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 2016/2017

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 2016 (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 2016

		Six months ended 31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
TURNOVER	3	**675,290**	732,323
Cost of sales		**(597,923)**	(651,053)
GROSS PROFIT		**77,367**	81,270
Changes in fair value of biological assets less costs to sell		**(11,275)**	(13,348)
Other gains and income		**3,020**	35,471
Selling and distribution expenses		**(41,917)**	(44,388)
Administrative expenses		**(48,627)**	(54,426)
Other operating expenses		**(12,784)**	(10,151)
LOSS FROM OPERATIONS		**(34,216)**	(5,572)
Finance costs	5	**(191)**	(294)
Share of loss of a joint venture		**(6,884)**	–
LOSS BEFORE TAX		**(41,291)**	(5,866)
Income tax expense	6	**(521)**	(416)
LOSS FOR THE PERIOD	7	**(41,812)**	(6,282)
Attributable to:			
Owners of the Company		**(40,501)**	(6,258)
Non-controlling interests		**(1,311)**	(24)
		(41,812)	(6,282)
LOSS PER SHARE	9		(Restated)
– Basic		**HK(4.33 cents)**	HK(0.89 cent)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the Period	**(41,812)**	(6,282)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(39,099)**	(26,485)
Fair value change on available-for-sale financial assets	**2,161**	(59,825)
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**(80)**	(86,258)
Other comprehensive income for the Period, net of tax	**(37,018)**	(172,568)
Total comprehensive income for the Period	**(78,830)**	(178,850)
Attributable to:		
Owners of the Company	**(77,519)**	(178,826)
Non-controlling interests	**(1,311)**	(24)
	(78,830)	(178,850)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**31 December 2016 (Unaudited) HK$'000**	30 June 2016 (Audited) HK$'000
ASSETS			
Non-current assets			
Fixed assets		**600,204**	650,619
Prepaid land lease payments		**217,153**	233,703
Construction in progress		**110,034**	107,045
Goodwill		**69,045**	69,045
Biological assets		**87,292**	90,466
Other intangible assets		**87,422**	98,066
Other assets		**67,968**	82,983
Investment in a joint venture		**66,348**	73,232
Investment in a club membership		**108**	108
Investments		**34,772**	26,868
		1,340,346	1,432,135
Current assets			
Inventories		**173,809**	199,478
Trade receivables	10	**411,030**	431,980
Prepayments, deposits and other receivables		**193,658**	200,404
Investments		**16,497**	17,482
Bank and cash balances		**468,902**	430,558
		1,263,896	1,279,902
TOTAL ASSETS		**2,604,242**	2,712,037
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	**90,035**	90,035
Reserves		**2,341,715**	2,419,234
		2,431,750	2,509,269
Non-controlling interests		**(2,745)**	(1,434)
Total equity		**2,429,005**	2,507,835

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2016

	Note	31 December 2016 (Unaudited) HK$'000	30 June 2016 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Finance lease payables		**25**	33
Deferred tax liabilities		**6,160**	6,523
		6,185	6,556
Current liabilities			
Trade payables	11	**91,857**	106,065
Accruals and other payables		**28,643**	24,341
Borrowings		**42,133**	61,342
Finance lease payables		**16**	16
Current tax liabilities		**6,403**	5,882
		169,052	197,646
Total liabilities		**175,237**	204,202
TOTAL EQUITY AND LIABILITIES		**2,604,242**	2,712,037

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium account	Legal reserve	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Investment revaluation reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 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)
Acquisition of subsidiaries	9,490	63,585	–	–	–	–	–	–	–	73,075	(290)	72,785
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	10	10
Change in equity for the period	9,490	63,585	–	(26,485)	–	–	(146,083)	–	(6,258)	(105,751)	(304)	(106,055)
At 31 December 2015	75,035	2,216,216	97	168,753	18,670	7,814	38,654	(86,094)	332,652	2,771,797	270	2,772,067
At 1 July 2016	**90,035**	**2,251,063**	**97**	**162,062**	**16,659**	**7,386**	**105**	**(86,094)**	**67,956**	**2,509,269**	**(1,434)**	**2,507,835**
Total comprehensive income for the Period	**-**	**-**	**-**	**(39,099)**	**-**	**-**	**2,081**	**-**	**(40,501)**	**(77,519)**	**(1,311)**	**(78,830)**
At 31 December 2016	**90,035**	**2,251,063**	**97**	**122,963**	**16,659**	**7,386**	**2,186**	**(86,094)**	**27,455**	**2,431,750**	**(2,745)**	**2,429,005**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**71,108**	28,139
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(1,855)**	23,594
NET CASH USED IN FINANCING ACTIVITIES	**(19,217)**	(3,907)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**50,036**	47,826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(11,692)**	(5,227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**430,558**	348,128
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**468,902**	390,727
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**468,902**	390,727

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

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 2016. 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 2016.

