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)

Interim Report 2013/2014

The board (the "Board") of directors (the "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2013 (the "Period") together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2013

	Note	Six months ended 31 December 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
TURNOVER	4	**885,225**	1,049,302
Cost of sales		**(812,676)**	(920,782)
Gross profit		**72,549**	128,520
Changes in fair value of biological assets less costs to sell		**(4,566)**	(7,581)
Other income		**5,763**	4,516
Selling and distribution expenses		**(60,087)**	(91,004)
Administrative expenses		**(91,896)**	(122,784)
Other operating expenses		**–**	(29,059)
LOSS FROM OPERATIONS		**(78,237)**	(117,392)
Finance costs	6	**(354)**	(578)
LOSS BEFORE TAX		**(78,591)**	(117,970)
Income tax expense	7	**(184)**	(101)
LOSS FOR THE PERIOD	8	**(78,775)**	(118,071)
Attributable to:			
Owners of the Company		**(78,924)**	(94,722)
Non-controlling interests		**149**	(23,349)
		(78,775)	(118,071)
LOSS PER SHARE	10		
– Basic		**HK(1.4 cents)**	HK(1.7 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2013

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the Period	**(78,775)**	(118,071)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**9,089**	(9,086)
Fair value changes of available-for-sale financial assets	**(29,073)**	4,138
Other comprehensive income for the Period, net of tax	**(19,984)**	(4,948)
Total comprehensive income for the Period	**(98,759)**	(123,019)
Total comprehensive income attributable to:		
Owners of the Company	**(98,908)**	(99,670)
Non-controlling interests	**149**	(23,349)
	(98,759)	(123,019)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**31 December 2013 (Unaudited) HK$'000**	30 June 2013 (Audited) HK$'000
Non-current assets			
Fixed assets		**895,133**	911,652
Prepaid land lease payments		**363,222**	409,143
Construction in progress		**165,159**	164,215
Goodwill		**277,735**	277,735
Biological assets		**55,722**	52,602
Other intangible assets		**45,383**	63,450
Other assets		**108,036**	123,191
Investments in a club membership		**108**	108
Investments		**99,009**	127,616
		2,009,507	2,129,712
Current assets			
Biological assets		**682**	210
Inventories		**201,295**	200,607
Trade receivables	11	**428,134**	422,194
Prepayments, deposits and other receivables		**360,652**	331,353
Investments		**82,549**	25,258
Bank and cash balances		**451,978**	545,156
		1,525,290	1,524,778
TOTAL ASSETS		**3,534,797**	3,654,490
Capital and reserves			
Share capital	13	**54,554**	54,554
Reserves		**3,276,697**	3,375,860
Equity attributable to owners of the Company		**3,331,251**	3,430,414
Non-controlling interests		**1,547**	697
Total equity		**3,332,798**	3,431,111

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2013

	Note	**31 December 2013 (Unaudited) HK$'000**	30 June 2013 (Audited) HK$'000
Non-current liabilities			
Finance lease payables		**14**	22
Deferred tax liabilities		**3,758**	3,711
		3,772	3,733
Current liabilities			
Trade payables	12	**113,146**	113,072
Accruals and other payables		**16,587**	14,578
Borrowings		**64,390**	87,844
Finance lease payables		**14**	241
Current tax liabilities		**4,090**	3,911
		198,227	219,646
Total liabilities		**201,999**	223,379
TOTAL EQUITY AND LIABILITIES		**3,534,797**	3,654,490
Net current assets		**1,327,063**	1,305,132
Total assets less current liabilities		**3,336,570**	3,434,844

