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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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 2012 (the "Period") together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2012

		Six months ended 31 December	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
TURNOVER	3,4	**1,049,302**	1,057,354
Cost of sales		**(920,782)**	(843,771)
Gross profit		**128,520**	213,583
Changes in fair value of biological assets less costs to sell		**(7,581)**	(6,653)
Other income		**4,516**	1,976
Selling and distribution expenses		**(91,004)**	(77,692)
Administrative expenses		**(122,784)**	(86,188)
Other operating expenses		**(29,059)**	(4,384)
(LOSS)/PROFIT FROM OPERATIONS		**(117,392)**	40,642
Finance costs	5	**(578)**	(1,047)
(LOSS)/PROFIT BEFORE TAX		**(117,970)**	39,595
Income tax expense	6	**(101)**	(2,933)
(LOSS)/PROFIT FOR THE PERIOD	7	**(118,071)**	36,662
Attributable to:			
Owners of the Company		**(94,722)**	46,538
Non-controlling interests		**(23,349)**	(9,876)
		(118,071)	36,662
(LOSS)/EARNINGS PER SHARE	9		
– Basic		**HK(1.7 cents)**	HK1.3 cents
– Diluted		**N/A**	HK1.3 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/Profit for the Period	**(118,071)**	36,662
Other comprehensive income:		
Exchange differences on translating foreign operations	**(9,086)**	13,937
Fair value changes of available-for-sale financial assets	**4,138**	–
Other comprehensive income for the Period, net of tax	**(4,948)**	13,937
Total comprehensive income for the Period	**(123,019)**	50,599
Total comprehensive income attributable to:		
Owners of the Company	**(99,670)**	60,475
Non-controlling interests	**(23,349)**	(9,876)
	(123,019)	50,599

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Note	**31 December 2012 (Unaudited) *HK$'000***	30 June 2012 (Audited) *HK$'000*
Non-current assets			
Fixed assets		**894,971**	897,123
Prepaid land lease payments		**422,244**	469,179
Construction in progress		**153,778**	134,709
Goodwill		**282,525**	282,525
Biological assets		**53,126**	52,469
Other intangible assets		**82,091**	100,732
Other assets		**124,870**	141,092
Investments in a club membership		**108**	108
Investments		**54,870**	1,891
		2,068,583	2,079,828
Current assets			
Biological assets		**308**	–
Inventories		**212,049**	219,443
Trade receivables	10	**460,397**	435,896
Prepayments, deposits and other receivables		**318,614**	303,842
Investments		**264**	243
Bank and cash balances		**595,813**	725,642
		1,587,445	1,685,066
TOTAL ASSETS		**3,656,028**	3,764,894
Capital and reserves			
Share capital	12	**54,554**	54,554
Reserves		**3,454,819**	3,535,877
Equity attributable to owners of the Company		**3,509,373**	3,590,431
Non-controlling interests		**(66,232)**	(42,883)
Total equity		**3,443,141**	3,547,548
Non-current liabilities			
Finance lease payables		**61**	263
Deferred tax liabilities		**3,231**	3,271
		3,292	3,534
Current liabilities			
Trade payables	11	**105,716**	98,454
Accruals and other payables		**12,482**	10,928
Borrowings		**69,617**	82,679
Finance lease payables		**480**	552
Current tax liabilities		**21,300**	21,199
		209,595	213,812
Total liabilities		**212,887**	217,346
TOTAL EQUITY AND LIABILITIES		**3,656,028**	3,764,894
Net current assets		**1,377,850**	1,471,254
Total assets less current liabilities		**3,446,433**	3,551,082