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 2016. 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of consumer goods	**352,432**	388,438
Sales of agri-products	**302,544**	321,342
Logistics services income	**20,314**	22,543
	675,290	732,323

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 2016				
Revenue from external customers	**352,432**	**302,544**	**20,314**	**675,290**
Segment profit/(loss)	**6,894**	**(24,571)**	**662**	**(17,015)**
At 31 December 2016				
Segment assets	**918,905**	**1,088,282**	**397,971**	**2,405,158**

	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	388,438	321,342	22,543	732,323
Segment profit/(loss)	8,128	(25,271)	(555)	(17,698)
At 30 June 2016				
Segment assets (Audited)	882,692	1,221,774	444,958	2,549,424

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Reconciliation of segment loss:		
Total loss of reportable segments	**(17,015)**	(17,698)
Unallocated amounts:		
Share of loss of a joint venture	**(6,884)**	–
Gain on disposal of available-for-sale financial assets	**80**	31,857
Exchange loss on depreciation of Renminbi, net	**(9,252)**	(10,134)
Other corporate expenses	**(8,741)**	(10,307)
Consolidated loss for the Period	**(41,812)**	(6,282)

5. FINANCE COSTS

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on borrowings	**189**	289
Finance lease charges	**2**	5
	191	294

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current period tax:		
Hong Kong	**322**	58
Overseas	**199**	358
	521	416

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period (2015: 16.5%).

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 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% (2015: 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation and depreciation, net of amount capitalised	**40,333**	42,891
Cost of inventories sold	**571,415**	612,967
Directors' emoluments	**3,108**	2,965
Exchange loss, net	**9,252**	10,134
Fair value loss on fixed assets	**3,532**	–
Gain on disposal of available-for-sale financial assets	**(80)**	(31,857)
Operating lease charges in respect of land and buildings, net of amount capitalised	**20,505**	21,009
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**12,128**	12,674
Retirement benefits scheme contributions	**338**	339
	12,466	13,013

8. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2016 (2015: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the Period attributable to owners of the Company of approximately HK$40,501,000 (2015: approximately HK$6,258,000) and the weighted average number of ordinary shares of the Company of 936,362,014 (2015 restated: 705,264,870) in issue during the Period after adjusting the effect of the rights issue in January 2017. The basic loss per share for 2015 had been adjusted and restated accordingly.

No diluted loss per share for the Period 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 shares during the six months ended 31 December 2016 and that of 31 December 2015.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2015: 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 2016 (Unaudited) HK$'000	30 June 2016 (Audited) HK$'000
1 – 30 days	**112,986**	127,423
31 – 60 days	**100,714**	107,501
61 – 90 days	**100,313**	109,206
Over 90 days	**97,017**	87,850
	411,030	431,980

11. TRADE PAYABLES

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

	31 December 2016 (Unaudited) HK$'000	30 June 2016 (Audited) HK$'000
1 – 30 days	**89,393**	96,823
31 – 60 days	**2,267**	6,685
61 – 90 days	**–**	1,542
Over 90 days	**197**	1,015
	91,857	106,065

12. SHARE CAPITAL

	Number of shares (Unaudited)	**Amount (Unaudited)** HK$'000
Authorised:		
At 30 June 2016 and 1 July 2016, par value HK$0.10 each	1,000,000,000	100,000
Increase in authorised shares effective on 24 November 2016	9,000,000,000	900,000
At 31 December 2016, par value HK$0.10 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 30 June 2016, 1 July 2016 and 31 December 2016	900,348,091	90,035

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2016 (30 June 2016: Nil).

