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 2012

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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

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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
CITIC Bank International Limited
Deutsche Bank AG
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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Union Registrars Limited
18th Floor
Fook Lee Commercial Centre, Town Place
33 Lockhart Road
Wanchai, Hong Kong

COMPANY WEBSITE
www.hengtai.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors ("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 2012 ("FY2012").

FINANCIAL PERFORMANCE

The global economic turmoil and various tightening policies launched in China gave rise to a challenging and difficult year for the Group. The economic turbulence reduced customers' demand and in turn affected performance of the Group significantly. Many Chinese enterprises encountered severe liquidity problems and capital chain ruptures in the past year as a result of various tightening measures launched in China. Therefore, the Group has been adopting a more stringent credit review assessment and did not supply products to those customers with weak credibility to avert any chances of material uncollectible debts. On the other hand, many customers deferred sales orders in order to keep a low inventory level due to weak demand and tight liquidity. Even worse, the competition from local brands has been increasing drastically and many local brands aggressively increased selling expenses in a bid to lift market share. Accordingly, the Group had to strengthen sales promotions and reduce prices for certain products to maintain competitiveness.

Revenues fell 4.5% to approximately HK$2.03 billion in FY2012, reflecting the combination of the above adverse factors and the Group's efforts to retain market share through reinforcement on sales and marketing activities. The net loss for FY2012 was approximately HK$57.3 million, compared to the net profit of HK$119.2 million for the preceding financial year ("FY2011"). The turnaround was mainly attributable to decrease in revenues and gross profit margin as well as increase in selling and distribution expenses, administrative expenses, loss from changes in the fair value of biological assets and other operating expenses.

BUSINESS REVIEW

The Group's trading business of fast moving consumable goods, cold chain and cosmetics products had been affected with decrease in sales volume due to weakening market demand and tightening credit control imposed to customers by the Group in view of worsening market conditions. Meanwhile, the Group also adopted a more aggressive marketing strategy of lowering selling prices to compete with local brands, this situation may last for certain time until the overall consumption showing signs of improvement. Going forward, the Group will expand the sales network of second- and third-tier cities in China, where the growth of the residents' disposal income is generally higher than the national average. In addition, the Group would seek to secure the distribution rights of more quality products with distinctive market niches in order to enrich the product portfolio to prepare for the recovery of the global and domestic economies.

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 FY2012, including weak demand and higher costs due to higher exchange rates and the rising labour and materials costs in the markets of origination. Notwithstanding the above, the revenue increased by 4.7% to HK$1,030 million in FY2012, thanks to the contribution from the upstream farming business located in Huidong's plantation. The Group had farmlands located in Jiangxi, Huidong and Qingdao, the People's Republic of China (the "PRC"). The variety of products included fruits, leafy vegetables and non-leafy vegetables. The Group also reserved approximately 5,000 Chinese Mu arable land in Jiangxi's farm base to develop Chinese medicinal plants. It is believed that the contributions from the upstream farming business will be growing steadily over next few years after their operations gradually reach to their mature stage.

Revenue from logistics business represented approximately 9% (FY2011: 9%) of the Group's total revenue and down 5.9% compared with that of FY2011. During FY2012, the Group continued to shift away from the low margin business to the higher margin business such as third party logistics and warehousing services, and carried out its clientele extension plans. Despite the persistent economic uncertainties, the logistics business is of strategic importance to the Group's operations. Therefore, the Group constantly expanded the logistics facilities such as the second phase expansion in Zhongshan logistics hub for its post-harvest and fresh cut processing lines for agri-products.

CHAIRMAN'S STATEMENT

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2012. In view of the unpredictable global economic conditions, the Board decided to maintain adequate cash reserves in order to prepare for any unforeseen expenditure that might come up.

LOOKING AHEAD

The preceding one and a half year was the most challenging period for the Group. A rapid and unprecedented deterioration of the business environment stemmed from the uncertainties of global economy and various tightening measures adopted by the China's government. The recent statistics showed that China had experienced a decelerating domestic economy with gross domestic product rising merely 7.6% in the second quarter from a year earlier, the slowest pace in three years. From a micro perspective, the rising costs for labour and raw materials, unpredictable weather conditions and food safety concerns also significantly increased risks to the Group's businesses.

In the coming year, the Group will adopt a pragmatic and conservative approach to underpin and develop the existing businesses as well as maintain a healthy and strong financial position to weather any unexpected adverse incidents. As aforesaid, the Group will extend the reach to some second- and third-tier cities in China, and continuously strengthen the procurement network across the world. Meanwhile, the Group will also invest in the logistics assets to support the midstream food processing and downstream trading businesses. The Group had entered into the cooperation agreement with the government of Lianghua Town in Huidong to develop a new logistics center. The logistics center will be developed as the first wholesale market specializing in agri-products trading in Huidong with storage and processing facilities, which is expected to be of great strategic value to our farming in Huidong. For the development of Chinese medicinal plants in Jiangxi base, the Group will attempt to collaborate with reputable business partners in Chinese healthcare sector to manufacture and brand Chinese medical products made from self-grown herbs.

Looking forward, we believe there are still many challenges and uncertainties ahead of us. The recovery of the global economy may be impeded by the financial issues such as sovereign debt crisis in Europe and the possible fiscal cliff in the United States. More importantly, China is facing a dilemma of stimulating economic growth or curbing inflation caused by potential huge capital influx after various stimulus packages launched in different nations. Nevertheless, in the long run, we believe when the global and domestic markets resume growth momentum, the Group is well-positioned to implement its diversification process in the consumer market in China through its in-depth experience in food industry, the healthy and strong financial position, and the proven vertically integrated business model.

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, cold chain and cosmetic products and agri-products in China, can provide a high degree of sustainability in its operations. The Group will make continuous efforts to reinforce the existing business model and the sustainability of the operations 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 the dedication, faith, and commitment of my colleagues, and to our shareholders for their support and trust. We will do all our best and we wish you all the best for the upcoming year.