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

	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	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*
At 1 July 2011	34,637	1,750,030	97	160,593	8,142	929	–	1,278,643	3,233,071	(16,378)	3,216,693
Total comprehensive income for the period	–	–	–	13,937	–	–	–	46,538	60,475	(9,876)	50,599
Business combinations	–	–	–	–	–	–	–	–	–	762	762
Bonus issue of shares	1,732	–	–	–	–	–	–	(1,732)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	2,362	–	–	–	2,362	–	2,362
Change in equity for the period	1,732	–	–	13,937	2,362	–	–	44,806	62,837	(9,114)	53,723
At 31 December 2011	36,369	1,750,030	97	174,530	10,504	929	–	1,323,449	3,295,908	(25,492)	3,270,416
At 1 July 2012	54,554	2,087,124	97	189,378	11,450	929	–	1,246,899	3,590,431	(42,883)	3,547,548
Total comprehensive income for the period	–	–	–	(9,086)	–	–	4,138	(94,722)	(99,670)	(23,349)	(123,019)
Recognition of equity-settled share-based payments	–	–	–	–	18,612	–	–	–	18,612	–	18,612
Change in equity for the period	–	–	–	(9,086)	18,612	–	4,138	(94,722)	(81,058)	(23,349)	(104,407)
At 31 December 2012	54,554	2,087,124	97	180,292	30,062	929	4,138	1,152,177	3,509,373	(66,232)	3,443,141

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2012

	Six months ended 31 December 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
NET CASH GENERATED IN OPERATING ACTIVITIES	**3,443**	50,134
NET CASH USED IN INVESTING ACTIVITIES	**(115,422)**	(82,282)
NET CASH (USED)/GENERATED IN FINANCING ACTIVITIES	**(13,336)**	10,360
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(125,315)**	(21,788)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(4,514)**	6,660
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**725,642**	603,582
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**595,813**	588,454
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**595,813**	588,454

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2012

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 2012. 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 2012.

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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and the prior periods.

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of consumer goods	**413,442**	426,465
Sales of agri-products	**557,458**	530,027
Logistics services income	**78,402**	100,862
	1,049,302	1,057,354

4. **SEGMENT INFORMATION**

The Group has three reporting segments as follows:

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

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

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

There were no significant sales between the reportable operating segments.

The segment information of the Group was as follows:–

	FMCG Trading Business (Unaudited) *HK$'000*	**Agri-Products Business (Unaudited)** *HK$'000*	**Logistics Services Business (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
For the six months ended 31 December 2012				
Revenue from external customers	**413,442**	**557,458**	**78,402**	**1,049,302**
Segment (loss)/profit	**(25,331)**	**(73,388)**	**5,783**	**(92,936)**
At 31 December 2012				
Segment assets	**1,238,062**	**1,724,276**	**618,221**	**3,580,559**

	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 2011				
Revenue from external customers	426,465	530,027	100,862	1,057,354
Segment profit	15,764	12,034	29,743	57,541
At 30 June 2012				
Segment assets	1,061,614	1,769,350	659,712	3,490,676

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reconciliations of segment (loss)/profit:		
Total (loss)/profit of reportable segments	**(92,936)**	57,541
Corporate and unallocated expenses	**(25,135)**	(20,879)
Consolidated (loss)/profit for the Period	**(118,071)**	36,662

5. FINANCE COSTS

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on borrowings	**563**	1,022
Finance lease charges	**15**	25
	578	1,047

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period tax:		
Overseas	**101**	2,933

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2012 and 2011 since the Group has sufficient tax losses brought forward to set off against its assessable profit.

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

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

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

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation and depreciation, net of amount capitalised	**87,389**	68,129
Allowance for other receivables	**2,500**	–
Allowance for inventories	**26,559**	–
Cost of inventories sold	**898,393**	815,746
Directors' emoluments	**1,962**	2,896
Equity-settled share-based payments	**18,612**	2,362
– Directors	**6,285**	–
– Staff and others	**12,327**	2,362
Impairment loss on available-for-sale financial assets	**–**	4,384
Operating lease charges in respect of land and buildings, net of amount capitalised	**52,050**	46,051

8. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2012 (2011: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to owners of the Company was based on the Group's loss for the Period attributable to owners of the Company of approximately HK$94,722,000 (2011: profit of approximately HK$46,538,000) and the weighted average number of ordinary shares of the Company of 5,455,375,891 (2011 restated: 3,636,917,261) in issue during the Period. The basic earnings per share for 2011 was adjusted for the effects of bonus issue in December 2011.