14. CAPITAL COMMITMENTS

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

	31 December 2016 (Unaudited) HK$'000	30 June 2016 (Audited) HK$'000
Contracted but not provided for		
– Fixed assets	**6,667**	7,059
– Construction in progress	**31,289**	33,129
– Seedling plantation	**4,111**	4,353
	42,067	44,541

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2016 (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$675.3 million, representing a decrease of approximately 7.8%, compared to approximately HK$732.3 million in the same period last year. The decline in turnover was mainly attributable to the weak market demand and the depreciation of Renminbi. The Chinese retail market continued to be challenged by weak economies and soft consumer confidence. The retail sales growth was sluggish and lingered below 11% throughout the Period, which was even worse than that of the same period last year. Furthermore, the persistent weak Renminbi trend negatively affected the competitiveness of the Group's imported products, the Group had to increase selling prices for certain kinds of products to maintain gross profit margin at the expense of sales volume. As a result, the turnover across the board declined during the Period, of which the FMCG Trading Business and the Logistics Services Business decreased by approximately 9-10% while the Agri-Products Business dropped by approximately 6%.

Gross profit margin increased from approximately 11.1% to approximately 11.5% compared with the same period last year. The increase was mainly attributable to the Group's effort to improve gross profit margin and the increase in selling prices for certain kinds of products. Although the overall gross profit margin improved slightly, it was indeed severely affected by the approximately 4% Renminbi depreciation during the Period. 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, as well as increase selling prices for some products.

Selling and distribution expenses decreased by approximately 5.6% from approximately HK$44.4 million to approximately HK$41.9 million. These expenses represented approximately 6.2% of turnover compared to approximately 6.1% 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 continuously 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 10.7% from approximately HK$54.4 million to approximately HK$48.6 million. The decrease was mainly attributable to the Group's various cost saving initiatives and the diminishing negative impact from the upstream farming business thanks to the downsizing on the farming operations, which had a relatively high portion of fixed administrative costs and many agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses were saved.

Other operating expenses mainly represented a fair value loss on buildings of approximately HK$3.5 million and an exchange loss on certain assets denominated in Renminbi amounted to approximately HK$9.3 million owing to the depreciation of Renminbi during the Period, compared to the exchange loss of approximately HK$10.1 million recorded during the same period last year.

Other gains and income decreased from approximately HK$35.5 million to approximately HK$3.0 million. The decrease in other gains and income was mainly attributable to the gain of approximately HK$31.9 million on disposal of certain shares of the Group's investment in China Zenith Chemical Group Limited, a company listed on the Stock Exchange, during the same period last year.

Finance costs maintained at a similar level of approximately HK$0.2 million compared to approximately HK$0.3 million of the preceding corresponding period.

During the Period under review, the Group recorded share of results of a joint venture of approximately HK$6.9 million, which represented the share of net loss of Waygood Investment Development Limited ("Waygood") under equity accounting treatment. Waygood is operating a department store named Tycoon City which is located in Tsim Sha Tsui East.

The increase in the Group's net loss can be summarized as mainly attributable to approximately 7.8% decrease in turnover, approximately HK$32.5 million decrease in other gains and income and approximately HK$6.9 million share of loss of a joint venture, but partly offset by approximately 0.4% increase in gross profit margin, approximately HK$2.1 million decrease in fair value loss of biological assets, 5.6% decrease in selling and distribution expenses, and 10.7% decrease in administrative expenses.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The operating environment was still very challenging during the Period. On the external front, although China's macro economy has been stabilising, the economic growth was still weak and lingered at 6.7-6.8%. The retail sales growth was weaker than last year and stayed below 11% throughout the Period. Worse still, Renminbi depreciation resulted in a more challenging environment for the Group's imported products when facing fierce competition from domestic brands. Meanwhile, the substantial changes to the developed markets such as Brexit and the presidential transition in the United States also increased volatility in the global financial markets and thus consumer confidence. On the internal front, the Group has been undergoing extensive business transformation over past few years in order to mitigate the negative impact from the previous capital investments and high recurring fixed costs for the upstream farming business. In such a massive transformation in scale and short time frame, some financial pain was inevitable in return for long term sustainability. Notwithstanding the various unfavourable conditions aforesaid, the Group upheld stable gross profit margins and emphasised on cost saving initiatives, which partially alleviated the problems and reflected on the financial results 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 70%, 7%, 7%, 13% and 3%. 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.

