



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

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 00197)

Interim Report
2015/2016

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 2015 (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 2015

		Six months ended	
		31 December	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
TURNOVER	3	732,323	818,047
Cost of sales		(651,053)	(746,456)
		81,270	71,591
GROSS PROFIT			
Changes in fair value of biological assets			
less costs to sell		(13,348)	(12,015)
Other gains and income		35,471	3,978
Selling and distribution expenses		(44,388)	(46,130)
Administrative expenses		(54,426)	(54,572)
Other operating expenses		(10,151)	–
LOSS FROM OPERATIONS		(5,572)	(37,148)
Finance costs	5	(294)	(338)
LOSS BEFORE TAX		(5,866)	(37,486)
Income tax expense	6	(416)	(228)
LOSS FOR THE PERIOD	7	(6,282)	(37,714)
Attributable to:			
Owners of the Company		(6,258)	(37,754)
Non-controlling interests		(24)	40
		(6,282)	(37,714)
LOSS PER SHARE	9		(Restated)
– Basic		HK(0.9 cent)	HK(6.2 cents)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the Period	(6,282)	(37,714)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(26,485)	–
Fair value change on available-for-sale financial assets	(59,825)	3,396
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	(86,258)	(241)
Other comprehensive income for the Period, net of tax	(172,568)	3,155
Total comprehensive income for the Period	(178,850)	(34,559)
Attributable to:		
Owners of the Company	(178,826)	(34,599)
Non-controlling interests	(24)	40
	(178,850)	(34,559)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
	Note		
Non-current assets			
Fixed assets		691,652	683,149
Prepaid land lease payments		248,392	264,796
Construction in progress		87,547	121,088
Goodwill		230,627	230,627
Biological assets		78,445	77,381
Other intangible assets		61,959	72,433
Other assets		117,709	125,019
Investment in a joint venture	10	81,796	–
Investment in a club membership		108	108
Investments	11	78,078	243,231
		1,676,313	1,817,832
Current assets			
Inventories		189,952	203,532
Trade receivables	12	445,854	465,919
Prepayments, deposits and other receivables		274,222	228,351
Investments	11	284	390
Pledged bank deposits		–	28,000
Bank and cash balances		390,727	348,128
		1,301,039	1,274,320
TOTAL ASSETS		2,977,352	3,092,152

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2015

	Note	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Capital and reserves			
Share capital	14	75,035	65,545
Reserves		2,696,152	2,812,003
Equity attributable to owners of the Company		2,771,187	2,877,548
Non-controlling interests		270	574
Total equity		2,771,457	2,878,122
Non-current liabilities			
Finance lease payables		41	49
Deferred tax liabilities		6,400	6,720
		6,441	6,769
Current liabilities			
Trade payables	13	107,019	120,545
Accruals and other payables		26,270	17,068
Borrowings		60,580	64,472
Finance lease payables		15	22
Current tax liabilities		5,570	5,154
		199,454	207,261
Total liabilities		205,895	214,030
TOTAL EQUITY AND LIABILITIES		2,977,352	3,092,152
Net current assets		1,101,585	1,067,059
Total assets less current liabilities		2,777,898	2,884,891

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	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	HK\$'000
At 1 July 2014	54,554	2,087,124	97	195,493	31,366	7,464	45,697	(86,094)	387,238	2,722,939	616	2,723,555
Total comprehensive income for the period	-	-	-	-	-	-	3,155	-	(37,754)	(34,599)	40	(34,559)
Transfer of reserve upon lapse of share options	-	-	-	-	(136)	-	-	-	136	-	-	-
Shares issued pursuant to open offer	10,911	64,646	-	-	-	-	-	-	-	75,557	-	75,557
Change in equity for the period	10,911	64,646	-	-	(136)	-	3,155	-	(37,618)	40,958	40	40,998
At 31 December 2014	65,465	2,151,770	97	195,493	31,230	7,464	48,852	(86,094)	349,620	2,763,897	656	2,764,553
At 1 July 2015	65,545	2,152,631	97	195,238	18,670	7,814	184,737	(86,094)	338,910	2,877,548	574	2,878,122
Total comprehensive income for the Period	-	-	-	(26,485)	-	-	(146,083)	-	(6,258)	(178,826)	(24)	(178,850)
Issue of consideration shares	9,490	62,975	-	-	-	-	-	-	-	72,465	(280)	72,175
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	10	10
Change in equity for the Period	9,490	62,975	-	(26,485)	-	-	(146,083)	-	(6,258)	(106,361)	(304)	(106,665)
At 31 December 2015	75,035	2,215,606	97	168,753	18,670	7,814	38,654	(86,094)	332,652	2,771,187	270	2,771,457