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium account	Legal reserve	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Investment revaluation reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2012	54,554	2,087,124	97	189,378	11,450	929	–	–	1,246,899	3,590,431	(42,883)	3,547,548
Total comprehensive income for the period	–	–	–	(9,086)	–	–	4,138	–	(94,722)	(99,670)	(23,349)	(123,019)
Recognition of equity-settled share-based payments	–	–	–	–	18,612	–	–	–	–	18,612	–	18,612
Change in equity for the period	–	–	–	(9,086)	18,612	–	4,138	–	(94,722)	(81,058)	(23,349)	(104,407)
At 31 December 2012	54,554	2,087,124	97	180,292	30,062	929	4,138	–	1,152,177	3,509,373	(66,232)	3,443,141
At 1 July 2013	54,554	2,087,124	97	196,864	31,366	929	76,701	(86,094)	1,068,873	3,430,414	697	3,431,111
Total comprehensive income for the period	–	–	–	9,089	–	–	(29,073)	–	(78,924)	(98,908)	149	(98,759)
Disposal of a subsidiary	–	–	–	(255)	–	–	–	–	–	(255)	(565)	(820)
Capital injection	–	–	–	–	–	–	–	–	–	–	1,266	1,266
Change in equity for the period	–	–	–	8,834	–	–	(29,073)	–	(78,924)	(99,163)	850	(98,313)
At 31 December 2013	54,554	2,087,124	97	205,698	31,366	929	47,628	(86,094)	989,949	3,331,251	1,547	3,332,798

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**9,091**	3,443
NET CASH USED IN INVESTING ACTIVITIES	**(85,579)**	(115,422)
NET CASH USED IN FINANCING ACTIVITIES	**(22,423)**	(13,336)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(98,911)**	(125,315)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**5,733**	(4,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**545,156**	725,642
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**451,978**	595,813
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**451,978**	595,813

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2013. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements and segment information are consistent with those used in the audited financial statements and segment information for the year ended 30 June 2013.

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

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2013. 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, presentation of the Group's financial statements and amounts reported for the current period and the prior years except as stated below.

HKFRS 13 "Fair Value Measurement"

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

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

The Group does not apply the new HKFRSs that have been issued but are not yet effective. The Group has 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. FAIR VALUE MEASUREMENT

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

The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

4. TURNOVER

The Group's turnover which represents sales of fast moving consumer goods ("FMCG"), agri-products, and revenue from logistics services was as follows:

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of consumer goods	**410,363**	413,442
Sales of agri-products	**447,494**	557,458
Logistics services income	**27,368**	78,402
	885,225	1,049,302

5. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of FMCG 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").

There were no significant sales between the reportable operating segments.

The segment information of the Group was as follows:

	FMCG Trading Business (Unaudited) HK$'000	Agri-Products Business (Unaudited) HK$'000	Logistics Services Business (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 31 December 2013				
Revenue from external customers	**410,363**	**447,494**	**27,368**	**885,225**
Segment profit/(loss)	**2,180**	**(60,655)**	**(6,649)**	**(65,124)**
At 31 December 2013				
Segment assets	**1,179,850**	**1,639,249**	**559,290**	**3,378,389**

	FMCG Trading Business (Unaudited) HK$'000	Agri-Products Business (Unaudited) HK$'000	Logistics Services Business (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 31 December 2012				
Revenue from external customers	413,442	557,458	78,402	1,049,302
Segment (loss)/profit	(25,331)	(73,388)	5,783	(92,936)
At 30 June 2013				
Segment assets	1,168,488	1,722,867	605,141	3,496,496

	Six months ended 31 December	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Reconciliations of segment loss:		
Total loss of reportable segments	**(65,124)**	(92,936)
Other corporate expenses	**(13,651)**	(25,135)
Consolidated loss for the Period	**(78,775)**	(118,071)

6. FINANCE COSTS

	Six months ended 31 December	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Interest on borrowings	**349**	563
Finance lease charges	**5**	15
	354	578

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current period tax:		
Hong Kong	**13**	–
Overseas	**171**	101
	184	101

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period (2012: HK$Nil).

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 maximum progressive rate of 12% (2012: 9% to 12%) on the estimated assessable profits for the Period with the first three hundred thousand patacas assessable profits being free from tax. However, two subsidiaries operating in Macau during the Period 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. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2012: 25%), based on existing legislation, interpretation and practices in respect thereof.