No diluted earnings per share for the Period is presented as the effect of all potential ordinary shares is anti-dilutive for the Period.

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 31 December 2011 was based on the Group's profit attributable to owners of the Company of approximately HK$46,538,000 and the weighted average number of 3,637,500,399 shares, being the weighted average number of 3,636,917,261 shares in issue during the six months ended 31 December 2011 used in the basic earnings per share calculation plus the weighted average number of 583,138 shares assumed having been issued at no consideration on the deemed exercise of the share options outstanding during the six months ended 31 December 2011 after adjusting the effects of bonus issue in December 2011.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2011: 30 to 150 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 2012 (Unaudited) ***HK$'000***	30 June 2012 (Audited) *HK$'000*
1 – 30 days	**172,768**	124,119
31 – 60 days	**163,665**	121,359
61 – 90 days	**92,233**	130,593
Over 90 days	**31,731**	59,825
	460,397	435,896

11. TRADE PAYABLES

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

	31 December 2012 (Unaudited) ***HK$'000***	30 June 2012 (Audited) *HK$'000*
1 – 30 days	**100,740**	96,999
31 – 60 days	**4,712**	1,046
61 – 90 days	**68**	132
Over 90 days	**196**	277
	105,716	98,454

12. SHARE CAPITAL

	31 December 2012		30 June 2012	
	Number of shares	**Amount**	Number of shares	Amount
		HK'000		*HK'000*
Authorised:				
Shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
Shares of HK$0.01 each	**5,455,375,891**	**54,554**	5,455,375,891	54,554

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2012 (30 June 2012: Nil).

14. CAPITAL COMMITMENTS

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

	31 December 2012	30 June 2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Contracted but not provided for		
– Construction in progress	**51,524**	52,345
– Seedling plantation	**11,409**	10,741
	62,933	63,086

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2012, the Group's turnover was approximately HK$1,049.3 million, representing a decrease of approximately 0.8%, compared to HK$1,057.4 million in the same period last year. The decline in turnover was mainly attributable to (i) the increase in competition arising from an improvement in the competitiveness of local brands; (ii) the decrease in customers' demand affected by the continual turbulences in the global and domestic markets; and (iii) the Group had adopted a more stringent credit control to limit or stop taking orders from those customers with weak credibility for the purpose of averting any chances of material uncollectible debts; but partly offset by the increase in revenue in the upstream farming business compared with the same period last year.

Gross profit margin decreased from approximately 20.2% to 12.2% when compared with the same period last year. The Group had reduced the selling price of some of its FMCG products to attract more sales orders from good quality customers in view of the challenging operating environment. The rising labour and agricultural raw materials costs, coupled with unfavourable product mix such as decline in sales of frozen and cosmetics products and revenue from logistics services which are of higher gross profit margin, also adversely affected the gross profit margin.

Selling and distribution expenses increased approximately 17.1% from approximately HK$77.7 million to approximately HK$91.0 million. These expenses represented approximately 8.7% of turnover compared to 7.3% recorded during the same period last year. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, incentivized share based payments as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses increased approximately 42.5% from approximately HK$86.2 million to approximately HK$122.8 million. The increase was mainly attributable to the expansion of the scale of our upstream cultivation bases resulting in a relatively higher portion of fixed administrative costs in staff headcounts, depreciation, travel and utilities and other overheads. Agri-related expenses represented a larger portion of the Group's overall expenses as compared with other operating units such as traditional FMCG Trading Business. In addition, staff costs had increased during the Period due to the charging of fair value of the share based payments arising from the grant of share options under the existing share option scheme.

Other operating expenses increased from approximately HK$4.4 million to HK$29.1 million. These expenses represented allowance for other receivables and inventories. During the Period, the Group had carried out a review for certain merchandises in the wake of sluggish operating environment and resulted in a provision of approximately HK$26.6 million for certain aging and slow-moving products.

