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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

The board (the "Board") of directors (the "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2016 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Turnover	3	**1,366,272**	1,641,409
Cost of sales		**(1,224,258)**	(1,505,400)
Gross profit		**142,014**	136,009
Changes in fair value of biological assets less costs to sell		**(28,261)**	(24,051)
Other gains and income		**37,489**	50,104
Selling and distribution expenses		**(85,142)**	(95,290)
Administrative expenses		**(103,767)**	(119,767)
Other operating expenses		**(226,877)**	(18,776)
Loss from operations		**(264,544)**	(71,771)
Finance costs	5	**(515)**	(578)
Share of loss of a joint venture		**(8,564)**	–
Loss before tax		**(273,623)**	(72,349)
Income tax expense	6	**(1,071)**	(934)
Loss for the year	7	**(274,694)**	(73,283)
Attributable to:			
Owners of the Company		**(272,965)**	(73,241)
Non-controlling interests		**(1,729)**	(42)
		(274,694)	(73,283)
			(Restated)
Loss per share	9		
Basic		**HK(37 cents)**	HK(11 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(274,694)**	(73,283)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**(570)**	468
Deferred tax liability on revaluation of buildings	**142**	(118)
	(428)	350
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(33,173)**	(255)
Exchange differences reclassified to profit or loss on deregistration of a subsidiary	**(2)**	–
Fair value change on available-for-sale financial assets	**(96,424)**	191,905
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**(88,208)**	(52,865)
	(217,807)	138,785
Other comprehensive income for the year, net of tax	**(218,235)**	139,135
Total comprehensive income for the year	**(492,929)**	65,852
Attributable to:		
Owners of the Company	**(491,201)**	65,894
Non-controlling interests	**(1,728)**	(42)
	(492,929)	65,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	**30 June 2016 HK$'000**	30 June 2015 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**650,619**	683,149
Prepaid land lease payments		**233,703**	264,796
Construction in progress		**107,045**	121,088
Goodwill		**69,045**	230,627
Biological assets		**90,466**	77,381
Other intangible assets		**98,066**	72,433
Other assets		**82,983**	125,019
Investment in a joint venture		**73,232**	–
Investment in a club membership		**108**	108
Investments		**26,868**	243,231
		1,432,135	1,817,832
Current assets			
Inventories		**199,478**	203,532
Trade receivables	10	**431,980**	465,919
Prepayments, deposits and other receivables		**200,404**	228,351
Investments		**17,482**	390
Pledged bank deposits		**–**	28,000
Bank and cash balances		**430,558**	348,128
		1,279,902	1,274,320
TOTAL ASSETS		**2,712,037**	3,092,152
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**90,035**	65,545
Reserves		**2,419,234**	2,812,003
		2,509,269	2,877,548
Non-controlling interests		**(1,434)**	574
Total equity		**2,507,835**	2,878,122
LIABILITIES			
Non-current liabilities			
Finance lease payables		**33**	49
Deferred tax liabilities		**6,523**	6,720
		6,556	6,769
Current liabilities			
Trade payables	11	**106,065**	120,545
Accruals and other payables		**24,341**	17,068
Borrowings		**61,342**	64,472
Finance lease payables		**16**	22
Current tax liabilities		**5,882**	5,154
		197,646	207,261
Total liabilities		**204,202**	214,030
TOTAL EQUITY AND LIABILITIES		**2,712,037**	3,092,152

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior years.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant to the Group's operation but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contract with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKAS 7	Statement of Cash Flow[5]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

[4] Effective for annual periods beginning on or after 1 January 2019, with early application permitted for entities that apply HKFRS 15 at or before the date of initial application of HKFRS 16.

[5] Effective for annual periods beginning on or after 1 January 2017, with early application permitted.

(c) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements which will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

3. TURNOVER

	2016	2015
	HK$'000	*HK$'000*
Sales of consumer goods	**710,248**	805,728
Sales of agri-products	**613,834**	786,069
Logistics services income	**42,190**	49,612
	1,366,272	1,641,409

4. SEGMENT INFORMATION

The Group has three reporting segments as follows:

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

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

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

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

The chief operating decision makers have been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources and determine the reporting segments.