8. LOSS FOR THE PERIOD

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

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation and depreciation, net of amount capitalised	**76,057**	87,389
Allowance for other receivables	**–**	2,500
Allowance for inventories	**–**	26,559
Cost of inventories sold	**792,223**	898,393
Directors' emoluments	**2,745**	1,962
Equity-settled share-based payments	**–**	18,612
– Directors	**–**	6,285
– Staff and others	**–**	12,327
Operating lease charges in respect of land and buildings, net of amount capitalised	**54,637**	52,050

9. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company was based on the Group's loss for the Period attributable to owners of the Company of approximately HK$78,924,000 (2012: approximately HK$94,722,000) and the weighted average number of ordinary shares of the Company of 5,455,375,891 (2012: 5,455,375,891) in issue during the Period.

No diluted earnings per share for the Period is presented as the effect of all potential ordinary shares is anti-dilutive for period ended 31 December 2013 and 2012.

11. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2012: 30 to 120 days). Full provision is made for outstanding debts aged over 365 days or collectability is in significant doubt.

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

	31 December 2013 (Unaudited) HK$'000	30 June 2013 (Audited) HK$'000
1 – 30 days	**143,114**	146,577
31 – 60 days	**143,979**	98,204
61 – 90 days	**122,385**	107,310
Over 90 days	**18,656**	70,103
	428,134	422,194

12. TRADE PAYABLES

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

	31 December 2013 (Unaudited) HK$'000	30 June 2013 (Audited) HK$'000
1 – 30 days	**105,643**	96,678
31 – 60 days	**6,597**	15,889
61 – 90 days	**390**	54
Over 90 days	**516**	451
	113,146	113,072

13. SHARE CAPITAL

	31 December 2013 Number of shares	31 December 2013 Amount HK'000	30 June 2013 Number of shares	30 June 2013 Amount HK'000
Authorised:				
Shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
Shares of HK$0.01 each	**5,455,375,891**	**54,554**	5,455,375,891	54,554

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2013 (30 June 2013: Nil).

15. CAPITAL COMMITMENTS

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

	31 December 2013 (Unaudited) HK$'000	30 June 2013 (Audited) HK$'000
Contracted but not provided for		
– Construction in progress	**41,191**	40,676
– Seedling plantation	**10,696**	10,563
	51,887	51,239

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2013, the Group's turnover was approximately HK$885.2 million, representing a decrease of approximately 15.6%, compared to HK$1,049.3 million in the same period last year. The decline in turnover was mainly attributable to (i) the slowdown of China's macroeconomic growth and the tight liquidity environment which had a direct impact on consumer confidence and negatively impacted all businesses of the Group; (ii) the intense competition from domestic products together with the anti-extravagance sentiment reduced the demand for the Group's products; (iii) the adoption of a more stringent credit control and review on customers with weak credibility to avoid aging inventory and debt collection issues, which the Group had come across in the previous years. These tightening policies in credit control in turn had necessitated the Group to adopt a more prudent attitude on its acceptance of orders and supply of goods, which adversely affected the trading business and its associated logistics services revenue; and (iv) the reduction in scale or abandonment of those operating sectors with unsatisfactory profit contribution. Although the Group's turnover had been affected by adverse trading environment and self control on supply of goods, the Group had been able to enforce tight control over its operating expenses during the Period.

Gross profit margin decreased from approximately 12.2% to approximately 8.2% compared with the same period last year. The decline was mainly attributable to the decline in the gross profit margin of agri-products trading business. The competition for the Group's products was stiff, especially for high-end imported fruits which were affected by the tight liquidity environment and anti-extravagance sentiment in China. As a result, the Group had to reduce prices of certain agri-products as well as their associated logistics services charges to maintain competitiveness, resulting in a fall of gross profit margins of Agri-Products Business and Logistics Services Business. Notwithstanding the above, the Group had exerted efforts to develop FMCG Trading Business during the Period, the gross profit margin of this business unit remained stable by way of managing a favourable product mix and introducing new products.

