



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)

2009 / 2010

Interim Report

The board of directors (the "Board" or "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2009 (the "Period") together with the comparative figures for the corresponding period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2009

	Note	Six months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
TURNOVER	3,4	1,194,915	991,476
Cost of sales		(930,180)	(784,879)
Gross profit		264,735	206,597
Changes in fair value of biological assets less costs to sell		(4,686)	237
Other income		2,557	5,327
Selling and distribution expenses		(82,483)	(63,470)
Administrative expenses		(57,904)	(54,120)
Other operating expenses		(7,685)	(30,071)
PROFIT FROM OPERATIONS		114,534	64,500
Finance costs	5	(1,862)	(4,521)
PROFIT BEFORE TAX		112,672	59,979
Income tax expense	6	(7,741)	(3,876)
PROFIT FOR THE PERIOD	7	<u>104,931</u>	<u>56,103</u>
Attributable to:			
Owners of the Company		106,594	58,905
Non-controlling interests		(1,663)	(2,802)
		<u>104,931</u>	<u>56,103</u>
EARNINGS PER SHARE	9		
– Basic		<u>HK3.9 cents</u>	<u>HK2.8 cents</u>
– Diluted		<u>HK3.9 cents</u>	<u>HK2.8 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the Period	104,931	56,103
Other comprehensive income:		
Exchange differences on translating foreign operations	–	(66)
Disposal of subsidiaries	(184)	–
Change in fair value of available-for-sale financial assets	9,553	(19,541)
	<u>9,369</u>	<u>(19,607)</u>
Other comprehensive income for the Period, net of tax	9,369	(19,607)
Total comprehensive income for the Period	114,300	36,496
Total comprehensive income attributable to:		
Owners of the Company	115,900	39,298
Non-controlling interests	(1,600)	(2,802)
	<u>114,300</u>	<u>36,496</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

		31 December	30 June
		2009	2009
		(Unaudited)	(Audited)
	Note	HK\$'000	HK\$'000
Non-current assets			
Fixed assets	10	693,114	694,181
Prepaid land lease payments		312,901	322,069
Construction in progress		31,594	34,435
Goodwill		282,525	287,378
Biological assets		39,773	39,773
Other intangible assets		155,085	176,849
Other assets		59,235	41,808
Investment in a club membership		108	108
Investments		30,436	14,922
		<u>1,604,771</u>	<u>1,611,523</u>
Current assets			
Biological assets		–	1,585
Inventories		215,080	206,829
Trade receivables	11	391,519	333,676
Prepayments, deposits and other receivables		227,084	135,572
Investments		661	335
Bank and cash balances		420,774	427,943
		<u>1,255,118</u>	<u>1,105,940</u>
TOTAL ASSETS		<u>2,859,889</u>	<u>2,717,463</u>
Capital and reserves			
Share capital	13	25,953	25,277
Reserves		2,405,903	2,256,907
Equity attributable to owners of the Company		<u>2,431,856</u>	2,282,184
Non-controlling interests		(1,600)	–
Total equity		<u>2,430,256</u>	<u>2,282,184</u>

		31 December	30 June
		2009	2009
		(Unaudited)	(Audited)
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Borrowings		11,000	62,592
Finance lease payables		53	89
Deferred tax liabilities		7,180	7,180
Deferred income		–	8,485
		<u>18,233</u>	<u>78,346</u>
Current liabilities			
Trade payables	12	94,142	77,470
Accruals and other payables		36,661	32,802
Borrowings		240,535	214,543
Finance lease payables		65	69
Current tax liabilities		39,997	32,049
		<u>411,400</u>	<u>356,933</u>
Total liabilities		<u>429,633</u>	<u>435,279</u>
TOTAL EQUITY AND LIABILITIES		<u>2,859,889</u>	<u>2,717,463</u>
Net current assets		<u>843,718</u>	<u>749,007</u>
Total assets less current liabilities		<u>2,448,489</u>	<u>2,360,530</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009