Segment profits do not include gain or loss from investments, impairment loss on goodwill, certain exchange loss, certain finance costs, share of loss of a joint venture and unallocated corporate gains/expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership and certain fixed assets. Segment liabilities do not include borrowings and certain accruals and other payables.

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

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

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	Total *HK$'000*
Year ended 30 June 2016				
Revenue from external customers	**710,248**	**613,834**	**42,190**	**1,366,272**
Segment profit/(loss)	**2,181**	**(109,251)**	**747**	**(106,323)**
Depreciation and amortisation	**25,239**	**42,282**	**17,842**	**85,363**
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	**–**	**28,261**	**–**	**28,261**
Allowance for other receivables	**–**	**28,373**	**–**	**28,373**
Additions to segment non-current assets	**19,518**	**58,623**	**24,578**	**102,719**
At 30 June 2016				
Segment assets	**882,692**	**1,221,774**	**444,958**	**2,549,424**
Segment liabilities	**70,533**	**62,511**	**9,383**	**142,427**

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	Total *HK$'000*
Year ended 30 June 2015				
Revenue from external customers	805,728	786,069	49,612	1,641,409
Segment profit/(loss)	9,027	(108,157)	3,063	(96,067)
Depreciation and amortisation	20,459	55,852	19,575	95,886
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	24,051	–	24,051
Additions to segment non-current assets	58,012	29,587	21,321	108,920
At 30 June 2015				
Segment assets	946,181	1,324,903	531,161	2,802,245
Segment liabilities	79,908	76,543	10,167	166,618

Reconciliations of reportable segment loss, assets and liabilities:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(106,323)**	(96,067)
Impairment loss on goodwill	**(161,582)**	–
Share of loss of a joint venture	**(8,564)**	–
Unallocated amounts:		
Other corporate gains	**1,775**	22,784
Consolidated loss for the year	**(274,694)**	(73,283)
Assets		
Total assets of reportable segments	**2,549,424**	2,802,245
Investment in a joint venture	**73,232**	–
Unallocated amounts:		
Investments	**44,350**	243,621
Other corporate assets	**45,031**	46,286
Consolidated total assets	**2,712,037**	3,092,152
Liabilities		
Total liabilities of reportable segments	**142,427**	166,618
Unallocated amounts:		
Other corporate liabilities	**61,775**	47,412
Consolidated total liabilities	**204,202**	214,030

Geographical information:

For the years ended 30 June 2015 and 2016, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

Revenue from major customer:

For the years ended 30 June 2015 and 2016, the turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover and accordingly, no major customer information is presented.

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on borrowings	**509**	568
Finance lease charges	**6**	10
	515	578

6. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**305**	–
Over-provision in prior years	**–**	(20)
	305	(20)
Current tax – Overseas		
Provision for the year	**423**	612
Deferred tax	**343**	342
	1,071	934

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit less allowable losses brought forward for the year ended 30 June 2016. No provision for Hong Kong Profits Tax is required for the year ended 30 June 2015 since the Group has no assessable profit for last year or has sufficient tax losses brought forward to set off against last year's assessable profit.

Tax charges 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, two subsidiaries operating in Macau during the year 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 have been calculated at the rate of 25% (2015: 25%), based on existing legislation, interpretation and practices in respect thereof.