Finance costs decreased to approximately HK$0.6 million from approximately HK$1.0 million in the preceding corresponding period. The decrease in finance costs was mainly attributable to a decreased level of utilization of the Group's banking facilities as compared with the same period last year.

The Group's loss for the Period can be summarized as mainly attributable to approximately 8.0% decrease in the Group's overall gross profit margin, approximately 17.1% increase in selling and distribution expenses, approximately 42.5% increase in administrative expenses, approximately 13.9% increase in the loss of the fair value of biological assets and approximately HK$24.7 million increase in other operating expenses.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

During the Period 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.

The operating environment remained challenging during the Period. The financial panic arising from the European sovereign debt crisis and the slow recovery in the United States continuously affected the global economic conditions. On the internal front, although the liquidity market has shown some signs of improvement following some easing measures in China, it was far from a robust environment. China's GDP growth continued to drop in the third quarter of 2012 to approximately 7.4% from a year earlier, the slowest pace in three years. Simultaneously, the rising cost inflation and the fierce competition from the local brands further impeded the Group's financial performance and squeezed the gross profit margin.

The Group had also implemented a more stringent credit control policy to customers to withstand increasing credit risks inherent in the economic downturn. The Group had reduced or even stopped taking orders from customers with gradually slow repayment pattern and weak credibility to ensure collectability. This measure inevitably affected the turnover but was necessary to lower risk during the period of great uncertainty. The Group had adopted various strategies such as expanding sales network and strengthening sales promotion to mitigate the negative impact.

The FMCG Trading Business sells finished FMCG's into the domestic Chinese consumer market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported from different regions around the world including Europe, the Americas, Australasia and South East Asia. This business unit can be classified into five categories including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products with their respective contribution of approximately 68%, 7%, 7%, 11% and 7%. 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.

This business unit formed the foundation of the Group's business success over the years. Although its performance was affected by the unfavourable factors stated above, the Group had counteracted the headwinds by adopting various policies. The Group has been expanding sales channels through participating in online business whereby some of the Group's products are available for sales on renowned online trading platforms in China. On the other hand, the Group also geographically extended sales network to some new second and third-tier cities. The product portfolio is another important area on which the Group has always been focusing. The Group had expanded the procurement team and increased the breadth of market research in order to identify new product types and brands with market niches. The Group had consistently differentiated itself from other local competitors by providing high quality imported products to Chinese customers and this strategy will continue to be the core value of the Group for the FMCG Trading Business. With the gradual improvement in consumer confidence in China, the Group is confident that the competitiveness of our high end products will be increasing accordingly.

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. Similar to the FMCG Trading Business, the agri-products trading business also suffered from the economic downturn and the rising cost inflation, resulting in a drop in revenue and gross profit margin compared to the same period last year. During the Period, allowance for inventories was made due to the sluggish market demand and weakening credibility of certain customers. The slowdown of Chinese economy and the rising credit risks of certain customers led to a slower inventory turnover of the Group. In order to ensure good quality and safety of our food products, the Group had conducted a thorough review during the Period to identify and provide allowance for aging and slow-moving products that would have otherwise been sold under normal economic condition and credit environment. Going forward, the Group will cautiously procure products and maintain a suitable inventory level to meet market demand.

During the Period under review, the Group had reinforced its development in upstream farming business carefully. The farming base in Huidong has been contributing revenue since the fourth quarter of 2011 with steady growth. The products in Huidong were primarily leafy vegetables like cabbages, Chinese kales, lettuces, cauliflowers, spinaches. The Group had conducted several pilot schemes to find out the optimal ways for the operations during the Period, coupled with the increase in agricultural raw materials costs and labour costs, resulting in a squeeze on the gross profit margin. The Jiangxi's farming base is an orchard for various fruits and a pilot plantation for Chinese herds, where the Group had commenced trial operations and expected to have revenue contribution in 2013. The key products of Jiangxi's farming base included fruits such as early crop oranges, ponkans, ruby grapefruits, peaches and naval mandarins and Chinese herbs like honeysuckle and sage. As the upstream farming business requires substantial commitment and resource deployment, the Group will focus on the business in Huidong and Jiangxi for the year ahead. Meanwhile, the Group would thoroughly review the market demand and internal resources to determine the pace and scale of the upstream farming business development in other areas. Going forward, the Group will explore and develop downstream sales channels to cope with the development of the upstream farming business and form a vertically integrated business model to maximize its return.