LAM Kwok Hing
Chairman

Hong Kong, 28 September 2012

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

BUSINESS REVIEW

FMCG Trading Business

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

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

Agri-Products Business

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

Agri-Products Trading

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Upstream Farming Business

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

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

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

Logistics Services Business

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

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

At 30 June 2012, the Group had interest-bearing borrowings of approximately HK$82.7 million (30 June 2011: HK$126.6 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all would mature within one year or beyond a year but with a repayment on demand clause. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. The Directors consider that the operations of the Group are not exposed to significant foreign currency exchange risk in view of the stability of the exchange rates between these currencies. The Group did not have any significant hedging instrument outstanding as at 30 June 2012.

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

On 19 December 2011, the Company made a bonus issue of 173,186,536 new shares at par value of HK$0.01 each by way of a special dividend on the basis of one bonus share for every twenty existing shares to the shareholders whose names appeared on the register of members of the Company on 14 December 2011.

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

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2012, the Group had approximately 790 employees for its operations in China, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. As at the date of this report, a total of 179,046,000 share options remain unexercised.

DEVELOPMENT AND PROSPECTS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, *Chairman, Managing Director, Executive Director and Chief Executive Officer*
Mr. Lam Kwok Hing, aged 56, 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, 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 52, 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 Mr. Lam Kwok Hing and other founding shareholders in 1994. Ms. Lee is the spouse of Mr. Lam, who is the Chairman and Executive Director of the Company.

Ms. Hung Sau Yung Rebecca, *Executive Director*
Ms. Hung Sau Yung Rebecca, aged 46, has been appointed the Executive Director since 1 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 52, has been appointed the Executive Director since 1 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 43, 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 68, 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 a 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 54, 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 57, 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 44, 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 (formerly known as 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 35, 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 59, 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 42, 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 57, 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.

DIRECTORS' REPORT

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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated 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 2012 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 25 and 26.

The state of affairs of the Group as at 30 June 2012 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 consolidated 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 2012.

FIXED ASSETS

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

CONSTRUCTION IN PROGRESS

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 30 June 2012, reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") were approximately HK$2,357,424,000 (2011: HK$1,993,657,000). Under the Companies Law of the Cayman Islands (2010 Revised), the share premium account of the Company of approximately HK$2,135,688,000 (2011: HK$1,798,594,000) 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 Directors, their associates or any shareholders 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

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 (appointed on 1 January 2012)
Ms. Gao Qin Jian (appointed on 1 January 2012)
Mr. Chu Ki (resigned on 31 March 2012)

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, Ms. Hung Sau Yung Rebecca, Ms. Gao Qin Jian, Mr. John Handley and Ms. Mak Yun Chu shall retire and, being 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 consolidated financial statements on named basis.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company. Save for Mr. Lam Kwok Hing, Ms. Lee Choi Lin Joecy and Ms. Chan Yuk Foebe, 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.

Ms. Chan Yuk Foebe entered into a service agreement with the Company for a term of 1 year and shall thereafter continue 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 2012, 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**	**Number of shares in interest**	**Approximate percentage of interests**
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. Chan Yuk Foebe	2	Beneficial owner	19,183,500	0.35%
Mr. John Handley	2	Beneficial owner	6,394,500	0.12%
Ms. Mak Yun Chu	2	Beneficial owner	6,394,500	0.12%
Mr. Poon Yiu Cheung Newman	2	Beneficial owner	6,394,500	0.12%

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 on 15 June 2011. Further details of the share options are set out in note 35 to the consolidated financial statements.

Save as disclosed above, as at 30 June 2012, 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 entitled "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 consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2012, the interests and short positions 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 were as follows:

Long Positions

Shareholder	Note	Nature of Interests	Number of shares in interest	Approximate percentage of interests
Best Global	1	Beneficial owner	629,284,948	11.54%

Note:

1. These 629,284,948 shares were duplicated in the interests held by Mr. Lam and Ms. Lee as stated in the section entitled "Directors' Interests in Securities".

Save as disclosed above, as at 30 June 2012, no person, other than a Director and chief executive of the Company whose interests are set out in the section entitled "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 share capital 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 consolidated 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 LISTED SECURITIES OF THE COMPANY

During the financial year, neither the Company nor any of its subsidiaries has 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 76 of this report.

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 of this Annual Report.

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, 28 September 2012

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 2012, 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, only with deviation from code provision A.2.1.

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. The former Chief Executive Officer, Mr. Chu Ki, resigned on 31 March 2012 as part of his retirement plan. Being a transitional arrangement, the Board has appointed Mr. Lam Kwok Hing ("Mr. Lam") as Chief Executive Officer. As a result, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group who possesses comprehensive knowledge and experience of the industry and in-depth understanding of the Group's overall operations. The Board believes that vesting the roles of Chairman and Chief Executive Officer on Mr. Lam provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and at the same time, generates benefits for the Company and the shareholders of the Company (the "Shareholders") as a whole.

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 during the financial year ended 30 June 2012.

BOARD OF DIRECTORS

As at 30 June 2012, 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 entitled "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.

Each newly appointed Director receives an induction at his/her appointment to ensure that he/she has proper understanding of the business and operations of the Group and full awareness of his/her responsibilities and obligations under the Listing Rules and other relevant statutory requirements. Directors are continually updated on statutory and regulatory developments, evolution of the business environment so as to facilitate them to discharge their duties. Funded by the Company, Directors are also recommended and encouraged to attend forums or seminars relating to the roles, functions and duties as directors of a listed company.

During the year, the Company has explained and provided materials on the latest development of the Listing Rules and other statutory requirements to all Directors. The update is to ensure their contributions to the Board remain informed and relevant.

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 Mr. John Handley was appointed the Independent Non-executive Director in November 2001 and has served the Board for more than 9 years. Save for the aforesaid, Mr. Handley fully satisfied with the factors of independence as set out in Rule 3.13 of the Listing Rules and there is no evidence that his tenure has had any impact on his independence. Accordingly, the Board believes Mr. Handley is still independent. For the purpose of the CG Code, further appointment of Mr. Handley shall be subject to a separate resolution submitted to the Shareholders for approval in the forthcoming annual general meeting.