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

	2016				2015			
	Macau	**Hong Kong**	**PRC**	**Total**	Macau	Hong Kong	PRC	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	**69,637**	**10,749**	**(354,009)**	**(273,623)**	96,443	14,186	(182,978)	(72,349)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**8,356**	**1,774**	**(88,502)**	**(78,372)**	11,573	2,340	(45,745)	(31,832)
Tax effect of income not taxable	**–**	**(5,188)**	**(1,323)**	**(6,511)**	–	(7,041)	(3,922)	(10,963)
Tax effect of expenses not deductible	**–**	**3,571**	**85,767**	**89,338**	–	4,740	45,687	50,427
Profits exempted from the Macau Complementary Tax	**(8,356)**	**–**	**–**	**(8,356)**	(11,573)	–	–	(11,573)
Tax effect of unused tax losses not recognised	**–**	**450**	**3,415**	**3,865**	–	292	4,031	4,323
Tax effect of utilisation of tax losses not previously recognised	**–**	**(317)**	**–**	**(317)**	–	(378)	–	(378)
Tax effect of unrecognised temporary difference	**–**	**15**	**1,409**	**1,424**	–	47	903	950
Over-provision in prior years	**–**	**–**	**–**	**–**	–	(20)	–	(20)
Income tax expense	**–**	**305**	**766**	**1,071**	–	(20)	954	934

7. LOSS FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**21,167**	17,964
Auditors' remuneration		
Statutory audit	**2,171**	2,021
Under-provision in prior year	**50**	–
Non-audit services	**180**	–
	2,401	2,021
Cost of inventories sold	**1,170,664**	1,413,257
Depreciation, net of amount capitalised	**41,901**	54,478
Exchange loss, net	**17,817**	388
Fair value loss on fixed assets	**6,143**	3,544
Gain on fixed assets disposals, net	**(34)**	(10)
Inventories written off	**–**	273
Trade receivables written off	**–**	135
Allowance for other receivables	**28,373**	508
Impairment loss on goodwill	**161,582**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**41,401**	75,269
Other equity-settled share-based payments	**–**	7,095
Rental income[#]	**(2,950)**	(2,316)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**24,411**	28,914
Equity-settled share-based payments	**–**	2,180
Retirement benefits scheme contributions	**682**	713
	25,093	31,807

[#] Included in logistics services income in note 3.

8. DIVIDENDS

The Board does not recommend the payment of final dividend (2015: Nil) in respect of the year ended 30 June 2016.

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$272,965,000 (2015: HK$73,241,000) and the weighted average number of ordinary shares of the Company of 732,489,026 (2015: 651,410,208 as restated) in issue during the year after adjusting the effect of share consolidation in December 2015. The basic loss per share for 2015 had been restated accordingly.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares as the exercise prices of the share options are higher than the average market price of the Company's share during the years ended 30 June 2016 and 30 June 2015.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2015: 30 to 120 days).

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

	2016	2015
	HK$'000	*HK$'000*
1 – 30 days	**127,423**	118,084
31 – 60 days	**107,501**	145,536
61 – 90 days	**109,206**	133,751
Over 90 days	**87,850**	68,548
	431,980	465,919

At 30 June 2016, trade receivables of approximately HK$2,635,000 (2015: HK$4,707,000) were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been substantially settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
Up to 90 days	**1,085**	242
Over 90 days	**1,550**	4,465
	2,635	4,707

11. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
1 – 30 days	**96,823**	99,935
31 – 60 days	**6,685**	20,385
61 – 90 days	**1,542**	15
Over 90 days	**1,015**	210
	106,065	120,545

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

China's economic performance continued to slow down during the year. China's GDP growth has further weakened to 6.7% since 2016, the retail sales growth got a modest rebound during the first half of the financial year but has fallen sharply and been persistently weak at approximately 10% since 2016; the Manufacturing Purchasing Managers Index (PMI) has contracted for the whole financial year; imports to China shrank by 12.5 percent from a year earlier in July 2016, which was the 21st straight month of contraction and the fastest fall since February 2016. All of these could indicate that the overall operating environment has been deteriorating during the year and there were no signs of recovery in near term. In the context of such challenging business environment, the Group's operations and financial performance were inevitably affected. Although the Group strived to focus on the FMCG Trading Business and the agri-products trading business, the revenues have been declining in tandem with the drop in macroeconomic growth and retail sales growth, this was particularly noticeable for the second half of the financial year. Meanwhile, the depreciation of Renminbi coupled with the continuous increase in the import costs of consumables goods into China created significant pressures on the Group's trading businesses. The occurrence of Thailand's drought during 2016 also severely affected the supply of imported fruits and hence the revenue of the agri-products trading business. Additionally, in light of keen competition in China's cosmetic market, the Group decided to pull out of this market gradually and recorded an impairment loss on goodwill in relation to the cosmetic products distribution business during the year. On the other hand, the persistent decrease in business volume of the agri-products trading business also led to impairment losses on goodwill in relation to agri-trading business and agri-related logistics investment during the year.

