cold chain products
Assure Top Limited	HK	Ordinary HK$10,000	100%	Trading of packaged food
Fancy Mover Limited	BVI	Ordinary US$10,000	100%	Distribution of cosmetics and skincare products
Golden Harvest (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Sourcing and distribution of fresh produce products
Golden Sector Agro-Development Limited	HK	Ordinary HK$10,000	100%	Trading of fresh produce products

41. PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Golden Sector Limited	HK	Ordinary HK$10,000	100%	Distribution of packaged food, beverages, household consumable products and nourishing products
Heng Tai Finance Limited	HK	Ordinary HK$10,000	100%	Provision of treasury services
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products and cold chain products
Master Oriental Limited	HK	Ordinary HK$10,000	100%	Investment holding
New Sino International Ltd.	BVI	Ordinary US$10,000	100%	Operator of overseas packing houses and PRC distribution depots
Nexus Logistics Development Limited	BVI	Ordinary US$100	100%	Provision of logistics and transportation services
Nexus Logistics (International) Limited	HK	Ordinary HK$4,000,000	100%	Provision of logistics and transportation services
Simming Light Investment Ltd.	BVI	Ordinary US$10,000	100%	Investment holding in agri-business
Sinobright Global Limited	BVI	Ordinary US$10,000	100%	Investment holding
Sui Tai & Associates Limited	HK	Ordinary HK$10,000	100%	Provision of administrative services
Starryield Limited	BVI	Ordinary US$10,000	100%	Distribution of chilled and frozen seafood and meat products

41. PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
金濤（中山）果蔬物流有限公司*	PRC	US$30,000,000	100%	Owner and operator of Zhongshan logistics centre
上海士豐實業有限公司*	PRC	US$10,100,000	100%	Owner and operator of Shanghai logistics centre
上海潤歆貿易有限公司*	PRC	US$3,000,000	100%	Distribution of cosmetics and skincare products
上海聯承物流有限公司**	PRC	RMB5,000,000	90%	Provision of logistics and transportation services
惠東縣裕盛農業有限公司**/#	PRC	HK$10,000,000	90%	Cultivation and sales of fruits and vegetables
成武縣金亨農業發展有限公司**/##	PRC	RMB5,000,000	70%	Cultivation and sales of fruits and vegetables

* Foreign wholly-owned enterprise.
** Chinese-foreign equity joint venture.
# The registered capital of 惠東縣裕盛農業有限公司 is HK$10,000,000 of which HK$7,666,069 has been paid up as at 30 June 2013.
The registered capital of 成武縣金亨農業發展有限公司 is RMB5,000,000 of which RMBNil has been paid up as at 30 June 2013.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

42. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 30 September 2013.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and equity of the Group for the last five financial years is set out below:

RESULTS

	Year ended 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
– Owners of the Company	**(179,185)**	(30,012)	132,784	226,034	115,054
– Non-controlling interests	**(39,514)**	(27,267)	(13,625)	(5,436)	(5,024)
(Loss)/profit for the year	**(218,699)**	(57,279)	119,159	220,598	110,030

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,654,490**	3,764,894	3,483,868	3,030,897	2,717,463
Total liabilities	**(223,379)**	(217,346)	(267,175)	(421,578)	(435,279)
Total non-controlling interests	**(697)**	42,883	16,378	2,753	–
Total equity attributable to owners of the Company	**3,430,414**	3,590,431	3,233,071	2,612,072	2,282,184

Note: The results of the Group for the four years ended 30 June 2009, 2010, 2011 and 2012 and the assets, liabilities and equity of the Group as at these dates have been extracted from the audited consolidated financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2013 and the assets, liabilities and equity of the Group as at 30 June 2013 are those set out in page 25 and pages 27 and 28 of the financial statements, respectively.