In conclusion, the Board considers all of Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman to be independent.

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 in accordance with the articles of association of the Company.

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

During the financial year ended 30 June 2012, the Board held 8 meetings. At these board meetings, the Board also reviewed and discussed the Group's business updates and strategies. 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 2012 is set out below:

		Number of meetings attended/held				
Directors	Note	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors						
Mr. Lam Kwok Hing		8/8	N/A	1/1	1/1	1/1
Ms. Lee Choi Lin Joecy		7/8	N/A	N/A	N/A	1/1
Ms. Hung Sau Yung Rebecca	1	5/5	N/A	N/A	N/A	0/0
Ms. Gao Qin Jian	1	5/5	N/A	N/A	N/A	0/0
Mr. Chu Ki	1	7/7	N/A	N/A	N/A	1/1
Non-executive Director						
Ms. Chan Yuk Foebe		8/8	2/2	N/A	N/A	0/1
Independent Non-executive Directors						
Mr. John Handley		8/8	N/A	N/A	N/A	1/1
Ms. Mak Yun Chu		8/8	2/2	1/1	1/1	1/1
Mr. Poon Yiu Cheung Newman		8/8	2/2	1/1	1/1	1/1

Note

1. Ms. Hung Sau Yung Rebecca and Ms. Gao Qin Jian were appointed the Executive Directors on 1 January 2012 and Mr. Chu Ki resigned as the Executive Director on 31 March 2012. Their attendance is presented by reference to the number of board meetings and general meeting held during their tenures.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to 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. In previous years, the Group had separate roles of Chairman and Chief Executive Officer, which offices were held by Mr. Lam Kwok Hing and Mr. Chu Ki respectively. Following the resignation of Mr. Chu on 31 March 2012, the Board has appointed Mr. Lam as Chief Executive Officer as a transitional arrangement. As a result, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group and possesses comprehensive knowledge and experience of the industry and in-depth understanding of the Group's overall operations. The Board believes that vesting the roles of Chairman and Chief Executive Officer on Mr. Lam provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and at the same time, generates benefits for the Company and the shareholders as a whole.

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 2012, the Audit Committee held 2 meetings with all committee members attended considering 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 2011 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2012, 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 1 meeting with all committee members attended during the financial year ended 30 June 2012, 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.

Remuneration of Directors and Senior Management

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 30 June 2012 is set out below:

Remuneration Bands (HK$)	Note	**Number of individuals**
Nil to 1,000,000		3
1,000,001 – 1,500,000		2
3,500,001 – 4,000,000	1	1

Note

1. The remuneration was payable to a member of senior management who resigned during the year.

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 consolidated 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 2012, the Nomination Committee held 1 meeting 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.

COMPANY SECRETARY

The Company Secretary is Mr. Wong Siu Hong, who is also the Chief Financial Officer of the Company. Pursuant to rule 3.29 of the Listing Rules, the company secretary must take no less than 15 hours of relevant professional training in each financial year staggered in accordance with the date of appointment. Mr. Wong has been appointed the Company Secretary of the Company since July 2003 and is required to comply with rule 3.29 of the Listing Rules for the financial year commencing on or after 1 January 2013.

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 offers 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 entitled "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" under the section "Investor Relations" on the homepage of 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.

At the annual general meeting of the Company held on 5 December 2011, the Shareholders approved the amendments to the memorandum and articles of association of the Company so as to adhere to the amended Listing Rules taking effect from 1 January 2012 and 1 April 2012. The amendments to the memorandum and articles of association of the Company were detailed in the circular of the Company dated 28 October 2011 which was available on the websites of the Company and the Stock Exchange.

AUDITOR'S 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 2012 is as follows:

Services rendered

	2012 HK$'000	2011 HK$'000
Audit service	1,392	1,387
Non-audit service	133	5
	1,525	1,392

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

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 75, which comprise the consolidated statement of financial position as at 30 June 2012, and the consolidated income statement, consolidated statement of 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 2012, 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

28 September 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	6	**2,027,857**	2,122,332
Cost of sales		**(1,679,775)**	(1,658,721)
Gross profit		**348,082**	463,611
Changes in fair value of biological assets less costs to sell		**(17,015)**	(790)
Other income	7	**12,504**	4,506
Selling and distribution expenses		**(175,819)**	(146,139)
Administrative expenses		**(170,914)**	(151,771)
Other operating expenses		**(48,551)**	(38,244)
(Loss)/profit from operations		**(51,713)**	131,173
Finance costs	9	**(2,313)**	(2,991)
(Loss)/profit before tax		**(54,026)**	128,182
Income tax expense	10	**(3,253)**	(9,023)
(Loss)/profit for the year	11	**(57,279)**	119,159
Attributable to:			
Owners of the Company		**(30,012)**	132,784
Non-controlling interests		**(27,267)**	(13,625)
		(57,279)	119,159
(Loss)/earnings per share	15		
			(Restated)
Basic		**HK(0.6 cent)**	HK3.2 cents
Diluted		**N/A**	HK3.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets	16	**897,123**	648,209
Prepaid land lease payments	17	**469,179**	455,658
Construction in progress	18	**134,709**	335,109
Goodwill	19	**282,525**	282,525
Biological assets	20	**52,469**	55,357
Other intangible assets	21	**100,732**	106,391
Other assets	22	**141,092**	70,846
Investment in a club membership	23	**108**	108
Investments	24	**1,891**	9,144
		2,079,828	1,963,347
Current assets			
Inventories	25	**219,443**	220,561
Trade receivables	26	**435,896**	390,922
Prepayments, deposits and other receivables		**303,842**	305,032
Investments	24	**243**	424
Bank and cash balances	27	**725,642**	603,582
		1,685,066	1,520,521
TOTAL ASSETS		**3,764,894**	3,483,868
Capital and reserves			
Share capital	32	**54,554**	34,637
Reserves	34(a)	**3,535,877**	3,198,434
Equity attributable to owners of the Company		**3,590,431**	3,233,071
Non-controlling interests		**(42,883)**	(16,378)
Total equity		**3,547,548**	3,216,693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Finance lease payables	30	263	846
Deferred tax liabilities	31	3,271	2,774
		3,534	3,620
Current liabilities			
Trade payables	28	98,454	98,755
Accruals and other payables		10,928	19,356
Borrowings	29	82,679	126,601
Finance lease payables	30	552	500
Current tax liabilities		21,199	18,343
		213,812	263,555
Total liabilities		217,346	267,175
TOTAL EQUITY AND LIABILITIES		3,764,894	3,483,868
Net current assets		1,471,254	1,256,966
Total assets less current liabilities		3,551,082	3,220,313