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	28,139	29,020
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	23,594	(148)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(3,907)	61,967
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,826	90,839
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5,227)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	348,128	301,041
CASH AND CASH EQUIVALENTS AT END OF PERIOD	390,727	391,880
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	390,727	391,880

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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 2015. 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 2015.

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 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards 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.

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

3. TURNOVER

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of consumer goods	388,438	376,720
Sales of agri-products	321,342	415,932
Logistics services income	22,543	25,395
	<hr/> 732,323 <hr/>	<hr/> 818,047 <hr/>

4. SEGMENT INFORMATION

The Group has three reporting segments as follows:

- (i) The sale and trading of FMCG including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products ("FMCG Trading Business");
- (ii) The cultivation, sale and trading of fresh and processed fruits and vegetables ("Agri-Products Business"); and
- (iii) Provision of logistics services ("Logistics Services Business").

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e., at current market prices.

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 2015				
Revenue from external customers	<u>388,438</u>	<u>321,342</u>	<u>22,543</u>	<u>732,323</u>
Segment profit/(loss)	<u>8,128</u>	<u>(25,271)</u>	<u>(555)</u>	<u>(17,698)</u>
At 31 December 2015				
Segment assets	<u>960,381</u>	<u>1,206,806</u>	<u>496,811</u>	<u>2,663,998</u>
	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 2014				
Revenue from external customers	<u>376,720</u>	<u>415,932</u>	<u>25,395</u>	<u>818,047</u>
Segment profit/(loss)	<u>9,381</u>	<u>(29,845)</u>	<u>(7,008)</u>	<u>(27,472)</u>
At 30 June 2015				
Segment assets (Audited)	<u>946,181</u>	<u>1,324,903</u>	<u>531,161</u>	<u>2,802,245</u>

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reconciliation of segment loss:		
Total loss of reportable segments	(17,698)	(27,472)
Unallocated amounts:		
Gain on disposal of available-for-sale financial assets	31,857	–
Exchange loss on depreciation of Renminbi, net	(10,134)	–
Other corporate expenses	(10,307)	(10,242)
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Consolidated loss for the Period	(6,282)	(37,714)
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5. FINANCE COSTS

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on borrowings	289	333
Finance lease charges	5	5
	<hr/>	<hr/>
	294	338
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period tax:		
Hong Kong	58	15
Overseas	358	213
	<hr/>	<hr/>
	416	228
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period (2014: 16.5%).

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

According to the Income Tax Law of the Macau Special Administrative Region, two subsidiaries operating in Macau during the Period are in compliance with the Decree-Law No. 58/99/M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Furthermore, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the PRC has been calculated at the rate of 25% (2014: 25%), based on existing legislation, interpretation and practices in respect thereof.

7. LOSS FOR THE PERIOD

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

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation and depreciation, net of amount capitalised	42,891	48,563
Cost of inventories sold	612,967	702,032
Directors' emoluments	2,965	2,853
Exchange loss, net	10,134	-
Gain on disposal of available-for-sale financial assets	(31,857)	(310)
Operating lease charges in respect of land and buildings, net of amount capitalised	21,009	32,905
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	12,674	16,573
Retirement benefits scheme contributions	339	386
	13,013	16,959

8. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2015 (2014: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the Period attributable to owners of the Company of approximately HK\$6,258,000 (2014: approximately HK\$37,754,000) and the weighted average number of ordinary shares of the Company of 678,139,298 (2014 restated: 607,325,651) in issue during the Period after adjusting the effect of the share consolidation in December 2015. The basic loss per share for 2014 had been adjusted and restated accordingly.