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 8% of overall revenues for the Period, compared to approximately 10% during the same period in last year. The decrease was mainly attributable to the decline in FMCG Trading Business and agri-products trading business which are positively correlated to the performance of the Logistics Services Business. While the Logistics Services Business is an important strategic unit to support the other two businesses, the Group continued to shift focus in higher margin third party logistics and rental businesses to better utilize the capacity of the two major logistics hubs in Shanghai and Zhongshan.

During the Period under review, the Group had carried out negotiation with the local government and the relevant parties for the development of a new logistics center in Huidong following the signings of the memorandum of cooperation and the cooperation agreement in 2012. The negotiation has stepped into a mature phrase where detailed transaction structure and legal issues are expected to be finalised. The new logistics center is located in an easily accessible area which is in close proximity to the Group's Huidong's farming base. The center will be developed as a trading platform for fresh produces along with other ancillary facilities for storage and processing functions, with which the crops in Huidong's farming base will possess a significant trading platform and processing base to suit customers' needs.

Looking forward, the Group would adopt a pragmatic and conservative approach to develop and reinforce the existing businesses. Every expansion plan will be scrutinized to ensure its financial viability and operation optimization, by which the unprofitable sectors may be reduced in scale or abandoned and some expansion plans may be deferred on as-needed basis. On the other hand, various cost-saving initiatives will be implemented and the Group would review the operations of each business with an aim to streamline the structure and enhance efficiency. On macro front, the recent statistics indicated some signs of stabilisation for the global economy, our management is cautiously optimistic that the Group is well positioned to pave the way for growth momentum through our well established sales network, in-depth experiences in Chinese consumer market and strong and health financial position.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

At 31 December 2012, the Group had interest-bearing borrowings of approximately HK$69.6 million (30 June 2012: HK$82.7 million), which were denominated in Hong Kong dollars and all would mature within one year or beyond a year but with a repayment on demand clause. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. The Directors consider that the operations of the Group are not exposed to significant foreign currency exchange risk in view of the stability of the exchange rates between these currencies. The Group did not have any significant hedging instrument outstanding as at 31 December 2012.

At 31 December 2012, the Group's current assets amounted to approximately HK$1,587.4 million (30 June 2012: HK$1,685.1 million) and the Group's current liabilities amounted to approximately HK$209.6 million (30 June 2012: HK$213.8 million). The Group's current ratio remained strong and stable at approximately 7.6 at 31 December 2012 (30 June 2012: 7.9). At 31 December 2012, the Group had total assets of approximately HK$3,656.0 million (30 June 2012: HK$3,764.9 million) and total liabilities of approximately HK$212.9 million (30 June 2012: HK$217.3 million) with a gearing ratio of approximately 1.9% (30 June 2012: 2.2%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained fairly stable as at 31 December 2012.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2012, the interests and short positions of every Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (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") as set out in Appendix 10 to the Listing Rules, were as follows:–

Aggregate long positions in shares

Name of director	*Notes*	**Capacity of interests**	**Number of shares held**	**Approximate percentage of the issued shares**
Mr. LAM Kwok Hing ("Mr. Lam")	1	Interest in controlled corporation and family interest	852,451,895	15.63%
Ms. LEE Choi Lin, Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	852,451,895	15.63%
Ms. HUNG Sau Yung, Rebecca	2	Beneficial owner	30,000,000	0.55%
Ms. GAO Qin Jian	2	Beneficial owner	30,000,000	0.55%
Ms. CHAN Yuk, Foebe	2	Beneficial owner	19,183,500	0.35%
Mr. John HANDLEY	2	Beneficial owner	21,394,500	0.39%
Ms. MAK Yun Chu	2	Beneficial owner	21,394,500	0.39%
Mr. POON Yiu Cheung, Newman	2	Beneficial owner	21,394,500	0.39%