Approved by Board of Directors on 28 September 2012

LAM Kwok Hing
Chairman

LEE Choi Lin, Joecy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	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$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2010	28,285	1,279,501	97	125,083	18,023	929	(20,104)	1,151,081	29,177	2,612,072	(2,753)	2,609,319
Total comprehensive income for the year	–	–	–	35,510	–	–	20,104	132,784	–	188,398	(13,625)	174,773
Bonus issue	1,640	–	–	–	–	–	–	(1,640)	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	8,142	–	–	–	–	8,142	–	8,142
Share issued on placing	3,350	375,225	–	–	–	–	–	–	–	378,575	–	378,575
Shares issued on exercise of share options	1,362	95,304	–	–	(17,979)	–	–	–	–	78,687	–	78,687
Transfer of reserve upon cancellation of share options	–	–	–	–	(44)	–	–	44	–	–	–	–
Adjustment to 2010 final dividend	–	–	–	–	–	–	–	(3,626)	3,626	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	(32,803)	(32,803)	–	(32,803)
Change in equity for the year	6,352	470,529	–	35,510	(9,881)	–	20,104	127,562	(29,177)	620,999	(13,625)	607,374
At 30 June 2011	34,637	1,750,030	97	160,593	8,142	929	–	1,278,643	–	3,233,071	(16,378)	3,216,693
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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(54,026)**	128,182
Adjustments for:		
Amortisation of other intangible assets	**43,399**	45,399
Amortisation of prepaid land lease payments	**18,678**	17,604
Changes in fair value of biological assets less costs to sell	**17,015**	790
Depreciation	**66,759**	41,748
Finance costs	**2,313**	2,991
Loss/(gain) of fixed assets disposals/written off, net	**99**	(150)
Impairment loss on available-for-sale financial assets	**7,253**	34,508
Impairment loss on other intangible assets	**6,364**	–
Revaluation loss on buildings	**26,826**	–
Interest income	**(4,596)**	(2,618)
Equity-settled share-based payments expenses	**3,308**	8,142
Allowance for trade receivables	**2,660**	–
Allowance for other receivables	**5,448**	–
Fair value loss on financial assets at fair value through profit or loss	**181**	88
Operating profit before working capital changes	**141,681**	276,684
Decrease in inventories	**1,118**	1,206
Increase in other assets	**(48,228)**	(17,714)
Increase in trade and other receivables, prepayments and deposits	**(54,018)**	(113,573)
(Decrease)/increase in trade and other payables	**(8,729)**	12,802
Cash generated from operations	**31,824**	159,405
Income taxes paid	**(7)**	–
Interest paid	**(2,268)**	(2,951)
Finance lease charges paid	**(45)**	(40)
Net cash generated from operating activities	**29,504**	156,414

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit paid for investment in a joint venture	**(3,704)**	–
Deposit paid for acquisition of land use rights	**(18,314)**	–
Disposal of subsidiaries	**–**	78
Interest received	**4,596**	2,618
Proceeds from disposals of fixed assets	**5**	225
Purchases of fixed assets	**(3,639)**	(23,312)
Purchase of other intangible assets	**(44,500)**	(20,000)
Payment for prepaid land lease payments	**(32,165)**	(147,015)
Increase in construction in progress	**(134,129)**	(191,083)
Net cash used in investing activities	**(231,850)**	(378,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders	**762**	–
Repayment of bank loans	**(137,933)**	(337,933)
Drawdown of bank loans	**135,000**	210,000
Decrease in import loans	**(40,989)**	(4,526)
Repayment of capital element of finance leases	**(531)**	(337)
Dividends paid	**–**	(32,803)
Net proceeds from issue of share capital	**355,279**	457,262
Net cash generated from financing activities	**311,588**	291,663
NET INCREASE IN CASH AND CASH EQUIVALENTS	**109,242**	69,588
Effect of foreign exchange rate changes	**12,818**	14,743
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**603,582**	519,251
CASH AND CASH EQUIVALENTS AT END OF YEAR	**725,642**	603,582
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**725,642**	603,582

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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 40 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 2011. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

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 income statement and consolidated statement of 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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 for each income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leases *(continued)*

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) 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.

(ii) 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Share-based payments *(continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Taxation *(continued)*

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.

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.

(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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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 a subcontracting and management agreement for establishment and subsequent maintenance of its citrus tree cultivation and plantation with area of approximately 2,000 Chinese mu. 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 a subcontractor. 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”.

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.

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

Key sources of estimation uncertainty *(continued)*

(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$282,525,000. 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

The Group appointed an independent professional valuer to assess the fair values of buildings. In determining the fair values of the buildings, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and satisfied that the method of valuation is reflective of the current market conditions.