	Unaudited										
	Attributable to owners of the Company										
	Share capital	Share premium account	Legal reserve	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2008	15,901	986,140	97	125,429	20,056	16,389	(4,647)	829,419	1,988,784	5,026	1,993,810
Total comprehensive income for the Period	-	-	-	(66)	-	-	(19,541)	58,905	39,298	(2,802)	36,496
Issue of subscribed shares	800	32,091	-	-	(3,651)	-	-	-	29,240	-	29,240
Recognition of share-based payment	-	-	-	-	7,944	-	-	-	7,944	-	7,944
Transfer of reserve upon cancellation/lapse of share options	-	-	-	-	(16,099)	-	-	16,099	-	-	-
At 31 December 2008	<u>16,701</u>	<u>1,018,231</u>	<u>97</u>	<u>125,363</u>	<u>8,250</u>	<u>16,389</u>	<u>(24,188)</u>	<u>904,423</u>	<u>2,065,266</u>	<u>2,224</u>	<u>2,067,490</u>
At 1 July 2009	25,277	1,167,128	97	125,363	7,557	16,389	(22,768)	963,141	2,282,184	-	2,282,184
Total comprehensive income for the Period	-	-	-	(247)	-	-	9,553	106,594	115,900	(1,600)	114,300
Issue of subscribed shares	676	31,157	-	-	(5,330)	-	-	-	26,503	-	26,503
Recognition of share-based payment	-	-	-	-	7,269	-	-	-	7,269	-	7,269
At 31 December 2009	<u>25,953</u>	<u>1,198,285</u>	<u>97</u>	<u>125,116</u>	<u>9,496</u>	<u>16,389</u>	<u>(13,215)</u>	<u>1,069,735</u>	<u>2,431,856</u>	<u>(1,600)</u>	<u>2,430,256</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2009

	Six months ended	
	31 December 2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	41,414	1,296
NET CASH USED IN INVESTING ACTIVITIES	(55,577)	(315,698)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>6,994</u>	<u>26,948</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,169)	(287,454)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>427,943</u>	<u>589,082</u>
	420,774	301,628
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	<u>-</u>	<u>(1,102)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>420,774</u></u>	<u><u>300,526</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<u><u>420,774</u></u>	<u><u>300,526</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2009. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 30 June 2009.

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

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. *Presentation of Financial Statements*

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the period. These presentation requirements have been applied retrospectively in these condensed financial statements.

b. *Operating Segments*

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 4 to the unaudited condensed interim financial statements.

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

3. TURNOVER

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of goods	555,791	471,790
Sales of fresh produce products	542,084	423,580
Logistics services income	94,791	93,828
Rental income	2,249	2,278
	<u>1,194,915</u>	<u>991,476</u>

4. SEGMENT INFORMATION

Upon adoption of HKFRS 8 "Operating Segments" and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment, the Group has identified the following four reportable operating segments. There were no significant sales between the reportable operating segments.

- (i) The distribution of packaged food, beverages, household consumable products, cosmetic products and cold chain products ("Distribution");
- (ii) The cultivation and distribution of fresh produce products ("Cultivation and Distribution");
- (iii) Provision of logistics services ("Logistics Services"); and
- (iv) Leasing of logistics facilities ("Leasing").

The accounting policies of the reportable operating segments are same as those described in the Group's financial statements for the year ended 30 June 2009. 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.

	Distribution (Unaudited) HK\$'000	Cultivation and distribution (Unaudited) HK\$'000	Logistics services (Unaudited) HK\$'000	Leasing (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 31 December 2009					
Reportable segment revenue					
Revenue from external customers	<u>555,791</u>	<u>542,084</u>	<u>94,791</u>	<u>2,249</u>	<u>1,194,915</u>
Reportable segment profit	<u>73,077</u>	<u>13,503</u>	<u>37,807</u>	<u>1,949</u>	<u>126,336</u>
At 31 December 2009					
Reportable segment assets	<u>1,106,793</u>	<u>1,018,729</u>	<u>670,066</u>	<u>8,024</u>	<u>2,803,612</u>
For the six months ended 31 December 2008					
Reportable segment revenue					
Revenue from external customers	<u>471,790</u>	<u>423,580</u>	<u>93,828</u>	<u>2,278</u>	<u>991,476</u>
Reportable segment profit	<u>19,048</u>	<u>15,580</u>	<u>35,608</u>	<u>1,956</u>	<u>72,192</u>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
At 30 June 2009					
Reportable segment assets	<u>1,166,897</u>	<u>962,118</u>	<u>529,256</u>	<u>11,051</u>	<u>2,669,322</u>

Six months ended 31 December	
2009	2008
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Reconciliations of segment profit or loss:

Total profit of reportable segments	126,336	72,192
Other profit	128	5,564
Corporate and unallocated expenses	(12,650)	(13,256)
Finance costs	(1,142)	(4,521)
Profit before tax	<u>112,672</u>	<u>59,979</u>