The FMCG Trading Business has become increasingly important for the Group and it contributed more than 50% of the Group's total revenues during the Period. Although the revenue of this business unit decreased by approximately 9%, its gross profit remained stable compared to the same period last year thanks to an improving gross profit margin. In fact, the weak macro economy and Renminbi depreciation have been putting high downward pressure on the FMCG Trading Business, the competition from the domestic brands was also fierce. The Group adopted various measures to counteract the headwinds, including improving product-mix and seeking best discounts from suppliers through bulk-purchase. In addition, the Group managed pricing strategies with great flexibility such that the gross profit margin would not suffer significantly from Renminbi depreciation, although sales volume was inevitably affected by the increase in selling prices for some products. In view of highly competitive in the cosmetics market in China, the Group has been already trimming down the business for cosmetics products and will cease its operations in near future. Furthermore, the growth rate of the e-commerce industry in China has been decelerating, and a number of merger and acquisition activities further gave rise to uncertainties on the demand from the e-commerce operators. Notwithstanding the above, the Group has already established a good rapport with various e-commerce operators and is cautiously optimistic on its future development in e-commerce business.

In November 2015, the Group acquired 40.5% interest in Tycoon City, a Tsim Sha Tsui East-based department store, as a strategic move to exploit a new channel to promote the Group's imported products. With the retail sales in Hong Kong continued to fall during the Period, the Group recorded a share of loss of a joint venture of approximately HK$6.9 million. Although the retail market in Hong Kong was weak, there were some signs of improvement when the decline in sales in December 2016 narrowed to 3% from a year ago as more mainland visitors spent their holidays in Hong Kong. Therefore, the Group is cautiously optimistic on the rebound of the overall Hong Kong retail market, and will closely monitor the operations of Tycoon City to strengthen the collaboration between the FMCG Trading Business and Tycoon City in order to maximize operational synergies.

The Agri-Products Business contains trading fresh produce such as fruits and vegetables imported from countries like Australasia and South East Asia as well as upstream cultivations in China. During the Period, the revenue of this business unit declined by approximately 6% while the gross profit margin has slightly improved. The agri-products trading business also faced weak market demand and Renminbi depreciation as mentioned above. The persistent anti-extravagance atmosphere continued to cast a negative outlook over the imported fruit industry in China and suppressed market demand, Renminbi depreciation further worsened the operating environment and undermined the Group's imported fruits' competitive edge against local grown products. Additionally, the unexpectedly unstable and inclement weather in some countries of origin of the Group's imported fruits also severely affected the stability of product supply during the Period. Notwithstanding the above, the Group's well-established distribution networks for imported agricultural products played an important role under such a difficult time. High quality services and timely distribution enabled the Group to charge a higher price to maintain stable profit margin. The Group also constantly improved product-mix to focus on products with high profit margins.

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. The Group's restructuring plan undertaken over the past few years to streamline the upstream farming business continued to show its value by saving a considerable amount of capital expenditures and operating expenses. The revenue contribution from the farming base in Jiangxi has been steadily growing and the product quality has been also continually rising. Save for unpredictable inclement weather, the Group is optimistic on the prospect of our Jiangxi's farming base and will carefully operate and invest in its future development.

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.

On 2 December 2016 and 20 January 2017, the Group entered into a memorandum of understanding and a sale and purchase agreement respectively with a potential purchaser relating to the disposal of a wholly owned subsidiary which is effectively holding the Group's Zhongshan Logistics Centre, subject to shareholders' approval at the coming extraordinary general meeting to be convened on 16 March 2017 (details please refer to the circular dated 28 February 2017). Zhongshan Logistics Centre is the major logistics hub for the Group in southern China, which is principally engaged in warehousing, food processing and logistics services. In view of the new Huidong Logistics Centre coming on stream in the near term, the Group has conducted a thorough review and decided to shift the existing logistics centre operations in Zhongshan to the new logistics centre because of its closer proximity to various farming bases. The disposal of Zhongshan Logistics Centre will provide financial return and a consolidation for the logistics operations in southern China region. The Group would continue to carry out its logistics business in southern China with its new logistics centre in Huidong after the contemplated disposal, and for minimizing possible business interruption, the Group has rented short term storage facilities close to the Zhongshan Logistics Centre to continue cater for our existing customers in the vicinity area where the transfer of the stored produce to the new Huidong Logistics Centre may not be cost effective or advisable.