(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

	2012 HK$'000	2011 HK$'000
Financial assets		
Financial assets at fair value through profit or loss – held for trading	243	424
Available-for-sale financial assets	1,891	9,144
Loans and other receivables (including cash and cash equivalents)	1,374,111	1,122,123
Financial liabilities		
Financial liabilities at amortised cost	189,414	241,749

(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:

	2012 HK$'000	2011 HK$'000
ASSETS		
RMB	151,203	123,545
USD	41,474	42,096
LIABILITIES		
RMB	–	943
USD	83,736	94,221

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HKD is pegged with USD. At 30 June 2012, if HKD had weakened/strengthened 2% (2011: 10%) against RMB with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2012 would have been approximately HK$3,024,000 lower/higher (2011: consolidated profit after tax would have been approximately HK$12,260,000 higher/lower), 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 difference 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 for the year would be decreased/increased by approximately HK$213,000 (2011: consolidated profit after tax would be increased/decreased by approximately HK$956,000) 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.

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.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management *(continued)*

(iv) Liquidity risk *(continued)*

	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 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
At 30 June 2011					
Trade payables	–	98,755	–	–	98,755
Accruals and other payables	–	16,393	–	–	16,393
Borrowings subject to a repayment on demand clause	126,601	–	–	–	126,601
Finance lease payables	–	544	576	313	1,433
	126,601	115,692	576	313	243,182

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 2012	79,255	2,977	736	82,968
At 30 June 2011	120,491	3,032	3,713	127,236

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 2012 would be increased by approximately HK$92,000 (2011: consolidated profit after tax would be decreased by approximately HK$1,133,000), 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 2012 would be decreased by approximately HK$45,000 (2011: consolidated profit after tax would be increased by approximately HK$1,133,000), 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 are using the Level 1 of the fair value hierarchy (2011: Level 1).

6. TURNOVER

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

7. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Exchange gain	7,228	1,421
Government grants	612	351
Interest income	4,596	2,618
Sundry income	68	116
	12,504	4,506

8. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of fast moving consumer goods including packaged food, beverages, household consumable products, cosmetic products and cold chain products ("FMCG Trading Business");

(ii) The cultivation, sale and trading of fresh and processed fruits and vegetables ("Agri-Products Business"); and

(iii) Provision of logistics services ("Logistics Services Business").

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different technology and marketing strategies.

The chief operating decision makers have been identified as the board 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 financial statement. 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 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 2012				
Revenue from external customers	**815,456**	**1,029,681**	**182,720**	**2,027,857**
Segment profit	**5,037**	**3,719**	**33,581**	**42,337**
Depreciation and amortisation	**30,502**	**55,302**	**35,852**	**121,656**
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	**–**	**17,015**	**–**	**17,015**
Additions to segment non-current assets	**16,464**	**247,316**	**70,273**	**334,053**
As at 30 June 2012				
Segment assets	**1,061,614**	**1,769,350**	**659,712**	**3,490,676**
Segment liabilities	**112,555**	**63,564**	**5,607**	**181,726**

	FMCG Trading Business HK$'000	Agri-Products Business HK$'000	Logistics Services Business HK$'000	Total HK$'000
Year ended 30 June 2011				
Revenue from external customers	944,292	983,845	194,195	2,122,332
Segment profit	90,710	39,945	65,779	196,434
Depreciation and amortisation	33,581	38,933	31,753	104,267
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	790	–	790
Additions to segment non-current assets	80,803	305,881	33,659	420,343
As at 30 June 2011				
Segment assets	1,162,560	1,543,176	655,180	3,360,916
Segment liabilities	132,171	86,553	6,077	224,801

8. SEGMENT INFORMATION *(continued)*

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

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

Geographical information:

For the years ended 30 June 2011 and 2012, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

Revenue from major customer:

For the years ended 30 June 2011 and 2012, the turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover and accordingly, no major customer information is presented.

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	20	–
Current tax – Overseas		
Provision for the year	2,843	8,650
Deferred tax (note 31)	390	373
	3,253	9,023

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

Tax charge on profits assessable elsewhere in other jurisdictions have been calculated at the rates of tax prevailing in the relevant jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

According to the Income Tax Law of the Macau Special Administrative Region, Macau Complementary Tax is calculated at a progressive rate from 9% to 12% (2011: 9% to 12%) on the estimated assessable profits for the year with the first two hundred thousand patacas assessable profits being free from tax. However, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Furthermore, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rates of 25% (2011: 25%), based on existing legislation, interpretation and practices in respect thereof.

The reconciliation of the income tax expenses and the product of profit/(loss) before tax multiplied by the statutory tax rate of the countries in which the Company and its subsidiaries are domiciled to the tax expenses at the effective tax rates are as follows:

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

11. (LOSS)/PROFIT FOR THE YEAR

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

	2012 HK$'000	2011 HK$'000
Amortisation of other intangible assets, net of amount capitalised	43,399	45,399
Auditors' remuneration		
Statutory audit	1,392	1,387
Non-audit services	5	5
	1,397	1,392
Cost of inventories sold	1,592,679	1,604,404
Depreciation, net of amount capitalised	66,759	41,748
Fair value loss on financial assets at fair value through profit or loss	181	88
Loss/(gain) of fixed assets disposals/written off, net	99	(150)
Allowance for trade receivables	2,660	–
Allowance for other receivables	5,448	–
Impairment loss on available-for-sale financial assets	7,253	34,508
Impairment loss on other intangible assets	6,364	–
Operating lease charges in respect of land and buildings, net of amount capitalised	100,831	74,155
Other equity-settled share-based payments	551	5,954
Rental income#	(11,345)	(961)
Revaluation loss on buildings	26,826	–
Staff costs (excluding directors' emoluments – note 12)		
Staff salaries, bonus and allowances	23,903	21,914
Equity-settled share-based payments	2,757	204
Retirement benefits scheme contributions	608	663
	27,268	22,781

Included in logistics services income in note 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:

	2012 HK$'000	2011 HK$'000
Fees	270	270
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	5,107	4,394
Retirement benefits scheme contributions	39	36
Equity-settled share-based payments	–	1,984
	5,416	6,684

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:

	2012 HK$'000	2011 HK$'000
Fees		
Mr. John Handley	50	50
Mr. Poon Yiu Cheung, Newman	50	50
Ms. Mak Yun Chu	50	50
	150	150

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

(a) Independent non-executive directors *(continued)*

	2012 HK$'000	2011 HK$'000
Equity settled share-based payments		
Mr. John Handley	–	331
Mr. Poon Yiu Cheung, Newman	–	331
Ms. Mak Yun Chu	–	331
	–	993

(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
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
2011					
Mr. Lam Kwok Hing	–	1,950	12	–	1,962
Mr. Chu Ki	–	1,950	12	–	1,962
Ms. Lee Choi Lin, Joecy	–	494	12	–	506
Ms. Chan Yuk, Foebe	120	–	–	991	1,111
	120	4,394	36	991	5,541

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 (2011: HK$Nil).