During the financial year under review, the Group implemented various cost-saving initiatives such as trimming unprofitable operations, streamlining operational flows and adopting more environment-friendly measures to control various utility costs. As a result, both selling and distribution expenses and administrative expenses recorded a fall compared to last year. Furthermore, although the overall market condition has been deteriorating due to the economic slowdown, the Group managed to improve its gross profit margin due to better market positioning and the downsize on trading of low-margin products.

Although the revenue of the FMCG Trading Business decreased, this business unit remained as the most important revenue contributor which accounted for approximately 52% of the total revenues (FY2015: 49%). The Group is committed to develop the FMCG Trading Business by different approaches such as strengthening e-commerce development and the acquisition of Tycoon City to expand sales channels. The FMCG Trading Business is expected to play a more important role for the Group's future development. The revenue of the Agri-Products Business accounted for approximately 45% of the Group's total revenues, compared to 48% a year earlier. The Logistics Services Business was fairly stable and contributed approximately 3% of total revenue (FY2015: 3%).

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$1,366.3 million as compared to HK$1,641.4 million for FY2015, representing a fall of approximately 16.8%. The decline in revenue was mainly attributable to the decline in revenue of the Agri-Products Business by approximately 21.9% as a result of the negative impact on the agri-products trading business stemmed from the weak market demand caused by the anti-extravagance atmosphere in China, the shortage of imported fruit products due to the Thailand's drought, as well as the trimming of the upstream farming business. The revenue contributions from the FMCG Trading Business and the Logistics Services Business also recorded a fall of mid-teen percent primarily due to the weak market demand and keen competition.

Gross profit margin increased from approximately 8.3% to 10.4% compared to FY2015. The increase in gross profit margin was mainly attributable to the improving gross profit margins of the Agri-Products Business, which reflected the closure of certain unprofitable farming operations and the better pricing strategies for imported fruits. Although the market demand was weak amid fierce competition, and the Renminbi depreciation imposed downward pressure on gross profit margin, the Group managed to maintain stable pricing strategies for the FMCG Trading Business and the Logistics Services Business because the Group did not engage in price competition, but maintain clientele portfolio primarily by way of providing good product quality and customer services.

Selling and distribution expenses decreased by approximately 10.6% from approximately HK$95.3 million to approximately HK$85.1 million, representing approximately 6.2% of total revenue which was fairly stable compared to last year (FY2015: 5.8%). The decrease in selling and distribution expenses was mainly attributable to the Group's cost saving initiatives and decrease in sales activities. During the year, the Group reduced various expenses such as marketing and promotion costs, staff costs and transportation costs. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 13.4% from approximately HK$119.8 million to approximately HK$103.8 million. The decrease was mainly attributable to the Group's cost saving initiatives despite the inflationary pressure on various expenses such as rental and salaries in the Greater China region. The administrative expenses had reduced substantially since the Group's restructuring plan to cease certain unprofitable operations such as the cultivation of leafy products over past few years, by which a substantial amount of agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses were saved.

Other gains and income decreased from approximately HK$50.1 million to approximately HK$37.5 million. The gains and income of approximately HK$30.8 million mainly derived from the gain on disposal of certain shares of the Group's investment in China Zenith Chemical Group Limited ("China Zenith"), a company listed on the Stock Exchange (FY2015: HK$41.9 million).

Other operating expenses increased from approximately HK$18.8 million to approximately HK$226.9 million. The increase in other operating expenses was mainly attributable to one-time substantial impairment losses of approximately HK$161.6 million on the goodwill in relation to the investments in the cosmetic products distribution and agri-trading and agri-related logistics businesses during the financial year under review whereas there was no such loss in last year. Furthermore, the Group recorded exchange losses on certain assets denominated in Renminbi amounted to approximately HK$17.8 million owing to the depreciation of Renminbi, allowance of HK$28.4 million for prepayments and other receivables for agri business and a fair value loss on buildings of approximately HK$6.1 million during the year.