5. FINANCE COSTS

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on borrowings	1,857	4,512
Finance leases charges	5	9
	<u>1,862</u>	<u>4,521</u>

6. INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	14	-
Overseas	<u>7,727</u>	<u>3,876</u>
	<u>7,741</u>	<u>3,876</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the current interim period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries 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 the rate of 12% (2008: 12%) on the estimated assessable profits for the Period. However, two subsidiaries operating in Macau during the current interim period were in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries were exempted from the Macau Complementary Tax. Further, in the opinion of the Directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the People's Republic of China have been calculated at the rate of 25% (2008: 25%) for the Period, based on existing legislation, interpretation and practices in respect thereof.

7. PROFIT FOR THE PERIOD

The Group's profit for the Period is stated after charging the following:

	Six months ended	
	31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation and depreciation	40,788	49,645
Directors' emoluments	2,121	2,121
Cost of inventories sold	930,180	729,175
Share-based payment expenses	7,269	7,944
Operating lease charges on land and buildings	16,657	8,045
Loss on disposal of subsidiaries	7,685	-
Impairment of trade receivables	-	18,094
Impairment of intangible assets	-	11,400
	=====	=====

8. DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the Period attributable to owners of the Company of approximately HK\$106,594,000 (2008: HK\$58,905,000) and the weighted average number of ordinary shares of 2,711,658,000 (2008: 2,075,072,000) in issue during the Period after adjusting the effects of bonus issue in January 2010. The basic earnings per share for 2008 had been adjusted for the effects of bonus issue in January 2010 and of open offer in June 2009 accordingly.

The calculation of diluted earnings per share attributable to owners of the Company is based on the Group's profit for the Period attributable to owners of the Company of approximately HK\$106,594,000 (2008: HK\$58,905,000) and the weighted average number of ordinary shares of 2,729,339,000 (2008: 2,079,699,000), being the weighted average number of ordinary shares of 2,711,658,000 (2008: 2,075,072,000) in issue during the Period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 17,681,000 (2008: 4,627,000) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the Period after adjusting the effects of bonus issue in January 2010 and of open offer in June 2009.

10. FIXED ASSETS

During the six months ended 31 December 2009, the Group acquired fixed assets of approximately HK\$53,650,000.

11. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2008: 15 to 90 days). Full provision is made for outstanding debts aged over 365 days or collectability is in significant doubt.

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

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
1 – 30 days	243,121	137,325
31 – 60 days	103,937	108,143
61 – 90 days	38,556	58,324
Over 90 days	5,905	29,884
	<u>391,519</u>	<u>333,676</u>

12. TRADE PAYABLES

The aging analysis of trade payables as at the end of the reporting period, based on the receipt of goods purchased, is as follows:

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
1 – 30 days	85,313	73,273
31 – 60 days	5,974	2,690
61 – 90 days	883	616
Over 90 days	1,972	891
	<u>94,142</u>	<u>77,470</u>

13. SHARE CAPITAL

	31 December 2009		30 June 2009	
	Number of shares (Unaudited) '000	Amount (Unaudited) HK\$'000	Number of shares (Audited) '000	Amount (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>2,595,290</u>	<u>25,953</u>	<u>2,527,695</u>	<u>25,277</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued (Unaudited) '000	Nominal value of shares issued (Unaudited) HK\$'000
At 1 July 2009	2,527,695	25,277
Exercise of share options (<i>Note</i>)	<u>67,595</u>	<u>676</u>
At 31 December 2009	<u><u>2,595,290</u></u>	<u><u>25,953</u></u>

Note: During the current interim period, the Company issued 50,000,000 and 17,595,000 ordinary new shares at a subscription price of HK\$0.365 per share and HK\$0.469 per share respectively for a total cash consideration of approximately HK\$26.5 million.

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2009 (30 June 2009: Nil). At 31 December 2009, the Company had provided corporate guarantees to banks for banking facilities provided to certain subsidiaries of the Company. These banking facilities had been utilised to the extent of approximately HK\$251,535,000 at 31 December 2009 (30 June 2009: HK\$274,620,000).

15. CAPITAL COMMITMENTS

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

	31 December 2009 (Unaudited) HK\$'000	30 June 2009 (Audited) HK\$'000
Contracted but not provided for		
– Construction in progress	44,659	45,234
– Fixed assets	<u>32,485</u>	<u>94</u>
	<u><u>77,144</u></u>	<u><u>45,328</u></u>

The Company did not have any significant capital commitments at 31 December 2009 (30 June 2009: Nil).