No diluted loss per share for the Period is presented as the effect of all potential ordinary shares is anti-dilutive for the periods ended 31 December 2015 and 2014.

10. INVESTMENT IN A JOINT VENTURE

Pursuant to the sales and purchase agreement dated 30 October 2015, the Group acquired the sale shares (representing 100% of the equity interest in Best Title Global Limited, 81% of the equity interest of Modern Tech Limited and effectively 40.5% of the equity interest of Waygood Investment Development Limited) and the sale loan at a total consideration of HK\$63,585,000, satisfied by the Group by allotting and issuing 949,029,850 consideration shares on 18 November 2015 at the issue price of HK\$0.067 each, credited as fully paid, to the vendor and its beneficial owner.

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Loan to the joint venture	47,200	–
Goodwill arising on acquisition	34,596	–
	81,796	–

The loan to the joint venture is unsecured and interest-free.

Name of the joint venture	Place of incorporation/ operation	Issued and paid-up capital	Effective ownership interest	Principal activity
Waygood Investment Development Limited	Hong Kong	HK\$1,000,000	40.5%	Operating a shopping mall for sale of products and goods to customers including tourists group in Hong Kong

The Group has not recognised loss for the Period under review amounting to approximately HK\$1,331,000 for the joint venture.

11. INVESTMENTS

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	54,509	224,690
Held-to-maturity investments	23,569	18,541
	78,078	243,231
Current assets		
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	284	390

The fair value of the listed equity securities is based on quoted closing price at the end of reporting period.

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

12. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2014: 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 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
1 – 30 days	116,831	118,084
31 – 60 days	98,820	145,536
61 – 90 days	102,882	133,751
Over 90 days	127,321	68,548
	445,854	465,919

13. TRADE PAYABLES

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
1 – 30 days	106,435	99,935
31 – 60 days	378	20,385
61 – 90 days	–	15
Over 90 days	206	210
	107,019	120,545

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 30 June 2015 and 1 July 2015, par value HK\$0.01 each	10,000,000,000	100,000
At 31 December 2015, par value HK\$0.10 each (Note b)	1,000,000,000	100,000
Issued and fully paid:		
At 30 June 2015 and 1 July 2015	6,554,451,069	65,545
Issue of consideration shares (Note a)	949,029,850	9,490
Share consolidation (Note b)	(6,753,132,828)	–
At 31 December 2015	750,348,091	75,035

Notes:

- (a) Pursuant to the sales and purchase agreement dated 30 October 2015, 949,029,850 consideration shares were allotted and issued at the issue price of HK\$0.067 each and credited as fully paid for the acquisition of sale shares and sale loan of Best Title Global Limited. Details of the acquisition were set out in the Company's announcements dated 30 October 2015 and 18 November 2015 and note 10 of this interim report.
- (b) Pursuant to an ordinary resolution passed by shareholders at the annual general meeting, the share consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 each became effective on 30 December 2015. Details of the share consolidation were set out in the Company's announcements dated 26 November 2015 and 29 December 2015 and the circular dated 27 November 2015.

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2015 (30 June 2015: Nil).

16. CAPITAL COMMITMENTS

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Contracted but not provided for		
– Fixed assets	7,143	8,098
– Construction in progress	32,050	45,978
– Seedling plantation	10,476	8,300
	<hr/> 49,669 <hr/>	<hr/> 62,376 <hr/>

17. EVENT AFTER THE REPORTING PERIOD

As at the date of approval of this interim report, the fair value of the available-for-sale financial assets held at 31 December 2015 decreased to approximately HK\$17,287,000.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL PERFORMANCE

During the six months ended 31 December 2015 (the “Period”), 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 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.