Finance costs maintained at a similar and minimal level of approximately HK$0.5 million (FY2015: HK$0.6 million).

During the financial year under review, the Group recorded share of results of a joint venture of approximately HK$8.6 million, which represented the share of net loss of Waygood Investment Development Limited ("Waygood") under equity accounting treatment since the date of acquisition. 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.

Net loss for the year ended 30 June 2016 was approximately HK$274.7 million (FY2015: HK$73.3 million). The increase in the net loss was mainly attributable to a combination of approximately 16.8% decrease in turnover, approximately HK$12.6 million decrease in other gains and income, approximately HK$4.2 million increase in fair value loss of biological assets, approximately HK$208.1 million increase in other operating expenses, approximately HK$8.6 million loss from share of results of a joint venture and offset by approximately 2.1% increase in gross profit margin, approximately 10.6% decrease in selling and distribution expenses, and approximately 13.4% decrease in administrative expenses.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG, cold chain and cosmetics products into the domestic Chinese market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported primarily from Australasia, Europe, the Americas and South East Asia. The FMCG Trading Business contributed approximately HK$710.2 million in revenues to the Group for FY2016, decreased by approximately 11.9% from that contributed in FY2015. The decrease in revenues was primarily attributable to the uncertainty about China's economic development which led to weak market demand and consumer confidence. In particular, the financial market turmoil in early 2016 severely affected the performance of the retail sales in China afterwards, and consequently affected the Group's FMCG Trading Business. Furthermore, the weakening Renminbi and the continuous increase in costs of imported products further undermined the Group's products' competitive edge against domestic brands. Notwithstanding the above, the Group's unrelenting determination in strengthening this business unit was never changed. The Group has been constantly expanding product portfolio in terms of geographic coverage and product categories. On the other hand, the Group proactively developed in its e-commerce business over past few years, either by way of facilitating wholesaling customers to develop their online platforms or directly collaborating with various e-commerce operators. Although the e-commerce industry has been facing different challenges such as declining growth, keen competition and instabilities arising from various merger and acquisition activities, the Group is confident on the prospect of e-commerce industry in China and would be committed to its developments in e-commerce platform should there be any good opportunities arising.

On 18 November 2015, the Company issued and allotted 949,029,850 consideration shares for the acquisition of the sale shares and sale loan of Best Title Global Limited which indirectly owns 40.5% interest in Waygood, which has been operating Tsim Sha Tsui East-based department store, Tycoon City. The Group sees the acquisition as a strategic move to exploit a new sales channel for 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.

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 72%, 8%, 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, followed by cold chain products. The contribution from other categories remained stable. However, there was downward pressure on the gross profit margin of cosmetics products as a result of a highly competitive market, whereas the Group could manage to maintain fairly stable gross profit margins for other categories by virtue of its well-established distribution network and stronger rapport with suppliers to seek reasonable purchase costs. Therefore, the Group decided to gradually reduce the operations in the cosmetics market, which resulted in an impairment loss on goodwill of the cosmetics distribution business, but will save selling and promotion costs to certain extent in future.

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit generated HK$613.8 million for the FY2016, down approximately 21.9% as compared to the HK$786.1 million generated in FY2015. The decrease in revenue was attributable to the substantial decrease in the contribution from the upstream farming business by approximately 75.5% caused by the trimmed farming operations, as well as the decrease in the contribution from the agri-products trading business by approximately 18.2%, which primarily stemmed from the weak market demand and the Thailand's severe drought in early 2016.