Selling and distribution expenses decreased approximately 34.0% from approximately HK$91.0 million to approximately HK$60.1 million. These expenses represented approximately 6.8% of turnover compared to approximately 8.7% recorded during the same period last year. During the Period, the Group had successfully implemented several cost saving initiatives, by which marketing and promotion costs, staff costs and transportation costs had been reduced significantly. Selling and distribution expenses included 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 decreased approximately 25.2% from approximately HK$122.8 million to approximately HK$91.9 million. The decrease was mainly attributable to the implementation of cost saving initiatives during the Period. Following the business plan set out in the last financial year of streamlining and abandoning unprofitable sectors, the Group has trimmed and closed some of unprofitable operations to reduce various operating expenses during the Period. On the other hand, the Group has slowed down the upstream farming development in order to reduce agri-related overheads such as rental, labour and certain pilot scheme costs. Additionally, there was a one-time fair value charge of share based payment arising from the grant of share options during the same period last year while there was no such expense during the six months ended 31 December 2013.

There were no other operating expenses during the Period while there was a record of other operating expenses of approximately HK$29.1 million arising from allowance for other receivables and inventories during the same period last year.

Finance costs decreased to approximately HK$0.4 million from approximately HK$0.6 million in the preceding corresponding period. The decrease in finance costs was mainly attributable to a decreased level of utilization of the Group's banking facilities as compared with the same period last year.

The decrease in the Group's net loss can be summarized as mainly attributable to approximately 34.0% decrease in selling and distribution expenses, approximately 25.2% decrease in administrative expenses, and HK$29.1 million decrease in other operating expenses but partly offset by approximately 15.6% decrease in turnover and approximately 4.0% decrease in the Group's overall gross profit margin.

At 31 December 2013, the Group held 14.68% interest in China Zenith Chemical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited, as a medium to long term investment subject to the market conditions, with which a reduction on fair value change on this investment of approximately HK$29.1 million was recognized in the Group's reserves directly in accordance with Hong Kong Financial Reporting Standards.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

During the Period under review, the Group was principally engaged in (i) the trading of packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products (the "FMCG Trading Business"); (ii) the trading of agri-products and the upstream farming business (the "Agri-Products Business"); and (iii) the provision of cold chain and dry-cargo 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 operating environment remained challenging during the Period. China's macro economy continued to grow at a slow pace during the Period. China's GDP growth dropped to 7.5% in the third quarter of 2013, the second lowest pace in four years, followed by a small rebound in the fourth quarter of 7.8%. The liquidity environment was still tight. The escalating domestic debt boom and shadow banking issues continuously restrained China's central bank from loosening liquidity, which unavoidably affected consumer spending. Simultaneously, the rising cost inflation and the fierce competition from the domestic products further stretched the Group's financial performance and squeezed the gross profit margin. In the context of the above, the Group has carefully implemented various measures to reduce operating expenses as well as shifted focus to the FMCG Trading Business to leverage on the Group's well-established trading network.

The FMCG Trading Business sells finished FMCG's into the domestic Chinese consumer market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported from different regions around the world including Europe, the Americas, Australasia and South East Asia. This business unit can be classified into five categories including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products with their respective contribution of approximately 73%, 4%, 6%, 11% and 6%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category.

This business unit formed the foundation of the Group's business success over the years. In view of the long term growth potential of China's consumer market as well as well-established procurement and distribution channels, the Group has been strategically shifting focus to this business unit. During the Period, the Group has deployed more resources to strengthen the procurement team and conduct market research. In addition, the Group has upgraded part of the Zhongshan Logistics Center to accommodate the needs of this business unit, including modifying certain warehouse facilities, strengthening the marketing and procurement teams and setting up showrooms to display our products to customers in Southern China. On the other hand, although high quality imported products are still the primary focus of the Group, our procurement team has already extended their reach into domestic brands and products to enrich the product portfolio. Due to fierce competition, the Group had gradually trimmed cosmetics product business. To this end, the Group has successfully identified new packaged foods to counterweigh the decline in the revenue of cosmetics products and there was a notable growth in turnover of packaged foods compared to the second half of last financial year.