On 5 September 2016, the Group entered into a sale and purchase agreement to acquire 100% interest in Sino Wealth Securities Limited ("Sino Wealth"), which is principally engaged in securities brokerage business in Hong Kong. The Group has been proactively seeking investment opportunities to diversify its business and considers the acquisition of Sino Wealth is a prime opportunity to tap into the financial services industry and broaden the revenue and earning sources of the Group. Currently, the Group is still seeking for approval from the Securities and Futures Commission of Hong Kong as one of the conditions for completion.

Looking forward, while the Group will continue to focus on the FMCG Trading Business and its associated logistics business, the Group will also strategically diversify its investments to reduce operational risks and provide stable cashflow to weather any unexpected headwinds under fluctuating environments. 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 will uphold a strong financial position and stay alert to the rapidly changing environment when making every investment decision.

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 and banking facilities.

On 11 January 2017, the Company issued 900,348,091 ordinary shares, on the basis of one rights share for every one share held, to the shareholders of the Company at a subscription price of HK$0.24 per share through a rights issue. The net proceeds of approximately HK$207.3 million were intended to inject into the brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients and lending business.

At 31 December 2016, the Group had interest-bearing borrowings of approximately HK$42.1 million (30 June 2016: HK$61.3 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 banking 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 available-for-sale financial assets and held-to-maturity investments of a subsidiary in a carrying amount of approximately HK$42.7 million (30 June 2016: HK$44.2 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. 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 2016, the Group did not have any significant hedging instrument outstanding.

At 31 December 2016, the Group's current assets amounted to approximately HK$1,263.9 million (30 June 2016: HK$1,279.9 million) and the Group's current liabilities amounted to approximately HK$169.1 million (30 June 2016: HK$197.6 million). The Group's current ratio improved to a level of approximately 7.5 as at 31 December 2016 (30 June 2016: 6.5). At 31 December 2016, the Group had total assets of approximately HK$2,604.2 million (30 June 2016: HK$2,712.0 million) and total liabilities of approximately HK$175.2 million (30 June 2016: HK$204.2 million) with a gearing ratio of approximately 1.6% (30 June 2016: 2.3%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The improvement in gearing ratio was mainly attributable to the decrease in bank borrowing level as at 31 December 2016.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows (Mr. Chan Cheuk Yu, Stephen was appointed as an executive director of the Company on 6 February 2017 and his interest in the shares of the Company was not included in this section):

Long positions

Director	Note	**Capacity/nature 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	137,539,457	15.28%
Ms. Lee Choi Lin Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	137,539,457	15.28%
Ms. Hung Sau Yung, Rebecca	2	Beneficial owner	3,000,000	0.33%
Ms. Gao Qin Jian	2	Beneficial owner	3,000,000	0.33%
Mr. John Handley (resigned on 28 February 2017)	2	Beneficial owner	2,000,000	0.22%
Ms. Mak Yun Chu	2	Beneficial owner	2,000,000	0.22%
Mr. Poon Yiu Cheung, Newman	2	Beneficial owner	1,500,000	0.17%

Notes:

1. 108,980,564 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 137,539,457 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 titled "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2016, 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 titled "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 2016, 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:

Substantial shareholder	Note	Capacity/nature of interests	Number of shares in interest	Approximate percentage of the issued shares[7]
Best Global	1	Beneficial owner	108,980,564(L)	12.10%
Chan Cheuk Yu, Stephen ("Mr. Chan")	2	Beneficial owner and interest in controlled corporation	94,977,984(L)	10.55%
Glazy Target Limited ("Glazy Target")	3	Beneficial owner	66,432,089(L)	7.38%
Pan Chik	4	Interest in controlled corporation	762,808,634(L) 330,000,000(S)	42.36% 18.33%
Liu Ming Lai Lorna	4	Family interest	762,808,634(L) 330,000,000(S)	42.36% 18.33%
Autumn Ocean Limited	4	Interest in controlled corporation	762,808,634(L) 330,000,000(S)	42.36% 18.33%
Astrum Financial Holdings Limited	4	Interest in controlled corporation	762,808,634(L) 330,000,000(S)	42.36% 18.33%
Major Harvest Investments Limited	4	Interest in controlled corporation	762,808,634(L) 330,000,000(S)	42.36% 18.33%
Astrum Capital Management Limited	4	Other	762,808,634(L) 330,000,000(S)	42.36% 18.33%
Convoy Global Holdings Limited	5	Interest in controlled corporation	125,000,000(L)	6.94%
CSL Securities Limited	5	Other	125,000,000(L)	6.94%
Jun Yang Financial Holdings Limited	6	Interest in controlled corporation	125,000,000(L)	6.94%
Jun Yang Securities Company Limited	6	Other	125,000,000(L)	6.94%