Agri-Products Trading Business

The slowdown of China's economy continuously affected the performance of the agri-products trading business. The Group has adopted a more conservative approach and focused to better serve high quality customers so as to avoid debt collection issue and increase profit margin. On the other hand, the occurrence of Thailand's drought in the first half of 2016 seriously affected the supply chain of the Group's agri-products trading business. The drought resulted in large scale crop losses and certain kinds of products faced shortage problems, which adversely affected the order fulfilment and thus the business volume, despite that the Group already strived to search substitutes elsewhere. Further, the persistent anti-extravagance atmosphere continued to cast a negative outlook over the imported fruit industry in China, which resulted in impairment losses being recognized against goodwill in respect of the agri-trading and agri-related logistics businesses during the year. Although the business volume dropped due to the above negative factors, the Group adopted a relatively aggressive pricing strategy by virtue of the Group's focus on high quality customers and the rise of service standards. As a result, the gross profit margin was improved in spite of the difficult operating environment. 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.

Upstream Farming Business

During the financial year under review, the Group continued to reduce overall farming operations and focused in the plantations of early crop oranges and ponkans in the Jiangxi's farming base. There were no signs of near-term recovery for the farming industry in China, hence the Group had decelerated developments in the Jiangxi's farming base in order to reduce capital expenditures and allocate more resources to the existing farming operations. However, inclement weather, rising labour costs, weak market demand and declining selling price remained as the major downside risks and persistently affected the revenue and the gross profit margin of this business unit. To increase revenue streams and crop volume, the Group has been seeking collaboration with domestic organisations and farmers to lease out certain area of unused arable lands for their operations, as well as partnering with several domestic research faculties to improve agricultural skills and technology. For the expansion of distribution network, the Group has explored the feasibility of exporting our self-grown agricultural products to overseas markets including Hong Kong.

Logistics Services Business

The Logistics Services Business provides a full range of services to customers including cold-chain facilities, warehousing, food processing production lines for fresh produces, as well as cross-border trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services represented approximately 3% of the Group's total revenue amounted to approximately HK$42.2 million, which was fairly stable compared to 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. During the year, the building inspection of the Huidong Logistics Center was completed, and the final interior works was being made in pursuance of regulatory and operational standards. The Huidong Logistics Center will be equipped with food processing production and multi-temperature controlled storage capabilities. At the beginning stage, the Huidong Logistics Center and the Zhongshan Logistics Center will altogether support the Group's agri-products trading business as well as providing food processing and logistics services to third parties. In the near run, substantial part of food processing and agri-related logistics functions of the Zhongshan Logistics Center will be transferred to the Huidong Logistics Center because of its more favourable location and closer proximity to various farming bases. As aforesaid, the agri-products trading business, especially the trading of imported fruits, has been persistently affected by the anti-extravagance atmosphere in China, which was particularly noticeable in southern China region. Therefore, the Group will carefully review its operation in the Zhongshan Logistics Center as well as the overall logistics capacity, and determine the optimal size of the Group's logistics operations in southern China after the completion of the agri-related logistics operations transfer between the Zhongshan Logistics Center and the Huidong Logistics Center.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors are crucial for the results and business operations of the Group, some of which are inherent to FMCG Trading Business, Agri-Products Business and Logistics Services Business and some are from external macro-environment. The major principal risks and uncertainties are summarized as follows:

(1) Economic and Financial Market Volatility

The Group's trading and upstream farming businesses and the relevant logistics business are impacted by fluctuations in the global economy and financial market, particularly those in China. The decline in Chinese economic growth inevitably affected the level of disposable income and consumer confidence, and hence weighing on the demand on the Group's products and revenues. Therefore, if there is any significant financial volatility and economic setback, the Group's operations and financial performance may be adversely affected.

(2) Increasing Market Competition

The industries in which the Group operates in China are highly competitive. The Group's competitiveness is its product differentiation by providing high quality imported products at reasonable prices. However, the Group's competitiveness may be weakening in light of increasing market competition arising from the improvement of domestic product quality and the higher penetration of cross-border internet shopping.

(3) Supply Chain Risk

The Group sources products from a number of overseas suppliers. The cooperation is based on well-entrenched relationship and fair terms of trade between the Group and suppliers. However, the Group cannot warrant that the relationship with each supplier will remain unchanged, in the event the Group is unable to reach agreement upon reasonable terms with any suppliers and cannot find suitable substitute suppliers, the Group's operations may be affected.