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

The five highest paid individuals in the Group during the year included three (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2011: three) individuals are set out below:

	2012 HK$'000	2011 HK$'000
Salaries, bonuses, allowances and benefits in kind	2,205	3,258
Retirement benefits scheme contributions	22	25
Equity-settled share-based payments	2,757	204
	4,984	3,487

The emoluments fell within the following bands:

	Number of individuals 2012	 2011
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	2
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 (2011: HK$Nil).

13. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a profit of approximately HK$28,405,000 (2011: HK$8,281,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

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

15. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$30,012,000 (2011: profit of HK$132,784,000) and the weighted average number of ordinary shares of 4,738,853,370 (2011: 4,171,055,037 as restated) in issue during the year after adjusting the effects of the bonus issue (note 32(a)) in December 2011 and open offer (note 32(b)) in April 2012. The basic earnings per share for 2011 had been adjusted accordingly.

Diluted earnings per share

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

The calculation of diluted earnings per share for the year ended 30 June 2011 attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$132,784,000 and the restated weighted average number of ordinary shares of 4,206,677,436, being the restated weighted average number of ordinary shares of 4,171,055,037 in issue during the year used in the basic earnings per share calculation plus the restated weighted average number of ordinary shares of 35,622,399 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year. The diluted earnings per share for 2011 had been adjusted for the effects of the bonus issue (note 32(a)) and open offer (note 32(b)) in current year.

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 2010	358,909	154,889	22,842	174,736	52,122	763,498
Additions	–	–	147	21,899	2,862	24,908
Disposals/written off	–	–	–	–	(441)	(441)
Adjustment on revaluation	(10,314)	–	–	–	–	(10,314)
Exchange differences	16,920	–	622	973	1,292	19,807
At 30 June 2011 and 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	341,101	463,730	24,151	224,096	60,042	1,113,120
Accumulated depreciation						
At 1 July 2010	–	9,716	17,845	52,218	28,050	107,829
Charge for the year	10,314	8,703	2,556	21,367	7,511	50,451
Disposals/written off	–	–	–	–	(366)	(366)
Adjustment on revaluation	(10,314)	–	–	–	–	(10,314)
Exchange differences	–	–	499	494	656	1,649
At 30 June 2011 and 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	–	43,632	23,265	106,215	42,885	215,997
Carrying amount						
At 30 June 2012	341,101	420,098	886	117,881	17,157	897,123
At 30 June 2011	365,515	136,470	2,711	123,529	19,984	648,209

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 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
At 30 June 2011						
At cost	–	154,889	23,611	197,608	55,835	431,943
At directors' valuation 2011	365,515	–	–	–	–	365,515
	365,515	154,889	23,611	197,608	55,835	797,458

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

Depreciation charge for the year is analysed as follows:

	2012 HK$'000	2011 HK$'000
Charge to profit or loss	66,759	41,748
Capitalised as biological assets (note 20)	9,467	8,703
	76,226	50,451

The Group's buildings were revalued at 30 June 2012 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$350,096,000 (2011: HK$347,894,000) had they been stated at cost less accumulated depreciation.

At 30 June 2012 the carrying amount of office equipment and motor vehicles held by the Group under finance leases amounted to approximately HK$1,734,000 (2011: HK$2,210,000).

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.

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

	2012 HK$'000	2011 HK$'000
Within one year	2,541	710
In the second to fifth years inclusive	1,423	818
	3,964	1,528

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 2010	144,026
Additions	191,083
At 30 June 2011 and 1 July 2011	335,109
Additions	134,129
Transfers	(334,529)
At 30 June 2012	134,709

19. GOODWILL

	HK$'000
At 1 July 2010, 30 June 2011, 1 July 2011 and 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. The carrying amount of goodwill had been allocated as follows:

	2012 HK$'000	2011 HK$'000
Distribution of cosmetic products business	**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

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. The discount rate applied to cash flow projections is 11.5% and cash flows beyond five years period are extrapolated using a growth rate of 5% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. 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.

20. BIOLOGICAL ASSETS

	Citrus trees HK$'000
At 1 July 2010	42,841
Increase due to purchase/raising	13,306
Loss arising from changes in fair value less costs to sell	(790)
At 30 June 2011 and 1 July 2011	55,357
Increase due to purchase/raising	14,127
Loss arising from changes in fair value less costs to sell	(17,015)
At 30 June 2012	52,469

Included in increase to the Group's biological assets are 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$9,467,000 (2011: HK$8,703,000), HK$396,000 (2011: HK$396,000), HK$2,138,000 (2011: HK$2,138,000) and HK$2,126,000 (2011: HK$2,069,000) respectively.

At 30 June 2012, the commitments for development and acquisition of biological assets amounted to approximately HK$22,988,000 (2011: HK$46,705,000), which have been included in note 38.

Biological assets as at 30 June 2012 and 2011 are stated at fair values less costs to sell and are analysed as follows:

	2012 HK$'000	2011 HK$'000
Non-current portion	52,469	55,357
Current portion	–	–
	52,469	55,357

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

	Citrus trees (Chinese Mu)
2012	**2,000**
2011	2,000

In accordance with the valuation report issued by BMI Appraisals 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.

20. BIOLOGICAL ASSETS *(continued)*

There were no quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year.