16. APPROVAL OF FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the Board on 30 March 2010.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2009 (the "Period"), the Group achieved a promising growth in turnover and net profit. The growth in turnover was mainly attributable to continuous refinement and vertical diversification processes to the Group's business model coupled with favorable government policies and recovering market conditions. The retail and consumer markets in Mainland China continued to be the major market place where the Group secured its business growth.

Turnover for the Period was approximately HK\$1,194.9 million, representing an increase of approximately 20.5%, compared to HK\$991.5 million in the same period last year. The increase in turnover was mainly attributable to the increased sales quantity achieved through expansion in clientele portfolio and enrichment in product varieties.

Gross profit margin increased from 20.8% to 22.2% when compared with the same period last year. The increase was mainly attributable to the successful implementation of product refinement for cosmetics, cold-chain and agro products commanding a relatively higher gross profit margin when compared with the same period last year.

Selling and distribution expenses recorded approximately 30.0% increase or increased from approximately 6.4% to 6.9% of the turnover when compared with the same period last year. The increase was mainly attributable to the increased outlays in marketing development and promotion campaigns, transportation and handling and distribution expenses to reinforce our expansion plans in clienteles and sales network for cosmetics, cold-chain and agro products.

Administrative expenses was approximately HK\$57.9 million and represented an approximately 7.0% increase when compared with the same period last year. The increase was mainly attributable to expansion in our logistics and upstream farming business with a relatively higher portion of fixed administrative costs than our conventional distribution business in fast moving consumable goods.

Other operating expenses represented a loss on disposal of certain subsidiaries. During the Period, the Group had disposed of certain subsidiaries engaged in upstream farming business in Wide Fortune Group for business segments with relatively lower margin contribution. Such reorganization in the operating structure in upstream farming business would enable the Group to direct its resources more effectively to agro products with a higher margin return.

Finance costs decreased to approximately HK\$1.9 million from HK\$4.5 million in the same period last year. The decrease was mainly attributable to a decreased level of utilization of the Group's banking facilities and decreasing interest rate effect when compared with the same period last year.

Net profit attributable to shareholders increased to approximately HK\$106.6 million, representing an increase of approximately 81.0% when compared with the same period last year. The increase in the Group's net profit can be summarised as mainly attributable to an approximately 20.5% increase in turnover, 1.4% increase in the Group's overall gross profit margin, 58.8% decrease in finance costs and 74.4% decrease in other operating expenses while there was an increase of approximately 22.0% in operating and income tax expenses.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

During the Period under review, the Group was principally engaged in (i) distribution of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of agro products. The product groups distributed by the Group included packaged food, beverages, household consumable products, cosmetics and skincare products, frozen and chilled products with their respective contribution of approximately 23%, 2%, 2%, 8% and 12% to the Group's turnover. The provision of cold-chain logistics services represented approximately 8% to the Group's turnover for the Period. The cultivation and distribution of agro products represented approximately 45% to the Group's turnover for the Period. The categories of packaged food were mainly biscuits, candies, chocolate, condiments, margarine, milk power products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products. Beverages were mainly beers, wines and soft drinks and the household consumable products were mainly batteries and toiletries. Cosmetics and skincare products included make-up, perfumes, fragrance and skin and sun care products. Cold chain products consisted of frozen meat, seafood and dairy products. Agro products included various types of vegetables and fruit.

The Group's products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia and New Zealand and sold to wholesalers, retailers and on-premise customers in the PRC. The Group also sourced part of its cosmetics and agro products in the PRC. Wholesalers were still the main customer category, which accounted for approximately 45% of the Group's turnover for the Period. Retailing and on-premise sectors accounted for approximately 25% and 22% and servicing sector for approximately 8% of the Group's turnover for the Period respectively.

During the Period, the Group had consistently delivered itself as a one-stop service platform incorporating the functions of traders, marketing agent and supply chain solutions provider in the fast moving consumable goods, cosmetic and cold chain products in the PRC. With long processed distribution expertise by its management team, extensive and developed sales network and well established cold chain facilities in the PRC, the Group had also been diversifying itself as a one-stop integrated service platform provider conducting cultivation, value-added processing, perishable logistics and distribution for the agro-industry in the PRC.