The Group has been also proactively expanding various distribution channels for the FMCG Trading Business. E-commerce is one of the rapidest growing industries in China and the growth has been much more than that of traditional retail channels. Therefore, the Group has been establishing close collaboration with e-commerce operators to build up another important distribution channel in addition to the traditional ones. Currently, many of the Group's products are already available for sales on various renowned online platforms, and the Group will continue to introduce more brands and product types on online platforms. The Group's development in e-commerce business is still at the early stage but a satisfactory growth has already been seen. On the other hand, the Group will continually reinforce the cooperation with wholesalers and on-premise customers in order to expand both traditional and online sales networks for the FMCG Trading 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. The agri-products trading business suffered from the economic downturn significantly during the Period. The tight liquidity environment and anti-extravagance sentiment in China reduced the demand for high-end imported fruits. The competition from domestic agri-products has become more severe and the Group could not increase the selling price but had to reduce prices of certain agri-products to maintain competitiveness. Furthermore, the Group has adopted a more stringent inventory control and credit control in view of the likelihood of providing allowance for aging products and uncollectible debts when any unforeseen events that might come up. This measure adversely affected the turnaround time and resulted in fewer sales orders but was necessary to avoid making provision for aging inventory and doubtful debts during the period of great uncertainty.

The Group's Huidong farming base primarily cultivates leafy vegetables like cabbages, Chinese kales, lettuces, cauliflowers, spinaches. The Jiangxi's farming base is an orchard for various fruits such as early crop oranges and ponkans together with a pilot plantation for Chinese herds, mainly honeysuckle. Both farming bases have already contributed income stream during the Period. However, the market competition was fierce whereas the agricultural raw materials and labour costs have been rising significantly. Further, the adverse and unstable weather conditions negatively affected the production volume of the two farming bases of the Group. Although the operating environment was challenging, the Group has strived to improve the financial performance of this business unit by taking various policies to reduce costs and establishing downstream sales channels to improve gross profit margin. During the Period, in the wake of the maturing of the operations for the upstream farming business, the Group has ceased a number of expensive trial runs and minimized unprofitable operations as well as slowed down the development pace to reduce various overheads and capital expenditure. Additionally, the Group has been developing proper distribution channels including soliciting more wholesalers in the industry and seeking opportunity to set up a trading platform for self-grown products to improve gross profit margin. Furthermore, a research center located in Zhongshan is expected to be operated in the third quarter of 2014. The research center will focus in seed breeding and farming technology in order to enhance operating efficiency and product differentiation, which will further enhance the upside of gross profit margin. The gross profit margin has shown signs of improvement during the Period thanks to the above strategies taken by the Group.

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. This business unit contributed approximately 3% of overall revenues for the Period, compared to approximately 8% during the same period in last year. The decrease was mainly attributable to the decline in agri-products trading business which is highly correlated to the performance of the Logistics Services Business. Additionally, the Group has restructured part of its logistics services and also ceased some of unprofitable logistics operations which also decreased the overall turnover of this business unit. In the light of the weak agri-products trading volume, the Group has strengthened the logistics facilities for FMCG Trading Business such as the upgrade and modification of part of the Zhongshan Logistics Center as aforesaid during the Period, with the aim of improving this business unit by increasing incomes derived from FMCG Trading Business in future. Apart from lifting logistics income from FMCG Trading Business, the Group continued to shift focus in higher margin third party logistics business during the Period, whose revenue as a percentage of the total revenue of this business unit increased from approximately 14% to approximately 23% compared to the same period last year.

The Logistics Services Business is an important strategic unit to support the other two businesses. The Group will strategically expand this business unit if accretive investment opportunity carrying synergies with existing businesses arises. During the Period under review, the Group has been carrying out negotiation with the relevant parties for the development project of the logistics center in Huidong. A potential local business partner who may bring business volume to the logistics center at its initial operation stage has recently participated in discussion about the collaboration for the logistics center. All relevant parties are in progress to finalise the detailed transaction terms and legal agreements in good faith. The new logistics center is located in an easily accessible area which is in close proximity to the Group's Huidong's farming base. The center will be developed as a trading platform for fresh produces along with other ancillary facilities for storage and processing functions, with which the crops in Huidong's farming base will possess a significant trading platform and processing base to suit customers' needs.