The Group is exposed to a number of risks related to its citrus tree 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. 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 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 2010	151,818	97,443	17,216	1,500	267,977
Additions	20,000	–	–	–	20,000
Written off upon retirement	(58,500)	–	–	–	(58,500)
At 30 June 2011 and 1 July 2011	113,318	97,443	17,216	1,500	229,477
Additions	44,500	–	–	–	44,500
Written off upon retirement	(25,000)	–	–	–	(25,000)
At 30 June 2012	132,818	97,443	17,216	1,500	248,977
Accumulated amortisation and impairment					
At 1 July 2010	99,619	29,233	5,739	1,200	135,791
Amortisation for the year	22,713	19,489	3,443	150	45,795
Written off upon retirement	(58,500)	–	–	–	(58,500)
At 30 June 2011 and 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
Written off upon retirement	(25,000)	–	–	–	(25,000)
At 30 June 2012	65,910	68,210	12,625	1,500	148,245
Carrying amount					
At 30 June 2012	66,908	29,233	4,591	–	100,732
At 30 June 2011	49,486	48,721	8,034	150	106,391

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 2012 approximates to HK$66,908,000 (2011: HK$49,486,000). 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$6,364,000 that have been recognised in profit or loss. The average remaining amortisation period for these distribution rights is 6.0 years (2011: 3.4 years).

(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 2012 approximates to HK$29,233,000 (2011: HK$48,721,000). The remaining amortisation period for the customer networks is 1.5 years (2011: 2.5 years).

(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 1.3 years (2011: 2.3 years).

22. OTHER ASSETS

	2012 HK$'000	2011 HK$'000
Prepaid operating leases for pack houses facilities	**44,887**	22,763
Prepaid operating leases for logistics license and resources	**25,739**	27,327
Prepaid subcontracting charges for agri-products processing	**–**	3,646
Prepaid subcontracting charges for seedling plantation	**37,560**	17,110
Prepaid consultancy services fee for agri-development	**10,888**	–
Deposit for acquisition of land use rights	**18,314**	–
Deposit for investment in a joint venture	**3,704**	–
	141,092	70,846

23. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2011: HK$108,000) at 30 June 2012 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

	2012 HK$'000	2011 HK$'000
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	**1,891**	9,144
Current assets		
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	**243**	424
	2,134	9,568

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.

25. INVENTORIES

	2012 HK$'000	2011 HK$'000
Packing materials	**111**	178
Finished goods	**219,332**	220,383
	219,443	220,561

26. TRADE RECEIVABLES

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

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

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

As at 30 June 2012, an allowance was made for estimated irrecoverable trade receivables of approximately HK$2,660,000 (2011: HK$ nil).

Reconciliation of allowance for trade receivables:

	2012 HK$'000	2011 HK$'000
Allowance for the year and at 30 June	2,660	–

At 30 June 2012, trade receivables of approximately HK$38,699,000 (2011: HK$127,000) were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been substantially settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

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

27. BANK AND CASH BALANCES

At 30 June 2012, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$285,842,000 (2011: HK$305,443,000). 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:

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

29. BORROWINGS

	2012 HK$'000	2011 HK$'000
Portion of bank loans due for repayment within one year, secured (note 36)	**79,012**	120,001
Portion of bank loans due for repayment after one year which contain a repayment on demand clause, secured (note 36)	**3,667**	6,600
	82,679	126,601

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:

	2012 HK$'000	2011 HK$'000
On demand or within one year	**79,012**	120,001
In the second year (note)	**3,667**	2,933
In the third to fifth years, inclusive (note)	**–**	3,667
	82,679	126,601

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.

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

	2012	2011
Bank loans	**1.90% to 3.25% p.a.**	1.63% to 2.69% 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Within one year	576	544	552	500
In the second to fifth years, inclusive	281	889	263	846
	857	1,433	815	1,346
Less: Future finance charges	(42)	(87)	–	–
Present value of lease payables	815	1,346	815	1,346
Less: Amount due for settlement within 12 months (shown under current liabilities)			(552)	(500)
Amount due for settlement after 12 months			263	846

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 2012, the effective borrowing rate was in the range from 1.70% to 14.89% (2011: 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 2010	2,285
Charge to profit or loss for the year (note 10)	373
Exchange differences	116
At 30 June 2011 and 1 July 2011	2,774
Charge to profit or loss for the year (note 10)	390
Exchange differences	107
At 30 June 2012	3,271

31. DEFERRED TAX LIABILITIES *(continued)*

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

	2012 HK$'000	2011 HK$'000
Prepaid land lease payments	**7,003**	6,393
Revaluation of buildings	**35,831**	7,088
Decelerated tax depreciation	**14,698**	14,453
Unused tax losses	**133,979**	114,355
	191,511	142,289

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$103,943,000 (2011: HK$89,585,000) 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 2011 and 2012		10,000,000,000	100,000
Issued and fully paid:			
At 1 July 2010		2,828,524,500	28,285
Placing and subscription of shares		335,000,000	3,350
Bonus issue		164,016,225	1,640
Shares issued on exercise of share options		136,190,000	1,362
At 30 June 2011 and 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		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.

32. SHARE CAPITAL *(continued)*

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 2011 and 2012.

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 2012, over 25% (2011: over 25%) of the shares were in public hands.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Fixed assets	68	100
Investment in a subsidiary	47,780	47,780
Prepayment, deposits and other receivables	433	6,017
Due from a subsidiary	2,299,303	1,957,614
Bank and cash balances	101,778	56,145
Accruals and other payables	(934)	(1,220)
Borrowings	(25,000)	(30,000)
Net assets	2,423,428	2,036,436
Share capital	54,554	34,637
Reserves	2,368,874	2,001,799
Total equity	2,423,428	2,036,436

34. RESERVES

(a) Group

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

34. RESERVES *(continued)*

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 July 2010	1,328,065	18,023	192,004	29,177	1,567,269
Bonus issue	–	–	(1,640)	–	(1,640)
Recognition of equity-settled share-based payments	–	8,142	–	–	8,142
Share issued on placing	375,225	–	–	–	375,225
Shares issued on exercise of share options	95,304	(17,979)	–	–	77,325
Transfer of reserve upon cancellation of share options	–	(44)	44	–	–
Profit for the year	–	–	8,281	–	8,281
Adjustment to 2010 final dividend	–	–	(3,626)	3,626	–
Dividend paid	–	–	–	(32,803)	(32,803)
At 30 June 2011	1,798,594	8,142	195,063	–	2,001,799
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**

(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.