During the Period under review, the Group had reinforced its development in upstream farming business. The Group had commenced its development work on its second and third cultivation bases covering a farmland area of approximately 11,000 mu in Jiangxi of the PRC. The second and third cultivation bases were expected to commence operations by stages with attainment of its full harvest capacity by 2011. In December 2009, the Group also secured approximately 15,000 mu farmland in Huidong, Guangdong province of the PRC. The further increase in the Group's farmland reserve in different geographical areas would enable the Group to establish itself as a scale player in the upstream farming business to benefit from government policies and also spread out its cultivation activities to minimize possible disruption risks in production associated with natural calamities and adverse weather conditions. The Group's cultivation bases would place strong emphasis in high quality green food by adopting an ecological and green cultivation methodology with high yield and quality as its core mission. The development would be in line with the existing PRC's government policies to encourage scale farming by large corporations to address the food safety issues and enhance efficient farming in the agro industry.

During the Period, the Group also completed part of its second phase extension plans in agro product development. Zhongshan logistics hub had redeveloped part of its existing facilities to establish post-harvest and fresh cut processing lines for agro products. The processed agro products were mainly sold to wholesale and retail markets and chain restaurants in Hong Kong and the PRC. In the coming year, the Group would further expand its scale in post-harvest and fresh cut processing operations to cope with the forthcoming large scale processing operations in the second phase core development of Zhongshan logistics hub, which would encompass the establishment of a government licensed central warehouse equipped with a hygiene and quarantine centre of internationally recognised standards and with various processing, repackaging and storage facilities for agro products for domestic and export sales.

Further, the Group had also finalized detailed plans to build its own brands in agro product development in coming years. The brand-built process would be set out by setting aside appropriate resources to establish extensive direct sales windows for agro products in Hong Kong in its initial stage. A variety of agro products with main supply in our brands from our own cultivation bases after being processed in our Zhongshan logistics hub would be sold at our own sales outlets. Similar business model would then be reproduced in the PRC consumer markets to secure future growth drivers. A well-executed sale outlet business would complement our fully vertically integrated business model with complete control from cultivation to processing and logistics and to “last-mile” sales and greatly improve our cashflow cycles. Besides, the successful implementation of the brand-built process would enable us to differentiate ourselves with other market players with consumer recognition in our stable supply of safe, healthy and quality branded products, which in turn would drive a high volume in our own upstream farming and midstream processing and logistics business.

In the coming year, the Group would reinforce its diversification process in its entire supply chain through the market driven approach. A well-executed balance between each of these dependent business segments in upstream, midstream and downstream in farming, logistics, trading and retail business would create cross opportunities for each other and maximize the bottom line return to our shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

During the Period, the Company issued 67,595,000 new shares through exercise of share options by option holders with net proceeds of approximately HK\$26.5 million.

At 31 December 2009, the Group had interest-bearing borrowings of approximately HK\$251.5 million (30 June 2009: HK\$277.1 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and approximately 96% would mature within one year. All of the Group's banking borrowings were floating-interest bearing and secured by corporate guarantees given 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 and US dollars. The Directors consider that the operations of the Group are not exposed to any 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 31 December 2009.

At 31 December 2009, the Group's current assets amounted to approximately HK\$1,255.1 million (30 June 2009: HK\$1,105.9 million) and the Group's current liabilities amounted to approximately HK\$411.4 million (30 June 2009: HK\$356.9 million). The Group's current ratio remained stable at approximately 3.1 as at 31 December 2009 (30 June 2009: 3.1). At 31 December 2009, the Group had total assets of approximately HK\$2,859.9 million (30 June 2009: HK\$2,717.5 million) and total liabilities of approximately HK\$429.6 million (30 June 2009: HK\$435.3 million) with a gearing ratio of approximately 8.8% (30 June 2009: 10.2%). The gearing ratio was expressed as a ratio of total borrowings to total assets. The slightly increase in gearing ratio was mainly attributable to stronger asset bases backed up by retained profits and equity funding during the Period.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2009, the Group had approximately 630 staff for its operations in the PRC, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. As at 31 December 2009, a total of 109,384,596 share options remain unexercised.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name of director	Notes	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. Lam Kwok Hing	1	362,400,000	13.96%
Ms. Lee Choi Lin, Joecy	2	128,520,000	4.95%
Mr. Chu Ki	3	21,000,000	0.81%

Notes:

- These shares are held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, the spouse of Ms. Lee Choi Lin, Joecy.
- These shares are held by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, the spouse of Mr. Lam Kwok Hing.
- These shares are held by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI. The entire issued share capital of Asia Startup is beneficially owned by Mr. Chu Ki.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 December 2009, 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) which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (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 Board noted that the SO Scheme adopted on 3 December 2001 (the "Old SO Scheme") would soon come to its expiration and as a result, the Board has resolved to terminate the Old SO Scheme and adopt a new SO Scheme on 21 December 2009 (the "New SO Scheme") and, unless otherwise cancelled or amended, the New SO Scheme will remain in force for 10 years from that date. Eligible participants of the New 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 New SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the New 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 following share options were outstanding under the SO Scheme during the Period:

Name or category of participants	Number of share options				Date of grant of share options	Exercise period of share options	Exercise prices of share options HK\$
	At 1 Jul 2009	Granted during the period	Exercised during the period	At 31 Dec 2009			
Non-Executive director Chan Yuk, Foebé	17,595,000	-	-	17,595,000	19 Sep 2008	19 Sep 2008 to 18 Sep 2013	0.617
Employees (in aggregate)	79,177,500	-	-	79,177,500	23 Dec 2008	1 Jul 2010 to 30 Jun 2015	0.469
	-	50,000,000	(50,000,000)	-	7 Jul 2009	7 Jul 2009 to 6 Jul 2014	0.365
Other eligible participants (in aggregate)	788,256	-	-	788,256	30 Apr 2002	1 May 2002 to 30 Apr 2012	0.212
	11,823,840	-	-	11,823,840	3 Feb 2006	3 Feb 2006 to 2 Feb 2011	1.020
	17,595,000	-	(17,595,000)	-	23 Dec 2008	23 Dec 2008 to 22 Dec 2013	0.469
	<u>126,979,596</u>	<u>50,000,000</u>	<u>(67,595,000)</u>	<u>109,384,596</u>			

At 31 December 2009, the Company had 109,384,596 (31 December 2008: 148,252,000) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 109,384,596 (31 December 2008: 148,252,000) additional ordinary shares and additional share capital of HK\$1,093,846 (31 December 2008: HK\$1,482,520) and share premium of approximately HK\$59,124,000 (31 December 2008: HK\$100,075,000) (before share issue expenses).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Interests in shares of the Company

Name of substantial shareholder		Number of issued ordinary shares held	Nature of interests	Approximate percentage of interest
Best Global	Note	362,400,000	Corporate interests	13.96%
Pope Asset Management, LLC		145,445,662	Corporate interests	5.60%
FMR LLC		133,899,500	Corporate interests	5.16%

Note: These shares were held by Best Global as beneficial owner and duplicate the interest held by Mr. Lam Kwok Hing in the Company.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 December 2009, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company did not redeem any of its shares during the Period under review. Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the Period, the Company had complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors any non-compliance with the Model Code during the Period and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Code. The Audit Committee consists of one non-executive Director, namely Ms. Chan Yuk, Foebe and two independent non-executive Directors, namely Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu. The responsibilities and authorities of the Audit Committee are clearly stated in the terms of reference, including but not limited to reviewing the Group's financial reporting system, the internal control procedures and the Group's financial statements. The Audit Committee is also responsible for reviewing the independence of external auditors. The Audit Committee has adopted terms of reference which are in line with the Code. The interim report has been reviewed and approved by the Audit Committee, but not audited by the Company's auditors.

REMUNERATION COMMITTEE

The Company has set up the remuneration committee with specific written terms of reference in accordance with the provisions set out in the Code in July 2005. The Remuneration Committee comprises one executive Director, namely Mr. Lam Kwok Hing and two independent non-executive Directors, namely Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu. The responsibilities and authorities of the Remuneration Committee are clearly stated in the terms of reference, including but not limited to recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and review and approval of the compensation package to Executive Directors and senior management. The Remuneration Committee has adopted terms of reference which are in line with the Code.

BOARD OF DIRECTORS

As at the date of this report, the Board comprised three executive Directors, namely Mr. Lam Kwok Hing (Chairman), Mr. Chu Ki, and Ms. Lee Choi Lin, Joecy; an non-executive Director, namely Ms. Chan Yuk, Foebe; and three independent non-executive Directors, namely Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu.

On behalf of the Board

Lam Kwok Hing

Chairman

Hong Kong, 30 March 2010