During the Period, the Group’s turnover was approximately HK\$732.3 million, representing a decrease of approximately 10.5%, compared to approximately HK\$818.0 million in the same period last year. The decline in turnover was mainly attributable to the abandonment of unprofitable operations, particularly the upstream farming business for leafy vegetables. For the agri-product trading business, the Group adopted an approach to enhance gross profit margin and focus on high quality customers, thus reducing taking orders from less creditworthy customers with low profit margins. Therefore, the revenue of the Agri-Products Business decreased from approximately HK\$415.9 million to approximately HK\$321.3 million. By contrast, the FMCG Trading Business recorded steady growth while the Logistics Services Business remained stable and accounted for approximately 3% of the Group’s turnover, despite the fact that China and other major nations in the world also encountered severe challenges for their economic development during the Period.

Gross profit margin increased from approximately 8.8% to approximately 11.1% compared with the same period last year. The increase was mainly attributable to the diminishing negative impact from unprofitable operations and the Group’s effort to improve gross profit margin, particularly the agri-product trading business. The gross profit margins for the other two business units remained stable compared to the same period last year. In fact, the abrupt and unexpected depreciation of Renminbi during the Period imposed downward pressures on gross profit margin. As such, the Group adopted various measures to mitigate the negative impact such as reviewing and refining product-mix, clientele base and pursuing better discounts from suppliers through negotiations or other means like bulk purchases.

Selling and distribution expenses decreased by approximately 3.8% from approximately HK\$46.1 million to approximately HK\$44.4 million. These expenses represented approximately 6.1% of turnover compared to approximately 5.6% recorded during the same period last year, which was fairly stable. During the Period, the Group continuously implemented several cost saving initiatives to reduce marketing and promotion costs and staff costs, hence selling and distribution expenses as a percentage of turnover remained stable although the Group shifted focus to the FMCG Trading Business that would incur higher selling and promotion costs than other business units. 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 by approximately 0.3% from approximately HK\$54.6 million to approximately HK\$54.4 million. Although upward pressure on wages in China persisted during the Period, administrative expenses remained fairly stable mainly attributable to the implementation of various cost saving initiatives. Furthermore, the retrenchment of unprofitable operations, mainly upstream leafy cultivations which had a relatively high portion of fixed administrative costs, also facilitated the Group to reduce agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses.

Other operating expenses mainly represented exchange losses on certain assets denominated in Renminbi amounted to approximately HK\$10.1 million owing to the depreciation of Renminbi during the Period.

Other gains and income increased from approximately HK\$4.0 million to approximately HK\$35.5 million. The gains and income of approximately HK\$31.9 million mainly derived from the gain on disposal of certain shares of the Group's investment in China Zenith Chemical Group Limited, a company listed on the Stock Exchange.

Finance costs maintained at a similar level of approximately HK\$0.3 million compared to the preceding corresponding period.

The decrease in the Group's net loss can be summarized as mainly attributable to approximately 2.3% increase in gross profit margin, 3.8% decrease in selling and distribution expenses and approximately HK\$31.5 million increase in other gains and income, but partly offset by approximately 10.5% decrease in turnover, approximately HK\$10.2 million increase in other operating expenses and approximately HK\$1.3 million decrease in the fair value of biological assets as a result of the increase in their plantation costs and exchange loss.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

China's macro economy continued to slow down during the Period. China's GDP growth fell below 7% during the Period, the weakest since 1990. Other figures also showed the downtrend on China's economic development. The retail sales growth was sluggish and lingered 11% throughout the Period, the economy faced a substantial deflationary pressure reflected by persistently low Consumer Price Index. Additionally, the volatility of Renminbi and the capital market in China as well as the gloomy outlook for the global economy further weakened consumer confidence. Although the Chinese government continued to loosen fiscal and monetary policies in order to boost the economy, the overall operating environment was still very challenging. In the context of the above, the Group continued to focus on the FMCG Trading Business which is our strength and less vulnerable to the sliding economic growth. Additionally, the Group also adopted a much tighter control on capital expenditures and operating expenses, this strategy got tractions to substantially reduce various recurring expenditures during the Period.