Remark: (L) – Long Position, (S) – Short Position

Notes:

1. These shares are in duplicate the interests held by Mr. Lam and Ms. Lee as stated in section titled "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 94,977,984 shares held, Mr. Chan has deemed interest in the 66,432,089 shares held by Glazy Target and 28,545,895 shares are held by Mr. Chan on his own beneficial interest.

3. These shares are in duplicate the interest held by Mr. Chan.

4. These shares relate to the same block of shares derived from the deemed interests of Astrum Capital Management Limited ("Astrum") in the underwritten shares in relation to the rights issue of the Company pursuant to the underwriting agreement entered into by the Company and Astrum on 20 October 2016. Mr. Pan Chik holds 100% of the issued share capital of Autumn Ocean Limited; Autumn Ocean Limited holds 66% of the issued share capital of Astrum Financial Holdings Limited; Astrum Financial Holdings Limited holds 100% of the issued share capital of Major Harvest Investments Limited; and Major Harvest Investments Limited holds 100% of Astrum. Ms. Liu Ming Lai Lorna is the spouse of Mr. Pan Chik and she is deemed to be interested in all the shares in which Mr. Pan Chik is interested in Astrum by virtue of the SFO.

5. Convoy Global Holdings Limited indirectly holds 100% of the issued share capital of CSL Securities Limited.

6. Jun Yang Financial Holdings Limited indirectly holds 100% of the issued share capital of Jun Yang Securities Company Limited.

7. The approximate percentage of the issued shares of Best Global, Mr. Chan and Glazy Target are calculated with reference to the issued shares of the Company as at 31 December 2016 (i.e. 900,348,091 shares). Save for the above substantial shareholders, all other substantial shareholders disclosed were the underwriter and respective sub-underwriters of the rights issue of the Company which was completed on 11 January 2017. Hence the approximate percentage of the issued shares are calculated with the enlarged issued shares of the Company after the rights issue (i.e. 1,800,696,182 shares).

Save as disclosed above, as at 31 December 2016, no person, other than a Director and chief executive of the Company whose interests are set out in the section titled "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 1 July 2016	Granted during the period	Cancelled/ lapsed during the period	At 31 December 2016	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$
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
Independent non-executive directors							
Mr. John Handley (resigned on 28 February 2017)	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)	7,900,000	–	–	7,900,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Other eligible participants (in aggregate)	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
	49,177,770	–	–	49,177,770			

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

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

At 31 December 2016, the Company had 49,177,770 (31 December 2015: 53,444,426) 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 49,177,770 (31 December 2015: 53,444,426) additional ordinary shares and additional share capital of approximately HK$4,918,000 (31 December 2015: HK$5,344,000) and share premium of approximately HK$53,380,000 (31 December 2015: HK$76,879,000) (before share issue expenses).

However, the number of outstanding share options and respective exercise prices of share options were adjusted after the issue of rights shares pursuant to rights issue on 11 January 2017.

DISCLOSURE OF INFORMATION ON DIRECTORS

During the Period under review, there is no change in information of the Directors since the date of the 2016 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 COMPANY'S LISTED SECURITIES

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 2016.

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 2016, 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 30 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 21 December 2016 (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.

Ms. Chan was not re-elected during the AGM and has retired from the office of non-executive director and member of the Audit Committee of the Company immediately followed the close of the AGM. Following the retirement of Ms. Chan on 21 December 2016, Mr. Chan Cheuk Yu, Stephen was appointed as an executive director of the Company on 6 February 2017 and Mr. Hung Hing Man was appointed as an independent non-executive director and a member of Audit Committee of the Company on 20 February 2017 while Mr. John Handley resigned as an independent non-executive director of the Company on 28 February 2017.

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 2016 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 2016 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, 28 February 2017

As at the date of this report, the Board comprises five executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joecy, Ms. Hung Sau Yung, Rebecca, Ms. Gao Qin Jian and Mr. Chan Cheuk Yu, Stephen; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung, Newman and Mr. Hung Hing Man.