(4) Inclement Weather Condition

The Group's upstream farming business is highly dependent on the weather condition. Inclement weather condition will inevitably damage the level of crop productivity and thus the revenues of the upstream farming business. Furthermore, the climate conditions of the areas where the suppliers for the Group's agri-products trading business are located could also severely affect the stability of product supply.

(5) Financial Risk

The Group is exposed to various financial risks, including but not limited to, interest rate risk, currency risk, credit default risk, liquidity risk and policy risk. While the Group actively monitors these risks and adopts risk management measures to mitigate the potential adverse effects that could be derived from these risks, the Group cannot warrant that these risks can be fully hedged and the Group may suffer when unexpected financial events occur.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group devotes much attention to environmental protection and be committed to promoting environment-friendly behaviours in the course of business activities. The Group implemented different measures and set out guidelines for saving electricity, water and other precious resources and encouraged recycle of office supplies and other materials. The Group also operated major logistics centers and facilities and farming bases in strict compliance with the relevant environmental regulations and standards.

KEY RELATIONSHIP

The Group's success highly depends on the support from key relationships with employees, suppliers and customers. The Group understands the importance of maintaining a good relationship with them to achieve its immediate and long-term business goals.

The Group is continuously offering training and encouraging continuing education for our employees. Meanwhile, the Group recognises the value of its key personnel in maintaining team morale and competitiveness. Both internal promotion and external recruitment are applied to select and promote top employees for vacant positions and attract qualified candidates to join the Group.

The Group cooperates with a number of suppliers based on long term relationships. The Group emphasises on the communication with suppliers and timely keeps them abreast of market trend in China's consumer market. The Group also provides value-added and tailor-made services to our suppliers to increase their stickiness.

The Group's customers include wholesalers, on-premise customers and e-commerce operators. The Group's most important mission is to deliver high quality, safe and niche products to our customers. The Group continuously conducts market research and expands various communication channels to understand customers' needs.

During FY2016, there was no material and significant dispute between the Group and its employees, suppliers and customers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2016, there was no material breach of or non-compliance with the applicable laws and regulations by the Group other than certain deviations from code provisions as set out in "Corporate Governance" in this announcement.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 18 November 2015, the Company issued and allotted 949,029,850 consideration shares for the acquisition of the sale shares and sale loan of Best Title Global Limited. 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.

On 4 May 2016, the Company entered into a placing agreement for the placing of 150,000,000 new shares of the Company to independent placees at a placing price of HK$0.34 per share. The placing and subscription were completed on 17 May 2016. The net proceeds of approximately HK$49.8 million will be used for future investment of the Group as and when opportunities arise.

At 30 June 2016, the Group had interest-bearing borrowings of approximately HK$61.3 million (30 June 2015: HK$64.5 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all mature within one year. 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 and a charge over the Group's available-for-sale financial assets and held-to-maturity investments in carrying amount of approximately HK$44.2 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 year under review, the Group experienced an abrupt fluctuation of Renminbi, which resulted in an exchange loss of approximately HK$17.8 million. The Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2016, the Group did not have any significant hedging instrument outstanding.

At 30 June 2016, the Group's current assets amounted to approximately HK$1,279.9 million (30 June 2015: HK$1,274.3 million) and the Group's current liabilities amounted to approximately HK$197.6 million (30 June 2015: HK$207.3 million). The Group's current ratio maintained to a level of approximately 6.5 at 30 June 2016 (30 June 2015: 6.1). At 30 June 2016, the Group had total assets of approximately HK$2,712.0 million (30 June 2015: HK$3,092.2 million) and total liabilities of approximately HK$204.2 million (30 June 2015: HK$214.0 million) with a gearing ratio of approximately 2.3% (30 June 2015: 2.1%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets and remained fairly stable as at 30 June 2016.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2016, the Group had approximately 530 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 for the purpose of providing incentives and rewards to eligible participants who contribute success of the Group's operations.