The FMCG Trading Business sells finished consumer products 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 75%, 5%, 6%, 10% and 4%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category.

As aforesaid, the Group has been shifting focus to the FMCG Trading Business which has become increasingly important. This business unit has already overtaken the Agri-Products Business as the largest revenue contributor during the Period. Although the China's economy was weak during the Period, this business unit continued to show signs of recovery and recorded a steady growth thanks to the Group's effort to build a stronger rapport with suppliers and customers including wholesalers and e-commerce operators to keep abreast of the market trend. In fact, the weak macro economy and Renminbi depreciation have been forming high uncertainties on the FMCG Trading Business, the Group had to actively manage market positioning. During the Period, the Group put more emphasis on packaged foods, which are a necessity for people and more stable under economic downturn. By contrast, the Group reduced the weighting of some products like cosmetics that were being affected more seriously in the case of weak market demand and keen competition. The Group actively communicated with overseas suppliers to let them understand the situation of Chinese consumer market in order to source niche products and sought for reasonable purchase costs. On the other hand, the Group worked together with wholesalers and e-commerce operators to use various below-the-line advertising at reasonable costs to increase brand awareness.

During the Period, the business volume between the Group and various e-commerce operators in China has been rising satisfactorily with stable profit margins. Although the overall market demand was weak, the e-commerce industry in China was still robust. China is already the world's largest e-commerce market and it extended its lead in 2015 with over 30% growth compared to a year earlier. Therefore, the Group has been proactively exploring other business opportunities with e-commerce operators in addition to normal trading business such as the collaboration in their logistics and storage operations and the establishment of online shops on their marketplace platforms. The Group is confident the uptrend in China's e-commerce industry will continue and remain intact over coming years and hence the progress of the Group's development in e-commerce business will be accelerated.

On 18 November 2015, the Company issued and allotted 949,029,850 consideration shares at HK\$0.067 each for the acquisition of the sale shares and sale loan of Best Title Global Limited which indirectly owns 40.5% interest in Waygood Investment Development Limited ("Waygood"). Waygood has been operating a department store named Tycoon City which is located in Tsim Sha Tsui East with an aggregate area of approximately 70,000 square feet with a lease term expiring in August 2021. Although the retail market in Hong Kong has been facing structural adjustments, the Group sees the acquisition as a strategic move to develop retail business and generate synergies with the FMCG Trading Business. As the major customers of Tycoon City are from China, the Group can develop new sales business and increase brand awareness to China's customers for the FMCG Trading Business through displaying, promoting and selling existing consumable products in Tycoon City.

The Agri-Products Business contains trading fresh produce such as fruits imported from countries like Australasia and South East Asia as well as upstream cultivations in China. During the Period, the revenue of this business unit declined which was primarily due to the decline in the revenue of the upstream farming business as a result of the cut down of unprofitable farming operations. Additionally, the revenue also declined for the agri-products trading business because the Group focused on serving high quality customers to avoid the debt collection issues. Notwithstanding the above, the Group's restructuring plan undertaken over the past few years to streamline the upstream farming business and optimize the agri-products trading business got some tractions. The gross profit margin of this business unit recorded an upward trend compared to the same period last year. Furthermore, the Group will continue to explore the cooperation opportunities with e-commerce operators for selling fresh produce online, which may be one of the growth drivers in the future.

Following the cessation of leafy vegetable cultivation in Huidong, the remaining farming base is in Jiangxi which is an orchard for various fruits such as early crop oranges and ponkans. In contrast to the labour-intensive nature of leafy vegetable cultivation, the cultivation in Jiangxi's farming base is more of a capital-intensive operation, which required high upfront capital expenditure but incurred much less recurring expenses every year after the operations, thus yielding more stable profit margins. The Group controlled capital investments stringently and the development of the Jiangxi's farming base has been under careful scrutiny. Its revenue contribution has been also steadily growing. Save for unpredictable inclement weather, the Group is optimistic on the prospect of our Jiangxi's farming base.