34. RESERVES *(continued)*

(c) Nature and purpose of reserves *(continued)*

(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)(ii) to the financial statements.

35. SHARE-BASED PAYMENTS

Equity-settled 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 of directors 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 of directors 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 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 2011	Transfer	Lasped 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			

35. SHARE-BASED PAYMENTS *(continued)*

Equity-settled share option scheme *(continued)*

Name or category of participants	Number of share options: At 1 July 2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 30 June 2011	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	–	15,000,000	–	–	15,000,000	15 June 2011	15 June 2011 to 14 June 2016	0.794
Independent non-executive directors								
Mr. John Handley	–	5,000,000	–	–	5,000,000	15 June 2011	15 June 2011 to 14 June 2016	0.794
Mr. Poon Yiu Cheung, Newman	–	5,000,000	–	–	5,000,000	15 June 2011	15 June 2011 to 14 June 2016	0.794
Ms. Mak Yun Chu	–	5,000,000	–	–	5,000,000	15 June 2011	15 June 2011 to 14 June 2016	0.794
Employees (in aggregate)	19,398,487*	–	(19,390,000)	(8,487)	–	23 December 2008	1 July 2010 to 30 June 2015	0.426*
	64,661,625	–	(64,400,000)	(261,625)	–	23 December 2008	1 July 2010 to 30 June 2015	0.447
	10,000,000	–	(10,000,000)	–	–	11 February 2010	11 February 2010 to 10 February 2015	0.740
	–	10,000,000	–	–	10,000,000#	15 June 2011	1 January 2012 to 31 December 2016	0.794
	–	10,000,000	–	–	10,000,000 ##	15 June 2011	1 January 2013 to 31 December 2017	0.794
Other eligible participants (in aggregate)	869,051*	–	–	–	869,051	30 April 2002	1 May 2002 to 30 April 2012	0.192*
	12,415,032	–	(12,400,000)	(15,032)	–	3 February 2006	3 February 2006 to 2 February 2011	0.971*
	30,000,000	–	(30,000,000)	–	–	11 February 2010	11 February 2010 to 10 February 2015	0.740
	–	90,000,000	–	–	90,000,000	15 June 2011	15 June 2011 to 14 June 2016	0.794
	137,344,195	140,000,000	(136,190,000)	(285,144)	140,869,051			

* The number of share options and exercise prices have been adjusted to reflect the bonus issue and open offer (2011: bonus issue) during the year.

\# 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:

	2012		2011	
	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	**180,157,428***	**0.618***	137,344,195*	0.575*
Granted during the year	**–**	**–**	140,000,000	0.794
Exercised during the year	**–**	**–**	(136,190,000)	0.578
Cancelled during the year	**–**	**–**	(285,144)	0.474
Lapsed during the year	**(1,111,428)**	**0.150**	–	–
Outstanding at the end of the year	**179,046,000**	**0.621**	140,869,051	0.790
Exercisable at the end of the year	**166,257,000**		120,869,051	

* The number of share options and exercise prices have been adjusted to reflect the bonus issue and open offer (2011: bonus issue) during the year.

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.

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.04 years (2011: 4.83 years) and the exercise prices is HK$0.621 (2011: range from HK$0.192 to HK$0.794). No options were granted during the year.

At 30 June 2012, the Company had 179,046,000 (2011: 140,869,051) 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 179,046,000 (2011: 140,869,051) additional ordinary shares and additional share capital of HK$1,790,460 (2011: HK$1,408,691) and share premium of approximately HK$109,397,106 (2011: HK$109,918,000) (before share issue expenses).

36. BANKING FACILITIES

At 30 June 2012, 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.

37. CONTINGENT LIABILITIES

At 30 June 2012, the Group did not have any significant contingent liabilities (2011: HK$Nil).

38. CAPITAL COMMITMENTS

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

	2012 HK$'000	2011 HK$'000
Contracted but not provided for		
– Construction in progress	**52,345**	87,359
– Seedling plantation	**10,741**	5,952
	63,086	93,311

39. OPERATING LEASE COMMITMENTS

At 30 June 2012, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**8,489**	1,484
In the second to fifth years, inclusive	**5,641**	1,104
	14,130	2,588

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.

40. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2012 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
Earth Power Group Limited	BVI	Ordinary US$50,000	100%	Distribution of chilled and frozen seafood and meat products
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
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

40. PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Profit Step Development Limited	HK	Ordinary HK$100	100%	Distribution of fresh produce products
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
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	63%	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$7,056,069 has been paid up as at 30 June 2012.

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.

41. COMPARATIVE FIGURES

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

42. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 September 2012.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
– Owners of the Company	**(30,012)**	132,784	226,034	115,054	255,148
– Non-controlling interests	**(27,267)**	(13,625)	(5,436)	(5,024)	(3,297)
(Loss)/profit for the year	**(57,279)**	119,159	220,598	110,030	251,851

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,764,894**	3,483,868	3,030,897	2,717,463	2,400,299
Total liabilities	**(217,346)**	(267,175)	(421,578)	(435,279)	(406,489)
Total non-controlling interests	**42,883**	16,378	2,753	-	(5,026)
Total equity attributable to owners of the Company	**3,590,431**	3,233,071	2,612,072	2,282,184	1,988,784

Note: The results of the Group for the four years ended 30 June 2008, 2009, 2010 and 2011 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 2012 and the assets, liabilities and equity of the Group as at 30 June 2012 are those set out in page 25 and pages 27 and 28 of the financial statements, respectively.