Looking forward, the Group believes that the performance of FMCG Trading Business will be improving in near term, and hence more resources will be allocated to this business unit. For the Agri-Products Business, although the Group would adopt a more prudent approach to control costs, the Group would identify and invest in potential projects which can benefit this business unit such as the research center in Zhongshan and the logistics center in Huidong. On macro front, the government made a blueprint for the economic reform after the China's Third Plenum held in November 2013, it is believed that the government will maintain continuity and stability in its macro-economic policies in 2014. The Group is cautiously optimistic that the macro consumer market will recover gradually.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

At 31 December 2013, the Group had interest-bearing borrowings of approximately HK$64.4 million (30 June 2013: HK$87.8 million) of which 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 31 December 2013.

At 31 December 2013, the Group's current assets amounted to approximately HK$1,525.3 million (30 June 2013: HK$1,524.8 million) and the Group's current liabilities amounted to approximately HK$198.2 million (30 June 2013: HK$219.6 million). The Group's current ratio improved to a level of approximately 7.7 at 31 December 2013 (30 June 2013: 6.9). At 31 December 2013, the Group had total assets of approximately HK$3,534.8 million (30 June 2013: HK$3,654.5 million) and total liabilities of approximately HK$202.0 million (30 June 2013: HK$223.4 million) with a gearing ratio of approximately 1.8% (30 June 2013: 2.4%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained fairly stable as at 31 December 2013.

OTHER INFORMATION
DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2013, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Aggregate long positions in shares

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

Notes:

1. 629,284,948 shares are 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 223,166,947 shares are 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 the SFO, each of Mr. Lam and Ms. Lee is deemed to be interested in 852,451,895 shares.

2. These shares in interest are share options granted by the Company to the respective Directors. Further details of the share options are set out in section headed "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporation (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2013, the interests of every person, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of the Directors were as follows:

Aggregate long positions in shares

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

Note:

1. These shares are in duplicate the interest held by Mr. Lam and Ms. Lee as stated in section headed "Directors' interests in securities".

Save as disclosed herein and under the heading "Directors' interests in securities" above, as at 31 December 2013, no other person had any interests and short positions in shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme of the Company during the Period:

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

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

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

At 31 December 2013, the Company had 457,046,000 (2012: 474,046,000) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 457,046,000 (2012: 474,046,000) additional ordinary shares and additional share capital of approximately HK$4,570,000 (2012: HK$4,740,000) and share premium of approximately HK$163,607,000 (2012: HK$166,922,000) (before share issue expenses). There was no option exercised, cancelled or lapsed during the six months ended 31 December 2013.

DISCLOSURE OF INFORMATION ON DIRECTORS

During the Period under review, there is no change in information of the Directors since the date of the 2013 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's securities during the six months ended 31 December 2013.

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complied with all the applicable code provisions of the CG Code throughout the six months ended 31 December 2013, except with deviations from code provisions A.2.1 and A.6.7.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since March 2012, the Board has appointed Mr. Lam Kwok Hing ("Mr. Lam") as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operations. As a result of the appointment, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group and has over 25 years' experience in the consumer products industry. In the context of the challenging business environment, the Board believes that a consistent leadership, effective and efficient planning and implementation of business decisions and strategies are of utmost importance. By virtue of Mr. Lam's in-depth experience and understanding of the Group, therefore, vesting the roles of Chairman and Chief Executive Officer on Mr. Lam can generate benefits for the Group and shareholders as a whole.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors any non-compliance with the Model Code by each of them during the six months ended 31 December 2013 and they all confirmed that they had fully complied with the required standard set out in the Model Code.

REVIEW OF INTERIM REPORT

The interim report for the six months ended 31 December 2013 has been reviewed by the Audit Committee of the Company, but not by the Company's external auditors.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 28 February 2014