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, which was fairly stable compared to the same period in last year. The revenue of midstream logistics handling associated with the Group's FMCG Trading Business and the agri-products trading business was broadly in line with the movement of these two business units. The Huidong Logistics Center has been undergoing its modification and refurbishment works in order to accommodate the transitional arrangement for the transfer of agri-products supply chain functions from the Zhongshan Logistics Center.

Looking forward, the Group's mission is to evolve itself from a traditional trading company to an integrated company to serve our customers via both offline and online platforms. However, against the backdrop of the persistent weak macroeconomic environment, the Group will develop each business unit on a conservative approach. The Group will continue to focus on the FMCG Trading Business and its associated logistics business, especially projects relating to e-commerce business of high financial and operational viability. As part of the Group's continuous effort to improve financial performance, the Group will continue to implement various stringent cost-saving initiatives to reduce expenditure. The Group believes that the current corporate strategies are effective and will stay alert to the rapidly changing macro environment to adjust strategies and policies wherever necessary.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 18 November 2015, the Company issued and allotted 949,029,850 consideration shares at HK\$0.067 each for the acquisition of the sale shares and sale loan of Best Title Global Limited (the "Acquisition"). Upon completion of the Acquisition, Waygood, which is operating a department store under the trade name Tycoon City, became a joint venture of the Group. The Directors are optimistic about the prospect of the tourism industry in Hong Kong in the medium to long term and consider that the Acquisition may help to broaden the revenue and earning sources of the Group, raise the reputation of the Group to the PRC citizens and bring synergistic effect to the existing FMCG Trading Business through displaying, promoting and selling existing consumable products of the Group in Tycoon City.

On 30 December 2015, the share consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 each became effective pursuant to an ordinary resolution passed by shareholders at the annual general meeting of the Company.

At 31 December 2015, the Group had interest-bearing borrowings of approximately HK\$60.6 million (30 June 2015: HK\$64.5 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all would mature within one year. All of the Group's bank borrowings were floating-interest bearing, and were secured by corporate guarantees provided by the Company and certain subsidiaries of the Company and a charge over the held-to-maturity investments of a subsidiary in a carrying amount of approximately HK\$17.6 million (30 June 2015: HK\$46.5 million).

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. During the Period under review, the Group experienced an abrupt fluctuation of Renminbi, which resulted in an exchange loss of approximately HK\$10.1 million. The Group will closely monitor the exchange rate volatility of foreign currencies and will consider entering into hedging contracts to mitigate its exposure when it is necessary. At 31 December 2015, the Group did not have any significant hedging instrument outstanding.

At 31 December 2015, the Group's current assets amounted to approximately HK\$1,301.0 million (30 June 2015: HK\$1,274.3 million) and the Group's current liabilities amounted to approximately HK\$199.5 million (30 June 2015: HK\$207.3 million). The Group's current ratio remained stable at approximately 6.5 as at 31 December 2015 (30 June 2015: 6.1). At 31 December 2015, the Group had total assets of approximately HK\$2,977.4 million (30 June 2015: HK\$3,092.2 million) and total liabilities of approximately HK\$205.9 million (30 June 2015: HK\$214.0 million) with a gearing ratio of approximately 2.0% (30 June 2015: 2.1%). 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 2015.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2015, the Group had approximately 570 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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, the interests and short positions of every Director and chief executive of the Company 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:-

Long positions

Director	Note	Capacity of interests	Number of shares in interest	Approximate percentage of the issued shares
Mr. Lam Kwok Hing ("Mr. Lam")	1	Interest in controlled corporation and family interest	124,833,957	16.64%
Ms. Lee Choi Lin Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	124,833,957	16.64%
Ms. Hung Sau Yung Rebecca	2	Beneficial owner	3,000,000	0.40%
Ms. Gao Qin Jian	2	Beneficial owner	3,000,000	0.40%
Ms. Chan Yuk Foebe	2	Beneficial owner	2,083,328	0.28%
Mr. John Handley	2	Beneficial owner	2,000,000	0.27%
Ms. Mak Yun Chu	2	Beneficial owner	2,000,000	0.27%
Mr. Poon Yiu Cheung Newman	2	Beneficial owner	1,500,000	0.20%