Notes:

1. 629,284,948 shares are held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVl") wholly and beneficially owned by Mr. Lam; and 223,166,947 shares are held by World Invest Holdings Limited, a company incorporated in the BVI wholly and beneficially owned by Ms. Lee. Ms. Lee is the spouse of Mr. Lam. By virtue of the SFO each of Mr. Lam and Ms. Lee is deemed to be interested in 852,451,895 shares.

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

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2012, the interests of every person, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of the Directors were as follows:–

Aggregate long positions in shares

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

Note:

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

Save as disclosed herein and under the heading "Directors' interests in securities" above, as at 31 December 2012, no other person had any interests and short positions in shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

Name or category of participants	Number of share options: At 1 July 2012	Granted during the period	Exercised during the period	Cancelled during the period	At 31 December 2012	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$
Executive director								
Ms. HUNG Sau Yung, Rebecca	–	30,000,000	–	–	30,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
Ms. GAO Qin Jian	–	30,000,000	–	–	30,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
Non-executive director								
Ms. CHAN Yuk, Foebe	19,183,500*	–	–	–	19,183,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
Independent non-executive directors								
Mr. John HANDLEY	6,394,500*	–	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
	–	15,000,000	–	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
					21,394,500			
Ms. MAK Yun Chu	6,394,500*	–	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
	–	15,000,000	–	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
					21,394,500			
Mr. POON Yiu Cheung, Newman	6,394,500*	–	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621*
	–	15,000,000	–	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
					21,394,500			
Employees (in aggregate)	–	70,000,000	–	–	70,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
Other eligible participants (in aggregate)	115,101,000*	–	–	–	115,101,000	15 June 2011	15 June 2011 to 14 June 2016	0.621*
	12,789,000	–	–	–	12,789,000#	15 June 2011	1 January 2012 to 31 December 2016	0.621*
	12,789,000	–	–	–	12,789,000##	15 June 2011	1 January 2013 to 31 December 2017	0.621*
	–	120,000,000	–	–	120,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205**
	179,046,000	295,000,000	–	–	474,046,000			

* The number of share options and exercise prices have been adjusted to reflect the bonus issue in December 2011 and the open offer in April 2012.

** The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.181.

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

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

At 31 December 2012, the Company had 474,046,000 (2011: 147,912,503) 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 474,046,000 (2011: 147,912,503) additional ordinary shares and additional share capital of approximately HK$4,740,460 (2011: HK$1,479,000) and share premium of approximately HK$166,922,000 (2011: HK$109,820,000) (before share issue expenses). There was no option exercised, cancelled or lapsed during the Period.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's securities during the Period.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("CG Code") throughout the six months ended 31 December 2012, only with deviation from code provision A.2.1 of the CG Code following the resignation of Mr. Chu Ki, the former Chief Executive Officer of the Company. Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Board has appointed Mr. LAM Kwok Hing as Chief Executive Officer and as a result, the dual role of Chairman and Chief Executive Officer is performed by Mr. Lam. Mr. Lam is one of the founders of the Group and possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. The Board believes that vesting the roles of Chairman and Chief Executive Officer on Mr. Lam provides the Company with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and at the same time, generates benefits for the Company and its shareholders as a whole.

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 Period and they all confirmed that they had fully complied with the required standard set out in the Model Code.

REVIEW OF INTERIM RESULTS

The interim results announcement for the six months ended 31 December 2012 has been reviewed by the Audit Committee of the Company, but not by the Company's external auditors.

On behalf of the Board
LAM Kwok Hing
Chairman

Hong Kong, 26 February 2013

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.