DEVELOPMENT AND PROSPECTS

The economic conditions remained challenging in China. The Chinese government will stay the course on economic reforms, which could be still long way to go to achieve a transition from investment- to consumption-based growth. In such a transition, the short term economic growth would suffer enormous pain, in return for long term and more sustainable growth.

Against the backdrop of such a macro-economic environment, pursuing better diversification of investments is one of the Group's strategies. On 18 November 2015, the Group acquired 40.5% interest in Tycoon City, which was the first move to create Group's footprint in the retail business in Hong Kong, and the Group also sees the acquisition as a strategic move to generate synergies with the FMCG Trading Business.

In September 2016, the Group entered into a conditional agreement with independent third parties to acquire 100% equity interest of Sino Wealth Securities Limited ("Sino Wealth"), which is principally engaged in securities brokerage business in Hong Kong, at the consideration of approximately HK$23.4 million (subject to adjustment). The Group considers that the acquisition of Sino Wealth will allow the Group to diversify its business and provide a prime opportunity for the Group to tap into the business of financial services industry in Hong Kong, so as to broaden the revenue and earning sources of the Group.

For the traditional trading business including the FMCG Trading Business and the agri-products trading business, the Group will continue to make new investments to improve these businesses. The Group had done a lot of works to strengthen the trading business and its associated logistics services business over past few years, and the performance indeed showed promising signs, such as the improving gross profit margin and the sales growth via online platforms. Going forward, the Group will continue to reinforce the relationships with suppliers and attract new customers from online platforms and on-premise customers. In the meantime, the Group will continue to review the logistics operations to support the Group's trading businesses. During the year, the Group has constantly invested in the Huidong Logistics Center and streamlined the logistics operations including outsourcing part of logistics works to third-party logistics providers. Going forward, while the Group will seek investment opportunities for suitable logistics assets to support the development of the trading businesses, the Group will also identify the optimal logistics capacity and streamline operational flow to increase efficiency, in particular review the capacity and operation scale in southern China region after the Huidong Logistics Center coming on stream.

The Group will carefully operate the existing upstream farming business and seek further opportunities to this business unit when the farming industry in China shows signs of bottoming out. The Group will continue to seek cooperation with domestic parties in Jiangxi by leasing unused arable land to them and explore new sales channels including exporting to overseas markets for our self-grown agricultural products.

The Group's mission is to evolve itself from a traditional trading company to an integrated company to provide our customers with one-stop services via both offline and online platforms. Although the Group's operations were persistently thwarted by the deteriorating operating environment caused by China's economic slowdown and global economic uncertainties, the Group's restructuring plan to downsize on the upstream farming business and shift to focus in the trading business have been already on the right track. Furthermore, the Group will strategically diversify its investments and operations to reduce risks and provide stable cashflow to weather any unexpected headwinds under such fluctuating operating conditions. Meanwhile, the Group will consistently maintain a healthy and strong financial position and adopt a conservative approach towards capital investments. Save for any unforeseen adverse circumstances, the Group is cautiously optimistic that the financial performance will be improving gradually in near term.

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2016 (2015: Nil).

CORPORATE GOVERNANCE

The Company has complied with 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 (the "Stock Exchange") throughout the financial year ended 30 June 2016, except with deviations from code provisions A.2.1 and A.6.7.

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

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had fully complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2016.

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

Throughout the financial year ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the related notes thereto for the financial year ended 30 June 2016 as set out in the this announcement have been reviewed by the Audit Committee and agreed by the Group's external auditor, RSM Hong Kong, whom are of the opinion that such annual results have complied with the applicable accounting standards and the requirements of the Listing Rules and applicable laws, and that adequate disclosures have been made.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is available for viewing on the websites of the Stock Exchange and the Company. The 2016 Annual Report of the Company will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 30 September 2016

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joecy, Ms. Hung Sau Yung, Rebecca and Ms. Gao Qin Jian; one non-executive Director, namely Ms. Chan Yuk, Foebe; and three independent non-executive Directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung, Newman.