Notes:

1. 96,275,064 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 28,558,893 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 124,833,957 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 2015, 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 in the section “Directors’ Interests in Securities”, at no time during the Period 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, 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:

Long positions

Substantial shareholder	Note	Capacity of interests	Number of shares in interest	Approximate percentage of the issued shares
Best Global	1	Beneficial owner	96,275,064	12.83%
Chan Cheuk Yu ("Mr. Chan")	2	Beneficial owner and interest in controlled corporation	94,902,984	12.65%
Glazy Target Limited ("Glazy Target")	3	Beneficial owner	66,432,089	8.85%

Notes:

1. These shares are in duplicate the interests held by Mr. Lam and Ms. Lee as stated in section "Directors' Interests in Securities".
2. Mr. Chan is the sole legal and beneficial owner of the entire issued capital of Glazy Target. Out of the 94,902,984 shares held, Mr. Chan has deemed interest in the 66,432,089 shares held by Glazy Target and 28,470,895 shares are held by Mr. Chan on his own beneficial interest.
3. These shares are in duplicate the interest held by Mr. Chan.

Save as disclosed above, as at 31 December 2015, no person, other than a Director and chief executive of the Company whose interests are set out in the section "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.

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 31 December 2015	Date of grant of share options	Exercise period of share options	Exercise prices of share options (Note) HK\$
	At 1 July 2015	Granted during the period	Cancelled/ lapsed during the period				
Executive directors							
Ms. Hung Sau Yung Rebecca	3,000,000*	-	-	3,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
Ms. Gao Qin Jian	3,000,000*	-	-	3,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
Non-executive director							
Ms. Chan Yuk Foebe	2,083,328*	-	-	2,083,328	15 June 2011	15 June 2011 to 14 June 2016	5.720*
Independent non-executive directors							
Mr. John Handley	2,000,000*	-	-	2,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
Ms. Mak Yun Chu	2,000,000*	-	-	2,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
Mr. Poon Yiu Cheung Newman	1,500,000*	-	-	1,500,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
Employees (in aggregate)	8,000,000*	-	-	8,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
Other eligible participants (in aggregate)	2,083,328*	-	-	2,083,328	15 June 2011	15 June 2011 to 14 June 2016	5.720*
	1,388,885**	-	-	1,388,885*	15 June 2011	1 January 2012 to 31 December 2016	5.720*
	1,388,885**	-	-	1,388,885**	15 June 2011	1 January 2013 to 31 December 2017	5.720*
	27,000,000*	-	-	27,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914*
	<u>53,444,426</u>	<u>-</u>	<u>-</u>	<u>53,444,426</u>			

- * The number of share options and exercise prices have been adjusted to reflect the share consolidation during the Period.
- # 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.

Note: The closing price of the shares of the Company immediately before the date on which the options were granted on 15 June 2011 was HK\$0.76 per share and that on 16 January 2015 was HK\$0.089 per share. The exercise prices of the share options are subject to adjustment in the case of share consolidation, or other similar changes in the Company's share capital.

At 31 December 2015, the Company had 53,444,426 (31 December 2014: 494,179,956) 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 53,444,426 (31 December 2014: 494,179,956) additional ordinary shares and additional share capital of approximately HK\$5,344,000 (31 December 2014: HK\$4,942,000) and share premium of approximately HK\$76,879,000 (31 December 2014: HK\$162,930,000) (before share issue expenses).

DISCLOSURE OF INFORMATION ON DIRECTORS

During the Period under review, there is no change in information of the Directors since the date of the 2015 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 LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2015.

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 2015, 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”), attended the annual general meeting of the Company held on 29 December 2015 (the “AGM”) to address to queries of shareholders. Ms. Chan was unable to attend the AGM due to other business engagements. However, Ms. Chan 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 2015 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 2015 has been reviewed by the Audit Committee of the Company, but not audited by the Company’s external auditors.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 29 February 2016